
SUPPLEMENTARY SCHEME BOOKLET

This Supplementary Scheme Booklet amends and supplements the disclosure in the Scheme Booklet dated 20 August 2018 relating to the proposal from Alliance Mineral Assets Limited (**AMAL**) to acquire all of the issued shares in Tawana Resources NL (**Tawana**).

VOTE IN FAVOUR

The Tawana Directors continue to **unanimously recommend** that you **vote in favour of the Scheme** in the absence of a Superior Proposal

Financial adviser

CANACCORE Genuity

Legal adviser

KING & WOOD
MALLESONS

This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser. If you have recently sold all of your Tawana Shares, please ignore this document.



IMPORTANT NOTICES

GENERAL

Tawana Shareholders are encouraged to read the Scheme Booklet dated 20 August 2018 (**Scheme Booklet**) and this Supplementary Scheme Booklet in their entirety before making a decision as to how to vote on the Scheme Resolution to be considered at the Scheme Meeting.

DATE AND PURPOSE OF THIS SUPPLEMENTARY SCHEME BOOKLET

This Supplementary Scheme Booklet is dated 8 November 2018.

The purpose of this Supplementary Scheme Booklet is to provide information to Tawana Shareholders about certain events following the despatch of the Scheme Booklet to Tawana Shareholders, including the entry into the Debt Arrangements, and to provide Tawana Shareholders with updated Financial Information and the details of the Postponed Scheme Meeting.

RESPONSIBILITY FOR INFORMATION

The information contained in this Supplementary Scheme Booklet (other than the Replacement IER, the Replacement ILAR and the AMAL Supplementary Information) has been prepared by Tawana and is the responsibility of Tawana. None of AMAL, its directors, officers or advisers assume any responsibility for the accuracy or completeness of any information contained in this Supplementary Scheme Booklet, other than the “**AMAL Supplementary Information**” comprising:

- Sections 4, 5 and 15 of this Supplementary Scheme Booklet;
- any information or disclosures in this Supplementary Scheme Booklet which amends, replaces or supplements any “AMAL Information” (as defined in the Scheme Booklet); and
- any other statements in this Supplementary Scheme Booklet made by or attributable to AMAL.

BDO has prepared the Replacement IER contained in Annexure A to this Supplementary Scheme Booklet, and takes responsibility for that report. None of Tawana, AMAL nor their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Replacement IER.

Ernst & Young Transaction Advisory Services Limited has prepared the Replacement ILAR contained in Annexure B to this Supplementary Scheme Booklet, and takes responsibility for that report. None of Tawana, AMAL nor their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Replacement ILAR.

ASIC AND ASX

A copy of this Supplementary Scheme Booklet has been provided to ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the contents of this Supplementary Scheme Booklet.

JSE AND SOUTH AFRICAN EXCHANGE CONTROL

A copy of this Supplementary Scheme Booklet has been made available to JSE in South Africa for review in connection with its issue to SA Holders. Tawana Shareholders should refer to the section entitled “JSE and South African Exchange Control” in the “Important Notices” section of the Scheme Booklet.

COURT

The Court is not responsible for the contents of this Supplementary Scheme Booklet and, in ordering that the Postponed Scheme

Meeting be held, the Court does not in any way indicate that the Court has approved or will approve the terms of the Scheme. An order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

NOTICE OF POSTPONED SCHEME MEETING

The Notice of Postponed Scheme Meeting is contained in Annexure C to this Supplementary Scheme Booklet.

NOTICE OF SECOND COURT DATE

At the Second Court Date, the Court will consider whether to approve the Scheme following the vote at the Shareholder Meeting.

Any Tawana Shareholder may appear at the Second Court Date, expected to be 3 December 2018 at 2:15pm. Any Tawana Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Tawana a notice of appearance in the prescribed form, together with any affidavit that the Tawana Shareholder proposes to rely on.

ADDITIONAL INFORMATION

If you have any further questions or require further information in relation to this Supplementary Scheme Booklet or the Scheme please contact Tawana’s investor hotline on 1300 223 071 or, for overseas shareholders, +61 3 9415 4032, between 9:00am to 5:00pm (Perth, Australia time) Monday to Friday, or visit the website: www.tawana.com.au. Tawana Shareholders should consult their legal, financial or other professional adviser before making any decision regarding the Scheme.

IMPORTANT NOTICES FROM THE SCHEME BOOKLET

Tawana Shareholders should refer to the disclaimers and important notices in the “Important Notices” section of the Scheme Booklet, including but not limited to the paragraphs entitled “Future Matters and Intentions”, “No Investment Advice”, “Shareholders Outside Australia”, “Notice to Tawana Shareholders in Singapore”, “Notice to Tawana shareholders in New Zealand”, “Notice to Tawana Shareholders in Hong Kong”, “Financial Information”, “Tax Implications of the Scheme”, “Privacy”, “Tawana and AMAL Websites” and “Effect of Rounding”, which are also applicable in respect of this Supplementary Scheme Booklet.

INTERPRETATION

In this Supplementary Scheme Booklet (other than the Annexures):

- capitalised terms used in this Supplementary Scheme Booklet that are not otherwise defined have the meanings set out in the Glossary in Section 11 of the Scheme Booklet or given to them by the Corporations Act;
- headings are for ease of reference only and will not affect the interpretation of this Supplementary Scheme Booklet;
- words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;
- a reference to a Section or Annexure is to a Section in or Annexure to this Supplementary Scheme Booklet, unless otherwise stated;
- unless otherwise specified, all references to \$, A\$, AUD and cents are references to Australian currency and all references to S\$ are references to Singaporean currency; and
- unless otherwise stated, all references to times in this Supplementary Scheme Booklet are references to time in Perth, Western Australia.

IMPORTANT DATES – REVISED TIMETABLE

This “Important Dates – Revised Timetable” section of this Supplementary Scheme Booklet replaces the “Important Dates” section of the Scheme Booklet.

16 November 2018	For SA Holders only: Date for determining entitlement to vote at the Scheme Meeting for Dematerialised SA Holders
10:00am (South African Standard Time) on 23 November 2018	For SA Holders only: Latest time and date for receipt by Strate of voting instruction forms for Scheme Meeting from the CSDP or broker of Dematerialised SA Holders
10:00am on 25 November 2018	Latest time and date for receipt of Proxy Forms for Scheme Meeting (including from Certificated SA Holders)
10:00am on 25 November 2018	Time and date for determining eligibility to vote at the Scheme Meeting
10:00am on 27 November 2018	Tawana Shareholders’ meeting to vote on the Scheme

If the Scheme is approved by Tawana Shareholders

3 December 2018	Second Court Hearing for approval of the Scheme
4 December 2018	Court order is lodged with ASIC and Scheme takes effect (Effective Date) Last day of trading in Tawana Shares on ASX and JSE
Close of trading on 4 December 2018	Suspension of Tawana Shares from trading on ASX and JSE
5 December 2018	ASX Listed Shares expected to commence trading on ASX on a deferred settlement basis
5:00pm on 5 December 2018	Deadline for receipt of Election Forms from Tawana Shareholders
5:00pm on 7 December 2018	Determination of entitlement to receive Scheme Consideration (Record Date)
14 December 2018	Implementation of the Scheme (Implementation Date) Issue of the Scheme Consideration
14 December 2018	Last day of deferred settlement trading of ASX Listed Shares on ASX
17 December 2018	ASX Listed Shares expected to commence trading on ASX on a normal settlement basis

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable (which may include an earlier Second Court Hearing) will be announced through ASX and notified on <http://www.asx.com.au/asx/statistics/announcements.do>.

All references to times in this Supplementary Scheme Booklet are references to time in Perth, Western Australia, unless otherwise stated.

The Scheme Booklet includes several references to important dates throughout that correspond to the dates set out in the “Important Dates” section of the Scheme Booklet. For the avoidance of doubt, these references to important dates in the Scheme Booklet are to be read as references to the dates as set out in this “Important Dates – Revised Timetable” section of this Supplementary Scheme Booklet.

NOTES FOR SA HOLDERS:

If you are a Dematerialised SA Holder, including an ‘own name’ holder, you should provide your CSDP or broker with your voting instructions in the manner and subject to the cut-off time stipulated in the custody agreement governing your relationship with your CSDP or broker in order to allow your CSDP or broker to meet this timing requirement.

Movements of Tawana Shares between the Australian register and South African branch register will not be permitted after 27 November 2018.

SA Holders will not be permitted to have Tawana Shares dematerialised into Strate or re-materialised after 4 December 2018.



LETTER FROM THE CHAIRMAN OF TAWANA

Dear Fellow Shareholder

Tawana Resources NL (**Tawana**) is pleased to provide shareholders with this Supplementary Scheme Booklet and to confirm that the postponed Scheme Meeting will be held at 10:00am on 27 November 2018 at King & Wood Mallesons, Level 30, QV1 Building, 250 St Georges Terrace, Perth, Western Australia.

As you are aware, there have been significant developments following the despatch of the Scheme Booklet dated 20 August 2018 (**Scheme Booklet**) to Tawana Shareholders, including Tawana securing the \$40m conditional debt funding announced to ASX on 31 October 2018 (see Section 2 of this Supplementary Scheme Booklet) and the status of the proposed listing of AMAL on ASX in connection with the Scheme. This Supplementary Scheme Booklet provides information to Tawana Shareholders about these developments and other information relevant to your voting decision in relation to the Scheme. Tawana Shareholders are encouraged to read both the Scheme Booklet and this Supplementary Scheme Booklet in their entirety before voting on the Scheme.

Debt Arrangements and ASX Listing Condition

Following the despatch of the Scheme Booklet to Tawana Shareholders in late August 2018, AMAL advised Tawana that it was unable to satisfy the condition of the Scheme requiring admission of AMAL to the Official List of ASX and the Official Quotation of AMAL Shares on ASX (**ASX Listing Condition**) within the proposed timetable for the Scheme as a result of the material uncertainty regarding the Merged Group's ability to continue as a going concern noted in the Pro Forma Historical Financial Information (as defined in the Scheme Booklet)¹.

In the interest of continuing with the Merger, Tawana and AMAL waived the ASX Listing Condition on 19 September 2018, whilst both companies remained committed to the listing of AMAL on ASX and continued to work towards satisfying ASX listing requirements in due course following the Merger.

On 31 October 2018, Tawana and Lithco executed formal binding documentation with a consortium of lenders led by Tribeca Investment Partners (**Tribeca**) for a \$40 million conditional funding package (**Funding Package**).

Apart from providing funding for capital works and working capital at the Bald Hill Project, the Funding Package will improve the liquidity position of the Merged Group, such that the material uncertainty regarding the Merged Group's ability to continue as a going concern no longer exists. Consequently, the concern that led to the waiver of the ASX Listing Condition has been alleviated.

Accordingly, on 7 November 2018, following execution of the formal binding documentation with respect to the Funding Package, Tawana and AMAL agreed to reinstate the ASX Listing Condition.

No change to recommendation that you vote in favour of the Scheme in the absence of a Superior Proposal

Your Tawana Directors continue to believe that the Scheme is in the best interests of Tawana Shareholders in that it represents a compelling opportunity to consolidate the ownership of the Bald Hill Project before the next stage of its development. The Tawana Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal. Each Tawana Director intends to vote the Tawana Shares that they own or control at the time of the Scheme Meeting (if any), and will direct any Tawana proxies placed at their discretion, in favour of the Scheme in the absence of a Superior Proposal.

The Independent Expert, BDO, has maintained its opinion that the Scheme is fair and reasonable to Tawana Shareholders and therefore is in the best interests of Tawana Shareholders, in the absence of a superior proposal (refer to Annexure A).

Postponed Scheme Meeting and voting

Your vote is important. I strongly encourage you to vote either by attending the Postponed Scheme Meeting in person or by completing and returning the accompanying Proxy Form so that it is received at the address shown on the Proxy Form by 10:00am on 25 November 2018.

Tawana Shareholders that have already voted are entitled to change their vote by submitting a new Proxy Form. Any Proxy Forms that have been validly lodged prior to the date of this Supplementary Scheme Booklet will be deemed valid for the Postponed Scheme Meeting unless withdrawn or revoked, provided that the Proxy Form is given by a Tawana Shareholder that continues to be a registered holder as at 10:00am on the new eligibility date of 25 November 2018. If a new Proxy Form is submitted it will be taken to revoke any previously submitted Proxy Form.

¹ Refer to Section 6.5 of the Scheme Booklet.

Shareholders who have any questions relating to the Scheme should contact Tawana's investor hotline on 1300 223 071 or, for overseas shareholders, +61 3 9415 4032, between 9:00am and 5:00pm (Perth, Australia time) Monday to Friday.

On behalf of the Board of Directors of Tawana, I would like to sincerely thank all of our shareholders for their ongoing loyalty and support. As a fellow Tawana Shareholder, I look forward to joining you in participating in the next exciting chapter of growth at the Bald Hill Project.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Robt Benussi', with a stylized flourish at the end.

Robert Benussi
Chairman
Tawana Resources NL



SUPPLEMENTARY DISCLOSURES

Tawana Resources NL (**Tawana**) is providing this Supplementary Scheme Booklet to supplement disclosure in the Scheme Booklet dated 20 August 2018 (**Scheme Booklet**) in relation to the proposed acquisition by Alliance Mineral Assets Limited (**AMAL**) of all of the ordinary shares in Tawana by way of a scheme of arrangement between Tawana and Scheme Participants.

The purpose of this Supplementary Scheme Booklet is to provide information to Tawana Shareholders about certain events following the despatch of the Scheme Booklet to Tawana Shareholders, including the entry into the Debt Arrangements, and to provide Tawana Shareholders with updated Financial Information and the details of the postponed Scheme Meeting (**Postponed Scheme Meeting**).

The Postponed Scheme Meeting will be held at 10:00am on 27 November 2018 at King & Wood Mallesons, Level 30, QV1 Building, 250 St Georges Terrace, Perth, Western Australia.

The Tawana Directors believe that the Scheme is and remains in the best interests of Tawana shareholders and unanimously recommend that, in the absence of a Superior Proposal, Tawana Shareholders vote in favour of the Scheme at the Scheme Meeting. The basis for this recommendation is set out in Section 1.1 of the Scheme Booklet.

You should read this Supplementary Scheme Booklet in conjunction with the Scheme Booklet in its entirety before making any decision as to how to vote at the Postponed Scheme Meeting. Any terms not defined in this Supplementary Scheme Booklet have the corresponding meaning given in Section 11 of the Scheme Booklet.

This Supplementary Scheme Booklet prevails to the extent of any inconsistency between this Supplementary Scheme Booklet and the Scheme Booklet.

1 ASX LISTING CONDITION

As described in Section 3.4 of the Scheme Booklet, the originally proposed Scheme was conditional on, amongst other things, ASX approving the admission of AMAL to the Official List of ASX and the official quotation of AMAL Shares on ASX (**ASX Listing Condition**).

Following the despatch of the Scheme Booklet to Tawana Shareholders in late August 2018, AMAL sought confirmation from ASX that the material uncertainty regarding the Merged Group's ability to continue as a going concern noted in the Pro Forma Historical Financial Information (as defined in the Scheme Booklet) (refer to Section 6.5 of the Scheme Booklet) and the Independent Limited Assurance Report (in Annexure B to the Scheme Booklet) would not prevent AMAL being granted approval for admission to the Official List of ASX.

Notwithstanding AMAL's submissions, ASX declined to provide that confirmation, resulting in AMAL being, at that time, unable to satisfy the ASX Listing Condition within the proposed timetable for the Scheme.

As a result, on 19 September 2018, Tawana and AMAL agreed to waive the ASX Listing Condition.

On 31 October 2018, Tawana and Lithco executed formal binding documentation with a consortium of lenders led by Tribeca Investment Partners Pty Ltd (**Tribeca**) with respect to:

- a secured \$20 million term facility to be provided by way of loan notes that is to be made available to Lithco, conditional on customary draw down conditions (**Tawana Facility**); and
- a secured \$20 million term facility to be provided by way of loan notes that is to be made available to Lithco (as part of the Merged Group), conditional on the Scheme being implemented and AMAL receiving conditional ASX listing approval, among other customary draw down conditions (**MergeCo Facility**).

The Tawana Facility and the MergeCo Facility (collectively the **Debt Arrangements**) will improve the liquidity position of the Merged Group, such that the material uncertainty regarding the Merged Group's ability to continue as a going concern no longer exists and, consequently, the concern that led to the waiver of the ASX Listing Condition has been alleviated.

On 7 November 2018, following execution of the formal binding documentation with respect to the Debt Arrangements, Tawana and AMAL agreed to make the Scheme again conditional upon the ASX Listing Condition by revoking the waiver of that condition announced on 19 September 2018.

2 DEBT ARRANGEMENTS

On 31 October 2018, Tawana and Lithco executed formal binding documentation with a consortium of lenders led by Tribeca with respect to the Tawana Facility and the MergeCo Facility.

The Tawana Facility comprises a secured \$20 million loan notes facility which will be available to Lithco. The Scheme Implementation Agreement contemplated Tawana's entry into a \$15 million facility. \$15 million of the \$20 million Tawana Facility allows the continued ramp up of production and planned expansion of the proposed fines circuit additions to the existing Dense Media Separation plant at the Bald Hill Project and additional working capital. The remaining \$5 million of the \$20 million Tawana Facility will be used to repay the Red Coast loan referenced in Tawana's announcement dated 5 February 2018. As at the date of this Supplementary Scheme Booklet, the Tawana Facility has been fully drawn down.

The MergeCo Facility comprises a secured \$20 million term facility to be provided by way of loan notes from the lenders which will be available to Lithco (as part of the Merged Group) for additional working capital, cost requirements for the Bald Hill Project and general corporate purposes of the Merged Group. As at the date of this Supplementary Scheme Booklet, no amount of the MergeCo Facility has been drawn down.


Under the terms of the Debt Arrangements, until AMAL's existing secured loan has been repaid, other than the ability to put in place intercompany loans between a member of the Tawana Group and AMAL (or any subsidiary of AMAL other than a member of the Tawana Group) with an aggregate amount up to \$10 million, there are restrictions on the transfer of assets (including cash), distributions and incurrence of financial indebtedness between the Tawana Group and AMAL (or any subsidiary of AMAL other than a member of the Tawana Group). These restrictions will be automatically lifted once AMAL's existing secured loan has been repaid and the existing AMAL loan security has been released.

The key terms and conditions of the Tawana Facility are:

- only one utilisation may be made of the Tawana Facility and it must be for the whole amount (being \$20 million).
- interest will accrue at 13% per annum plus the 3 months USD London interbank offered rate (**LIBOR**);
- Lithco is required to pay an amount equal to 2% of the principal amount repaid on the maturity date (the rate increases to 4% in respect of any amount extended beyond the original maturity date of 1 July 2020);
- the loan under the Tawana Facility will mature on 1 July 2020, with the ability to extend the maturity date in respect of up to \$10 million for a further 6 months (subject to satisfaction of certain conditions);
- if a loan is voluntarily repaid prior to the maturity date Lithco will be required to pay a premium of the amount equal to 5% of the principal amount voluntarily repaid on the repayment date;
- the Tawana Facility is secured by way of first ranking security over Tawana's and Lithco's assets, including Lithco's 50% interest in the Bald Hill Project, with certain carve outs. Following the implementation of the Scheme, AMAL will also grant second ranking security over the assets of AMAL; and
- drawdown under the Tawana Facility is conditional upon customary conditions.

The key terms and conditions of the MergeCo Facility are:

- only one utilisation may be made of the MergeCo Facility and it must be for the whole amount (being \$20 million).
- the loan under the MergeCo Facility will mature on 1 July 2020;
- interest will accrue at 13% per annum plus the 3 months USD LIBOR on drawn funds, with a commitment fee of 3% per annum on undrawn funds (accrued on and from implementation of the Scheme);
- Lithco is required to pay an amount equal to 2% of the principal amount repaid on the maturity date;
- if a loan is voluntarily repaid prior to the maturity date Lithco will be required to pay a premium of the amount equal to 5% of the principal amount voluntarily repaid;
- the MergeCo Facility is originally secured by way of first ranking security over Tawana's and Lithco's assets, including Lithco's 50% interest in the Bald Hill Project. Following the implementation of the Scheme, AMAL will grant second ranking security over the assets of AMAL; and
- the MergeCo Facility is conditional on the Scheme being implemented and AMAL receiving conditional ASX listing approval, among other customary draw down conditions.



The Tawana Facility and the MergeCo Facility are subject to standard covenants and events of default for a loan facility of this nature, including non-payment, insolvency, competing security interests, change of control or a material adverse event affecting AMAL or its subsidiaries.

An event of default occurs under the terms and conditions of the Debt Arrangements (which would result in the lender having the right to declare the debt as due and payable and the right to enforce the security) if certain events or circumstances occur which would, or would be reasonably likely to have, a material adverse effect on (amongst other things) the business, assets, liabilities or conditions (financial or otherwise) of an obligor under the Debt Arrangements, the ability of any obligor under the Debt Arrangements to perform its obligations under the Debt Arrangements or certain material contracts relating to the Bald Hill Project, or the validity or enforceability of any security granted pursuant to the Debt Arrangements.

The Debt Arrangements include the following financial covenants:

- (Cash) the Tawana Group (prior to repayment of AMAL's existing secured debt) and the Merged Group (following repayment of AMAL's existing secured debt) must maintain (on a consolidated basis) unrestricted cash on hand and cash equivalent investments of at least \$5 million at all times;
- (Current Ratio) the Tawana Group (prior to repayment of AMAL's existing secured debt) and the Merged Group (following repayment of AMAL's existing secured debt) must maintain a ratio of current assets to current liabilities of greater than 1.10 times at any time; and
- (Debt Ratio) at any time on or after 30 June 2019, the Tawana Group (prior to repayment of AMAL's existing secured debt) and the Merged Group (following repayment of AMAL's existing secured debt) must maintain a ratio, on any date, of the aggregate financial indebtedness (excluding certain types of permitted financial indebtedness) to the aggregate entitlement to cash flows from the joint venture and sale proceeds of products from the Bald Hill Project for the 3 month period ending on that date (and annualised) of not greater than 2.35 times.

There has been no breach of these financial covenants as at the date of this Supplementary Scheme Booklet.

Following implementation of the Scheme, AMAL must grant security over all of its assets and undertakings, such that the Tawana Facility and the MergeCo Facility will be secured by way of security over the assets of AMAL and its subsidiaries (including Tawana and Lithco), subject to the existing AMAL loan security. Draw down under the MergeCo Facility is also conditional upon AMAL delivering, amongst other things, documentation giving effect to such security.

Costs associated with the drawdown of funds under the Debt Arrangements (including the arrangement fee, legal fees and advisory fees) have been estimated at \$2 million.

3 TAWANA HISTORICAL FINANCIAL INFORMATION

Sections 4.10 and 4.11 of the Scheme Booklet are to be disregarded in their entirety, and Tawana Shareholders should refer instead to this Section 3 of this Supplementary Scheme Booklet.

3.1 INTRODUCTION

This Section 3 contains the historical financial information for Tawana (**Tawana Historical Financial Information**) comprising:

- the historical consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, and for the six months ended 30 June 2018;
- the historical consolidated statements of financial position as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018; and
- the historical consolidated statements of cash flows for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, and the six months ended 30 June 2018.

3.2 BASIS OF PREPARATION

The Tawana Historical Financial Information set out in this Section 3 is prepared for the purposes of this Supplementary Scheme Booklet and its preparation and presentation is the responsibility of the Tawana Board.

The Tawana Historical Financial Information as at and for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 has been derived from Tawana's financial statements for the respective years which were audited by EY in accordance with Australian Auditing Standards.

EY issued unqualified audit opinions on these financial statements which contained:

- an emphasis of matter on going concern on the financial statements for the year ended 31 December 2015; and
- a material uncertainty paragraph related to going concern on the financial statements for the years ended 31 December 2016 and 31 December 2017.

The Tawana Historical Financial Information as at and for the six months ended 30 June 2018 has been derived from Tawana's interim financial statements for the six months ended 30 June 2018 which were reviewed by EY. EY issued an unmodified limited assurance conclusion, which contained a material uncertainty paragraph related to going concern, on these interim financial statements.

The Tawana Historical Financial Information is presented in an abbreviated form and does not contain all the disclosure, presentation, statement or comparatives that are usually provided in an annual financial report prepared in accordance with the Corporations Act. The Tawana Historical Financial Information should be read in conjunction with the full financial statements of Tawana, for the respective periods, including a description of the accounting policies contained in the financial statements and notes to those financial statements.

Full financial statements for Tawana for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, and the interim financial statements for the six months ended 30 June 2018, were lodged with ASX and are available free of charge at <http://www.asx.com.au/>.

The Tawana Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards (AAS).

The significant accounting policies adopted by Tawana in the preparation of the Tawana Historical Financial Information are consistent with those disclosed in Tawana's 2017 Annual Report, except for the adoption of AASB 9: *Financial Instruments* (AASB 9) and AASB 15: *Revenue from Contracts with Customers* (AASB 15) for the period commencing 1 January 2018 (refer to Section 5.3 of this Supplementary Scheme Booklet).

Other than the adoption of AASB 9 and AASB 15, accounting policies have been consistently applied over the periods the Tawana Historical Financial Information has been presented in this Section 3.

3.3 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Below are Tawana's historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, and for the six months ended 30 June 2018:


	Year ended 31-Dec-2015 \$'000	Year ended 31-Dec-2016 \$'000	Year ended 31-Dec-2017 \$'000	6 months ended 30-Jun-2018 \$'000
Revenue				
Revenue from continuing operations	38	26	84	127
Total revenue	38	26	84	127

	Year ended 31-Dec-2015 \$'000	Year ended 31-Dec-2016 \$'000	Year ended 31-Dec-2017 \$'000	6 months ended 30-Jun-2018 \$'000
Expenses				
Administration expense	(572)	(605)	(815)	(1,328)
Employee benefits expense	(927)	(399)	(995)	(1,058)
Share based payment expense	(45)	(326)	(4,334)	(448)
Compliance and regulatory expense	(116)	(192)	(318)	(259)
Depreciation expense	(52)	(25)	(39)	(35)
Exploration expenditure	-	(239)	(164)	-
Impairment of exploration and evaluation asset	(7,729)	-	(1,559)	(4,059)
Financing expense	-	-	-	(194)
Foreign exchange gain	-	-	-	1
Total expenses	(9,441)	(1,786)	(8,224)	(7,380)
Loss before income tax	(9,403)	(1,760)	(8,140)	(7,253)
Income tax expense	-	-	-	-
Loss after income tax for the period	(9,403)	(1,760)	(8,140)	(7,253)
Other comprehensive loss				
<i>Items that will be reclassified to profit or loss</i>				
Cumulative translation difference on foreign operations disposed during the year transferred to profit or loss	28	-	-	-
Exchange differences on translation of foreign operations	642	(16)	(177)	(44)
Total comprehensive loss for the period	(8,733)	(1,776)	(8,317)	(7,297)

3.4 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Below are Tawana's historical consolidated statements of financial position as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018:

	As at 31-Dec-2015 \$'000	As at 31-Dec-2016 \$'000	As at 31-Dec-2017 \$'000	As at 30-Jun-2018 \$'000
Current assets				
Cash and cash equivalents	808	6,959	16,375	10,811
Trade and other receivables	83	322	5,190	9,355
Prepayments and deposits	-	-	1,116	468
Disposal group held for distribution	-	-	-	4,225
Inventory	-	-	27	868
Total current assets	891	7,281	22,708	25,727



	As at 31-Dec-2015 \$'000	As at 31-Dec-2016 \$'000	As at 31-Dec-2017 \$'000	As at 30-Jun-2018 \$'000
Non-current assets				
Mine properties	-	-	18,045	36,379
Exploration and evaluation expenditure	-	12,463	7,660	316
Property, plant and equipment	60	61	23,833	36,844
Deposits	-	-	73	345
Total non-current assets	60	12,524	49,611	73,884
Total assets	951	19,805	72,319	99,611
Current liabilities				
Trade and other payables	339	1,212	9,373	16,566
Deferred revenue	-	-	9,595	11,705
Employee benefit liabilities	4	2	160	359
Interest bearing liabilities	-	-	-	89
Total current liabilities	343	1,214	19,128	28,719⁽ⁱ⁾
Non-current liabilities				
Interest bearing loans	-	-	-	5,035
Deferred revenue	-	-	2,905	-
Provision for rehabilitation	15	18	706	2,863
Total non-current liabilities	15	18	3,611	7,898
Total liabilities	358	1,232	22,739	36,617
Net assets	593	18,573	49,580	62,994
Equity				
Contributed equity	54,420	73,034	108,024	128,287
Reserves	2,167	2,833	6,990	5,861
Accumulated losses	(55,994)	(57,294)	(65,434)	(72,687)
Amounts recognised in equity relating to the disposal group	-	-	-	1,533
Total equity	593	18,573	49,580	62,994

(i) Tawana had a net current asset deficiency at 30 June 2018 of \$2,992,000. Refer to Section 3.6 for further details.

3.5 CONSOLIDATED STATEMENTS OF CASH FLOWS

Below are Tawana's historical consolidated statements of cash flows for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, and for the six months ended 30 June 2018:

	Year ended 31-Dec-2015 \$'000	Year ended 31-Dec-2016 \$'000	Year ended 31-Dec-2017 \$'000	6 months ended 30-Jun-2018 \$'000
Cash flows from operating activities				
Payments to administration suppliers and employees	(1,626)	(1,097)	(3,715)	(1,851)
Revenue received in advance	-	-	12,500	-
Interest received	34	12	84	85
Interest paid	-	-	-	(147)
Other receipts	3	5	-	-
Net cash provided by/(used in) operating activities	(1,589)	(1,080)	8,869	(1,913)
Cash flows from investing activities				
Payments for mine properties	-	-	(3,516)	(14,919)
Payments for exploration and evaluation	(929)	(11,576)	(7,881)	(214)
Payments for property, plant and equipment	-	(26)	(21,715)	(15,136)
Spare/stores purchases for mine development	-	-	-	(2,119)
Proceeds from sale of lithium concentrate during development phase	-	-	-	4,309
Payments related to the acquisition of tenements	-	-	-	(97)
Cash calls received from Joint Operation Partner not yet expended	-	-	-	397
Proceeds from sale of exploration assets	-	71	-	-
Proceeds from sale of fixed assets	-	9	-	-
Proceeds from R&D refund	418	-	-	-
Proceeds from deposit and bonds	29	-	-	-
Net cash used in investing activities	(482)	(11,522)	(33,112)	(27,779)
Cash flows from financing activities				
Proceeds from issue of shares	-	19,047	35,819	21,385
Proceeds received in advance of share placement	-	195	-	-
Capital raising costs	-	(490)	(2,160)	(1,223)
Proceeds from borrowings	-	-	-	5,000
Transaction costs associated with borrowings	-	-	-	(200)

	Year ended 31-Dec-2015 \$'000	Year ended 31-Dec-2016 \$'000	Year ended 31-Dec-2017 \$'000	6 months ended 30-Jun-2018 \$'000
Net cash received from financing activities	-	18,752	33,659	24,962
Net (decrease)/increase in cash and cash equivalents	(2,071)	6,150	9,416	(4,730)
Cash and cash equivalents at the beginning of the period	2,803	808	6,959	16,375
Exchange rate adjustment to cash and cash equivalents	76	1	-	(31)
Cash and cash equivalents at end of the period	808	6,959	16,375	11,614

3.6 GOING CONCERN BASIS

The Tawana Historical Financial Information has been prepared on a going concern basis which assumes the continuity of Tawana's normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

During the 18 months prior to the date of this Supplementary Scheme Booklet, Tawana and AMAL have worked together to bring the Bald Hill Project into production, with the first spodumene (lithium) concentrate production announced on 14 March 2018. During the initial phase of the Bald Hill Project, Tawana is exposed to a higher level of cash outflows due to pre-strip activities, ongoing capital expenditure and repayment of the Burwill prepayment. Further, during the early stages of the Bald Hill Project and similar to other companies whose performance is dependent upon newly-constructed assets and start-up operations, Tawana is also exposed to normal risks and uncertainties, such as the Bald Hill Project failing to perform as expected, having higher than expected operating costs, having lower than expected customer revenues, key additional infrastructure not coming on stream when required or within budget, potential equipment breakdown or failures and operational errors.

The Tawana Directors recognise that Tawana may need to raise additional funds via equity raisings or financing facilities to fund ongoing operating and capital expenditure (in particular, where actual cash flows differ from budgeted cash flows in light of the above-mentioned risks and uncertainties associated with newly-constructed assets and start-up operations) during the initial phase of the Bald Hill Project.


Subsequent to 30 June 2018, Tawana has raised the following additional funds:

- on 6 July 2018, Tawana issued 12,195,000 Tawana Shares to raise approximately \$4.9 million (before costs); and
- 3,903,060 Options were exercised at an average price of \$0.203 per Option to raise approximately \$0.8 million.

On 31 October 2018, Tawana and Lithco executed formal binding documentation with a consortium of lenders led by Tribeca in relation to the Debt Arrangements, comprising the Tawana Facility (a secured \$20 million term facility to be provided by way of loan notes to be made available to Lithco) and the MergeCo Facility (a secured \$20 million term facility to be provided by way of loan notes to be made available to the Merged Group, conditional on the Scheme being implemented and AMAL receiving conditional ASX listing approval, among other customary draw down conditions). As at the date of this Supplementary Scheme Booklet, the Tawana Facility has been fully drawn down.

Under the terms of the Debt Arrangements, until AMAL's existing secured loan has been repaid, other than the ability to put in place intercompany loans between a member of the Tawana Group and AMAL (or any subsidiary of AMAL other than a member of the Tawana Group) with an aggregate amount up to \$10 million, there are restrictions on the transfer of assets (including cash), distributions and incurrence of financial indebtedness between the Tawana Group and AMAL (or any subsidiary of AMAL other than a member of the Tawana Group). These restrictions will be automatically lifted once AMAL's existing secured loan has been repaid and the existing AMAL loan security has been released.

Refer to Section 2 of this Supplementary Scheme Booklet for further details relating to the Debt Arrangements.



In the event that the Scheme is not implemented or AMAL does not receive conditional ASX listing approval (hence the MergeCo Facility does not become available) and Tawana is unable to obtain sufficient alternative funding, there is a material uncertainty whether Tawana will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the historical consolidated statements of financial position. The Tawana Directors are satisfied that they will be able to raise additional funds as required if the Scheme is not implemented.

Tawana's historical consolidated statements of financial position do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should Tawana not be able to continue as a going concern.

3.7 MATERIAL CHANGES IN TAWANA'S FINANCIAL POSITION

To the knowledge of your Tawana Directors, and except as disclosed elsewhere in this Supplementary Scheme Booklet, the financial position of Tawana has not materially changed since 30 June 2018 other than:

- on 18 July 2018, the Cowan Lithium Demerger was implemented and Tawana's net assets and total equity were reduced as a result of the capital reduction and distribution. Refer to Tawana's notice of meeting dated 1 June 2018 (released to ASX on that date) and Section 4.9 of the Scheme Booklet for further details relating to Cowan Lithium;
- Tawana has raised the following additional funds:
 - on 6 July 2018, Tawana issued 12,195,000 Tawana Shares to raise approximately \$4.9 million (before costs); and
 - 3,903,060 Options were exercised at an average price of \$0.203 per Option to raise approximately \$0.8 million;
- Tawana announced on 31 July 2018 that the Bald Hill Project had achieved commercial production; and
- on 31 October 2018, Tawana and Lithco executed formal binding documentation with a consortium of lenders led by Tribeca with respect to the Debt Arrangements, comprising:
 - a secured \$20 million term facility to be provided by way of loan notes that is to be made available to Lithco; and
 - a secured \$20 million term facility to be provided by way of loan notes that is to be made available to Lithco (as part of the Merged Group), conditional on the Scheme being implemented and AMAL receiving conditional ASX listing approval, among other customary draw down conditions.

Refer to Section 2 of this Supplementary Scheme Booklet for further details relating to the Debt Arrangements.

4 AMAL HISTORICAL FINANCIAL INFORMATION

Section 5.4 of the Scheme Booklet is to be disregarded in its entirety, and Tawana Shareholders should refer instead to this Section 4 of this Supplementary Scheme Booklet.

4.1 INTRODUCTION

This Section 4 contains the historical financial information for AMAL (**AMAL Historical Financial Information**) comprising:

- the historical statements of profit or loss and other comprehensive income for the years ended 30 June 2016 and 30 June 2017 and the historical consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018;
- the historical statements of financial position as at 30 June 2016 and 30 June 2017 and the historical consolidated statement of financial position as at 30 June 2018; and
- the historical statements of cash flows for the years ended 30 June 2016 and 30 June 2017 and the historical consolidated statement of cash flows for the year ended 30 June 2018.

4.2 BASIS OF PREPARATION

The AMAL Historical Financial Information set out in this Section 4 is prepared for the purposes of this Supplementary Scheme Booklet and its preparation and presentation is the responsibility of the AMAL Board.

The AMAL Historical Financial Information has been derived from its financial statements for the respective years which were audited by EY in accordance with Australian Auditing Standards.

EY issued an unqualified audit opinion on the financial statements of AMAL for the year ended 30 June 2016. EY issued unqualified audit opinions, which contained a material uncertainty paragraph related to going concern, on the financial statements of AMAL for the year ended 30 June 2017 and 30 June 2018.

The AMAL Historical Financial Information is presented in an abbreviated form and does not contain all the disclosure, presentation, statement or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. The AMAL Historical Financial Information should be read in conjunction with the full financial statements of AMAL, for the respective periods, including a description of the accounting policies contained in the financial statements and notes to those financial statements.

Full financial statements for AMAL for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018 were lodged with SGX-ST and are available free of charge at <http://www.sgx.com/>.

The significant accounting policies adopted by AMAL in the preparation of the AMAL Historical Financial Information are consistent with those disclosed in AMAL's 2018 Annual Report. AMAL has not early adopted any Accounting Standards including AASB 9: *Financial Instruments* and AASB 15: *Revenue from Contracts with Customers* which are applicable for financial years beginning on or after 1 January 2018.

Accounting policies have been consistently applied over the periods the AMAL Historical Financial Information has been presented in this Section 4.

The AMAL Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS.

4.3 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Below are AMAL's historical statements of profit or loss and other comprehensive income for the financial years ended 30 June 2016 and 30 June 2017 and historical consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2018:

	Year ended 30 Jun 2016 \$'000	Year ended 30 Jun 2017 \$'000	Year ended 30 Jun 2018 \$'000
Revenue			
Interest income	23	35	176
Total revenue	23	35	176
Other income	134	321	-
Foreign exchange (loss)/gain	111	(174)	236
Loss on disposal of assets	(15)	(2)	-
Accounting and audit expenses	(146)	(186)	(287)
Consulting and directors' fees	(344)	(274)	(765)
Tenement expenses	(176)	-	-
Administrative expenses	(681)	(1,827)	(2,327)
Employee salaries and other benefits expenses	(489)	(369)	(2,077)
Site operating expenses	-	(1,840)	-

	Year ended 30 Jun 2016 \$'000	Year ended 30 Jun 2017 \$'000	Year ended 30 Jun 2018 \$'000
Borrowing costs	(788)	(488)	(1,035)
Other expenses	-	-	(352)
Reversal of impairment	-	-	5,297
Loss before income tax	(2,371)	(4,804)	(1,134)
Income tax expense	(1,711)	-	-
Loss after tax attributable to equity holders of AMAL	(4,082)	(4,804)	(1,134)
Other comprehensive income	-	-	-
Total comprehensive loss for the period attributable to equity holders of AMAL	(4,082)	(4,804)	(1,134)

4.4 STATEMENTS OF FINANCIAL POSITION

Below are AMAL's historical statements of financial position as at 30 June 2016 and 30 June 2017 and historical consolidated statement of financial position as at 30 June 2018:

	As at 30 Jun 2016 \$'000	As at 30 Jun 2017 \$'000	As at 30 Jun 2018 \$'000
Current assets			
Cash and cash equivalents	5,390	2,857	18,841
Other receivables	2,147	148	2,151
Other current assets	23	3,790	586
Inventory	-	-	843
Total current assets	7,560	6,795	22,421
Non-current assets			
Mine development	3,088	3,506	29,427
Property, plant & equipment	13,636	12,294	37,538
Reimbursement asset – rehabilitation obligation	-	-	2,821
Total non-current assets	16,724	15,800	69,786
Total assets	24,284	22,595	92,207

	As at 30 Jun 2016 \$'000	As at 30 Jun 2017 \$'000	As at 30 Jun 2018 \$'000
Current liabilities			
Trade and other payables	3,586	3,299	8,327
Deferred revenue	-	3,702	7,343
Employee benefit liabilities	38	45	210
Interest bearing loans and borrowings	1,032	25	658
Total current liabilities	4,656	7,071 ⁽ⁱ⁾	16,538
Non-current liabilities			
Trade and other payables	669	-	-
Provision for rehabilitation	1,079	1,079	5,642
Interest bearing loans and borrowings	35	17	10,336
Total non-current liabilities	1,783	1,096	15,978
Total liabilities	6,439	8,167	32,516
Net assets	17,845	14,428	59,691
Equity			
Issued capital	38,960	38,960	82,017
Reserves	2,463	3,850	7,189
Accumulated losses	(23,578)	(28,382)	(29,515)
Total equity	17,845	14,428	59,691

(i) AMAL had a net current asset deficiency at 30 June 2017 of \$276,000. Refer to Section 4.6 for further details.

4.5 STATEMENTS OF CASH FLOWS

Below are AMAL's historical statements of cash flows for the financial years ended 30 June 2016 and 30 June 2017 and historical consolidated statement of cash flows for the financial year ended 30 June 2018:

	Year ended 30 Jun 2016 \$'000	Year ended 30 Jun 2017 \$'000	Year ended 30 Jun 2018 \$'000
Cash flows from operating activities			
Interest received	23	35	176
Interest paid	(31)	(11)	(30)
Research and development tax rebate on operating expenditure	919	400	-
Other income received	-	191	120
Revenue received in advance	-	-	8,125
Payment to suppliers and employees	(1,754)	(2,521)	(3,666)
Net cash flows from/(used in) operating activities	(843)	(1,906)	4,725
Cash flows from investing activities			
Proceeds from the sale of assets	-	29	-
Proceeds from redemption of fixed deposit	-	988	-
Proceeds from sale of product during the development phase	38	187	4,311
Research and development tax rebate on capital expenditure	784	706	-
Cash calls paid to joint operation not yet spent	-	-	(397)
Mine development expenditure	(3,054)	-	(20,543)
Purchase and refurbishment of plant & equipment	(424)	(4)	(24,440)
Net cash flows from/(used in) investing activities	(2,656)	1,906	(41,069)
Cash flows from financing activities			
Proceeds from share issues	4,981	-	44,575
Payments for share issue costs	(32)	-	(1,518)
Repayment of secured loan	-	(943)	-
Payment of finance lease principal	(16)	(17)	(18)
Payment of insurance premium loan principal	(70)	(170)	(56)
Proceeds from loan drawdown	-	-	13,078
Proceeds from insurance premium loan	59	160	-

	Year ended 30 Jun 2016 \$'000	Year ended 30 Jun 2017 \$'000	Year ended 30 Jun 2018 \$'000
Transaction costs associated with borrowings	-	-	(1,061)
Repayment of unsecured loan	-	(1,389)	(2,611)
Net cash flows (used in)/from financing activities	4,922	(2,359)	52,389
Net (decrease)/increase in cash and cash equivalents	1,423	(2,359)	16,045
Cash and cash equivalents at beginning of period	3,856	5,390	2,857
Net foreign exchange difference on cash balances	111	(174)	(61)
Cash and cash equivalents at end of period	5,390	2,857	18,841

4.6 GOING CONCERN BASIS

The AMAL Historical Financial Information has been prepared on a going concern basis which assumes the continuity of AMAL's normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.


During the 18 months prior to the date of this Supplementary Scheme Booklet, Tawana and AMAL have worked together to bring the Bald Hill Project into production, with the first spodumene (lithium) concentrate production announced on 14 March 2018. During the initial phase of the Bald Hill Project, AMAL is exposed to a higher level of cash outflows due to pre-strip activities, ongoing capital expenditure and repayment of the Burwill prepayment. Further, during the early stages of the Bald Hill Project and similar to other companies whose performance is dependent upon newly-constructed assets and start-up operations, AMAL is also exposed to normal risks and uncertainties, such as the Bald Hill Project failing to perform as expected, having higher than expected operating costs, having lower than expected customer revenues, key additional infrastructure not coming on stream when required or within budget, potential equipment breakdown or failures and operational errors.

The AMAL Board recognises that AMAL may need to raise additional funds via equity raisings or financing facilities to fund ongoing operating and capital expenditure (in particular, where actual cash flows differ from budgeted cash flows in light of the above-mentioned risks and uncertainties associated with newly-constructed assets and start-up operations) during the initial phase of the Bald Hill Project.

Subsequent to 30 June 2018, AMAL has raised the following additional funds via equity raisings:

- on 4 July 2018, AMAL issued 13,000,000 AMAL Shares to Burwill Holdings Ltd to raise approximately \$4.2 million (approximately S\$4.3 million) (before costs); and
- on 24 July 2018, AMAL issued 3,275,115 AMAL Shares to an institutional investor and 7,600,000 AMAL Shares to Canaccord (as underwriter) to raise approximately \$3.6 million (approximately S\$3.7 million) (before costs).

On 31 October 2018, Tawana and Lithco executed formal binding documentation with a consortium of lenders led by Tribeca in relation to the Debt Arrangements, comprising the Tawana Facility (a secured \$20 million term facility to be provided by way of loan notes to be made available to Lithco) and the MergeCo Facility (a secured \$20 million term facility to be provided by way of loan notes to be made available to the Merged Group, conditional on the Scheme being implemented and AMAL receiving conditional ASX listing approval, among other customary draw down conditions). Refer to Section 2 of this Supplementary Scheme Booklet for further details relating to the Debt Arrangements.



Under the terms of the Debt Arrangements, until AMAL's existing secured loan has been repaid, other than the ability to put in place intercompany loans between a member of the Tawana Group and AMAL (or any subsidiary of AMAL other than a member of the Tawana Group) with an aggregate amount up to \$10 million, there are restrictions on the transfer of assets (including cash), distributions and incurrence of financial indebtedness between the Tawana Group and AMAL (or any subsidiary of AMAL other than a member of the Tawana Group). These restrictions will be automatically lifted once AMAL's existing secured loan has been repaid and the existing AMAL loan security has been released.

In the event that the Scheme is not implemented or AMAL does not receive conditional ASX listing approval (hence the MergeCo Facility does not become available), there is a material uncertainty whether AMAL will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the historical consolidated statements of financial position. The AMAL directors are satisfied they would be able to raise additional funds as required if the Scheme is not implemented.

AMAL's historical consolidated statements of financial position do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should AMAL not be able to continue as a going concern.

5 PRO FORMA HISTORICAL FINANCIAL INFORMATION

Section 6.5 of the Scheme Booklet is to be disregarded in its entirety, and Tawana Shareholders should refer instead to this Section 5 of this Supplementary Scheme Booklet.

5.1 INTRODUCTION

This Section 5 contains the pro forma historical consolidated statement of financial position for the Merged Group as at 30 June 2018 (**Pro Forma Historical Financial Information**).

The Tawana Historical Financial Information, AMAL Historical Financial Information and the Pro Forma Historical Financial Information is collectively referred to in this Supplementary Scheme Booklet as the "**Financial Information**".

The Financial Information has been reviewed by Ernst & Young Transaction Advisory Services Limited in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* whose replacement Independent Limited Assurance Report (**Replacement ILAR**) on the Financial Information is contained in Annexure B Investors should note the scope and limitations of the Replacement ILAR.

5.2 BASIS OF PREPARATION


The AMAL Board is responsible for the presentation and preparation of the Pro Forma Historical Financial Information.

The Pro Forma Historical Financial Information has been derived from the historical consolidated statements of financial position of Tawana and AMAL as at 30 June 2018 adjusted for the effects of the full drawdown of the Debt Arrangements, the Cowan Lithium Demerger and the Transaction (**Pro Forma Adjustments**) as if the Pro Forma Adjustments had occurred at 30 June 2018.

The historical consolidated statement of financial position of Tawana and historical consolidated statement of financial position of AMAL as at 30 June 2018 has been derived from the interim financial statements of Tawana for the six months ended 30 June 2018 and the financial statements of AMAL for the financial year ended 30 June 2018 respectively.

The interim financial statements of Tawana for the six months ended 30 June 2018 have been reviewed by EY in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ("ASRE 2410"). EY issued an unmodified limited assurance conclusion, which contained a material uncertainty paragraph related to going concern, on these financial statements.

The financial statements of AMAL for the financial year ended 30 June 2018 have been audited by EY in accordance with Australian Auditing Standards. EY issued an unqualified audit opinion, which contained a material uncertainty paragraph related to going concern, on these financial statements.



The Pro Forma Historical Financial Information is provided for illustrative purposes only and is prepared on the assumption that the Pro Forma Adjustments occurred on 30 June 2018. Due to its nature, the Pro Forma Historical Financial Information does not represent Tawana's, AMAL's or the Merged Group's actual or prospective financial position.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS, other than that it includes adjustments, which have been prepared in a manner consistent with AAS that reflect the impact of the Pro Forma Adjustments as if they occurred as at 30 June 2018.

The Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all of the presentation, comparative information and disclosures that are usually provided in an annual financial report prepared in accordance with the Corporations Act.

The Pro Forma Historical Financial Information presented in this Section 5 should be read in conjunction with the risk factors set out in Section 8 of the Scheme Booklet and other information contained in the Scheme Booklet and this Supplementary Scheme Booklet.

The Pro Forma Historical Financial Information does not reflect all of the transactions that have occurred since 30 June 2018 as discussed further below.

Amounts in this Section 5 have been rounded to the nearest \$1,000.

5.3 ACCOUNTING POLICIES

Except for the adoption of AASB 9: *Financial Instruments* (AASB 9) and AASB 15: *Revenue from Contracts with Customers* (AASB 15) with effect from 1 January 2018, the significant accounting policies adopted by Tawana in the preparation of the Pro Forma Historical Financial Information are consistent with those disclosed in Tawana's 2017 Annual Report. The impact of adopting AASB 9 and AASB 15 is detailed in the interim financial statements of Tawana for the six months ended 30 June 2018. As disclosed in those interim financial statements, the adoption of AASB 9 impacted the classification of financial assets but had no measurement impact at the date of adoption. The adoption of AASB 15 had no impact at the date of adoption.

AMAL has not yet adopted AASB 9 and AASB 15. As disclosed in the financial statements of AMAL for the financial year ended 30 June 2018, the adoption of these accounting standards is not expected to have a significant impact on AMAL.

5.4 GOING CONCERN BASIS

The Pro Forma Historical Financial Information has been prepared on a going concern basis which assumes the continuity of the Merged Group's normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

During the 18 months prior to the date of this Supplementary Scheme Booklet, Tawana and AMAL have worked together to bring the Bald Hill Project into production, with the first spodumene (lithium) concentrate production announced on 14 March 2018. During the initial phase of the Bald Hill Project, the Merged Group will be exposed to a higher level of cash outflows due to pre-strip activities, ongoing capital expenditure and repayment of the Burwill prepayments. Further, during the early stages of the Bald Hill Project and similar to other companies whose performance is dependent upon newly-constructed assets and start-up operations, the Merged Group will also be exposed to normal risks and uncertainties, such as the Bald Hill Project failing to perform as expected, having higher than expected operating costs, having lower than expected customer revenues, key additional infrastructure not coming on stream when required or within budget, potential equipment breakdown or failures and operational errors.

Subsequent to 30 June 2018:

- Tawana raised the following additional funds:
 - on 6 July 2018, Tawana issued 12,195,000 Tawana Shares to raise approximately \$4.9 million (before costs); and
 - 3,903,060 Options were exercised at an average price of \$0.203 per Option to raise approximately \$0.8 million; and

- AMAL raised the following additional funds via equity raisings:
 - on 4 July 2018, AMAL issued 13,000,000 AMAL Shares to Burwill Holdings Ltd to raise approximately \$4.2 million (approximately S\$4.3 million) (before costs); and
 - on 24 July 2018, AMAL issued 3,275,115 AMAL Shares to an institutional investor and 7,600,000 AMAL Shares to Canaccord (as underwriter) to raise approximately \$3.6 million (approximately S\$3.7 million) (before costs).

On 31 October 2018, Tawana and Lithco executed formal binding documentation with a consortium of lenders led by Tribeca in relation to the Debt Arrangements, comprising the Tawana Facility (a secured \$20 million term facility to be provided by way of loan notes to be made available to Lithco) and the MergeCo Facility (a secured \$20 million term facility to be provided by way of loan notes to be made available to the Merged Group, conditional on the Scheme being implemented and AMAL receiving conditional ASX listing approval, among other customary draw down conditions).

As at the date of this Supplementary Scheme Booklet, the Tawana Facility has been fully drawn down.

Under the terms of the Debt Arrangements, until AMAL's existing secured loan has been repaid, other than the ability to put in place intercompany loans between a member of the Tawana Group and AMAL (or any subsidiary of AMAL other than a member of the Tawana Group) with an aggregate amount up to \$10 million, there are restrictions on the transfer of assets (including cash), distributions and incurrence of financial indebtedness between the Tawana Group and AMAL (or any subsidiary of AMAL other than a member of the Tawana Group). These restrictions will be automatically lifted once AMAL's existing secured loan has been repaid and the existing AMAL loan security has been released.

Refer to Section 2 of this Supplementary Scheme Booklet for further details relating to the Debt Arrangements.

The Tawana Directors and the AMAL Board have concluded that, subject to the MergeCo Facility becoming unconditionally available to the Merged Group as described above and in Section 2, the Merged Group will have sufficient funding available to fund its ongoing operating and capital expenditure and thus it is appropriate to prepare the Pro Forma Historical Financial Information of the Merged Group on a going concern basis.

5.5 PRO FORMA HISTORICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Below is the Merged Group's pro forma historical consolidated statement of financial position as at 30 June 2018:

	Historical Consolidated Statement of Financial Position of Tawana \$'000	Historical Consolidated Statement of Financial Position of AMAL \$'000	Pro Forma Adjustments					Pro Forma Historical Consolidated Statement of Financial Position \$'000
			Cowan Lithium Demerger (see Sections 5.6(a) and 5.7a) \$'000	Transaction Costs (see Section 5.7b) \$'000	The Transaction (see Sections 5.6(b) and 5.7c) \$'000	Draw down of Debt Arrangements (see Section 5.7e) \$'000	Elimination of inter-company accounts (see Section 5.7d) \$'000	
Current assets								
Cash and cash equivalents	10,811	18,841	-	(15,100)	-	33,000	-	47,552
Trade and other receivables	9,355	2,151	-	-	-	-	(7,193)	4,313
Other current assets (including prepayments)	468	586	-	-	-	-	-	1,054
Disposal group held for distribution	4,225	-	(4,225)	-	-	-	-	-
Inventory	868	843	-	-	-	-	-	1,711

	Historical Consolidated Statement of Financial Position of Tawana \$'000	Historical Consolidated Statement of Financial Position of AMAL \$'000	Pro Forma Adjustments					Pro Forma Historical Consolidated Statement of Financial Position \$'000
			Cowan Lithium Demerger (see Sections 5.6(a) and 5.7a) \$'000	Transaction Costs (see Section 5.7b) \$'000	The Transaction (see Sections 5.6(b) and 5.7c) \$'000	Draw down of Debt Arrangements (see Section 5.7e) \$'000	Elimination of inter-company accounts (see Section 5.7d) \$'000	
Total current assets	25,727	22,421	(4,225)	(15,100)	-	33,000	(7,193)	54,630
Non-current assets								
Mine properties	36,379	29,427	-	-	39,763	-	-	105,569
Exploration and evaluation expenditure	316	-	-	-	57,690	-	-	58,006
Property, plant and equipment	36,844	37,538	-	-	-	-	-	74,382
Deposits	345	-	-	-	-	-	-	345
Investment in associates	-	-	634	-	-	-	-	634
Rehabilitation reimbursement asset	-	2,821	-	-	-	-	(2,821)	-
Goodwill	-	-	-	-	6,006	-	-	6,006
Total non-current assets	73,884	69,786	634	-	103,459	-	(2,821)	244,942
Total assets	99,611	92,207	(3,591)	(15,100)	103,459	33,000	(10,014)	299,572
Current liabilities								
Trade and other payables	16,566	8,327	-	-	-	-	(7,193)	17,700
Deferred revenue	11,705	7,343	-	-	-	-	-	19,048
Interest bearing loans and borrowings	89	658	-	-	-	-	-	747
Employee benefit liabilities	359	210	-	-	-	-	-	569
Total current liabilities	28,719⁽ⁱ⁾	16,538	-	-	-	-	(7,193)	38,064

	Historical Consolidated Statement of Financial Position of Tawana \$'000	Historical Consolidated Statement of Financial Position of AMAL \$'000	Pro Forma Adjustments					Pro Forma Historical Consolidated Statement of Financial Position \$'000
			Cowan Lithium Demerger (see Sections 5.6(a) and 5.7a) \$'000	Transaction Costs (see Section 5.7b) \$'000	The Transaction (see Sections 5.6(b) and 5.7c) \$'000	Draw down of Debt Arrangements (see Section 5.7e) \$'000	Elimination of inter-company accounts (see Section 5.7d) \$'000	
Non-current liabilities								
Interest bearing loans and borrowings	5,035	10,336	-	-	2,606	33,000	-	50,977
Provision for rehabilitation	2,863	5,642	-	-	-	-	(2,821)	5,684
Total non-current liabilities	7,898	15,978	-	-	2,606	33,000	(2,821)	56,661
Total liabilities	36,617	32,516	-	-	2,606	33,000	(10,014)	94,725
Net assets	62,994	59,691	(3,591)	(15,100)	100,853	-	-	204,847
Equity								
Contributed equity	128,287	82,017	(2,207)	-	78,527	-	-	286,624
Reserves	5,861	7,189	(1,384)	-	(7,189)	-	-	4,477
Accumulated losses	(72,687)	(29,515)	1,533	(15,100)	29,515	-	-	(86,254)
Equity relating to disposal group	1,533	-	(1,533)	-	-	-	-	-
Total equity	62,994	59,691	(3,591)	(15,100)	100,853	-	-	204,847

(i) Tawana had a net current asset deficiency at 30 June 2018 of \$2,992,000. Refer to Section 5.4 for further details.

5.6 NOTES TO PRO FORMA HISTORICAL FINANCIAL INFORMATION

(a) Cowan Lithium Demerger

As detailed in Section 4.9 of the Scheme Booklet, on 6 July 2018, Tawana Shareholders approved all resolutions required to give effect to the Cowan Lithium Demerger, which completed on 18 July 2018. The demerger was achieved through a capital reduction satisfied by way of a pro rata in-specie distribution of 85% of the fully paid ordinary shares in the capital of Cowan Lithium to Tawana shareholders.

The split of the capital reduction between contributed equity and demerger reserves was \$2,207,000 and \$1,384,000 respectively.

Tawana retained a 15% interest in the share capital of Cowan Lithium and, subject to ASX waiver, has the right to maintain its proportionate interest in the future. In addition, for so long as Tawana holds at least a 10% interest in the share capital of Cowan Lithium, it has the right to appoint a nominee director to the board of Cowan Lithium.

At 30 June 2018, the fair value of the assets to be distributed amounted to \$4,225,000 as summarised below:

	30 June 2018 \$'000
Cash and cash equivalents	803
Other receivables	1
Prepayments	4
Property, plant and equipment	18
Exploration and evaluation expenditure	3,404
Accruals	(5)
	4,225

The fair value less costs to distribute (**FVLCD**) of the exploration projects of Cowan Lithium was determined based on comparable market transactions by an independent third party valuer. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. In determining the FVLCD, estimates were made in relation to the underlying resources and the valuation multiple.

(b) The Transaction

On 5 April 2018, AMAL and Tawana entered into a Scheme Implementation Agreement (as amended) pursuant to which AMAL will acquire all of the Tawana Shares by way of a scheme of arrangement under the Corporations Act. Under the Scheme, each Tawana Share will be exchanged for 1.1 AMAL Shares. Upon implementation of the Scheme, AMAL Shareholders will own approximately 50.91% of the Merged Group and Tawana Shareholders will own approximately 49.09% of the Merged Group. AMAL will directly and indirectly own a 100% interest in the Bald Hill Project.

The Scheme extends to any Tawana Shares that are issued prior to the Record Date as a result of the exercise of any Options. As detailed in Section 10.5 of the Scheme Booklet, each holder of Options has entered into an Option Cancellation Deed under which, conditional on the Scheme becoming Effective, the holder agrees that its Options will be cancelled automatically on the Implementation Date in exchange for such number of AMAL Shares as detailed in Section 10.5 of the Scheme Booklet, to the extent those Options are not exercised into Tawana Shares prior to the Record Date.

As at 17 October 2018, there are 18,693,880 Options on issue which are exercisable into an aggregate of 18,693,880 Tawana Shares at exercise prices of between \$0.06 and \$0.50 per Option. Pursuant to the Option Cancellation Deeds, if these Options are not exercised prior to the Record Date, the Options would be cancelled in exchange for an aggregate of up to 10,106,775 AMAL Shares.

The Scheme is conditional upon approval by the Requisite Majority at the Scheme Meeting and is also subject to Australian regulatory approvals/consents, AMAL Shareholder approval, Court approval, third party approvals and ASX approval for the quotation of AMAL Shares, together with certain other conditions customary for a transaction of this nature. The Scheme is not subject to any due diligence or financing conditions.

AAS require that where two or more entities combine through an exchange of equity for the purposes of a combination, one of the entities must be determined to be the accounting acquirer. AMAL is the legal acquirer under the Transaction (in that, if the Scheme is implemented, AMAL will acquire all of the Tawana Shares on issue on the Record Date), and will therefore be the legal parent company of the Merged Group. However, after assessing the guidance set out in Australian Accounting Standard AASB 3: *Business Combinations* and in particular the expected Board and management composition of the Merged Group, Tawana has been assessed to be the accounting acquirer. Therefore, the future consolidated financial statements of the Merged Group will represent the continuation of the operations of the accounting acquirer, Tawana.

The fair value of the deemed consideration transferred by the accounting acquirer is based on the number of equity interests the legal subsidiary would have had to issue to give the owners of the legal parent the same percentage equity interest in the combined entity that results from the Transaction. The fair value of the number of equity interests calculated in that way, based on the share price of accounting acquirer at the date of acquisition, is used as the fair value of consideration transferred.

For the purposes of the Pro Forma Historical Financial Information, the fair value on the acquisition date of the deemed consideration transferred by Tawana, is estimated to be approximately \$160,544,000 as set out below. This is based on the closing Tawana share price on 17 October 2018. The calculation assumes that no Options will be exercised between 17 October 2018 and the Implementation Date and consequently all Options outstanding on 17 October 2018 will be converted into AMAL Shares as outlined in Section 10.5 of the Scheme Booklet.

Pro forma fair value of the deemed consideration transferred:

	Number
Number of Tawana Shares on issue at 30 June 2018	561,988,335
Number of Options exercised between 1 July 2018 and 17 October 2018	3,903,060
Tawana Shares issued pursuant to the conditional placement on 6 July 2018	12,195,122
Expected total number of Tawana Shares on issue considered for the purpose of calculating the pro forma fair value of the deemed consideration transferred ⁽ⁱ⁾	578,086,517
Maximum number of AMAL Shares expected to be issued to Tawana Shareholders on Implementation Date in accordance with the Scheme Consideration	635,895,169
Number of AMAL Shares expected to be on issue immediately prior to the Implementation Date ⁽ⁱⁱ⁾	659,471,907
Total number of AMAL Shares expected to be on issue on Implementation Date	1,295,367,076
Number of Tawana Shares that would have to be issued to maintain the same 50.91%/49.09% ownership ratio	599,519,915
Closing Tawana share price on 17 October 2018	\$0.265
Pro forma fair value of Tawana Shares transferred	\$158,873,000
Pro forma fair value of replacement share based payment options considered to be part of the consideration transferred ⁽ⁱⁱⁱ⁾	\$1,671,000
Pro forma fair value of deemed consideration transferred	\$160,544,000

(i) Subject to no Options being exercised between 17 October 2018 and the Record Date.

(ii) The number of AMAL Shares on issue as at 17 October 2018 (i.e. assumes no additional AMAL Shares being issued between 17 October 2018 and the Implementation Date).

- (iii) In accordance with AAS, the fair value attributed to the AMAL options on issue at 17 October 2018 that had vested prior to the acquisition date is recognised as part of the deemed consideration transferred. A summary of key assumptions adopted in the Black Scholes model to estimate the fair value of these options at 17 October 2018 for the purposes for the Pro Forma Historical Financial Information is detailed below:

Number of options	15,600,000	3,800,000	3,800,000	3,800,000
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected volatility (%)	65%	65%	65%	65%
Risk free interest rate (%)	2%	2%	2%	2%
Expected life (years)	2.5 years	1.6 years	1.6 years	1.6 years
Share price \$SGD	0.26	0.26	0.26	0.26
Exercise price \$SGD	0.49	0.24	0.30	0.36
Fair value per option \$AUD	0.06	0.09	0.07	0.06

Under AAS, the actual measurement date of the deemed consideration transferred will occur on the acquisition date which is generally taken to be the date the Scheme is implemented. Consequently, the fair value of the deemed consideration transferred will differ from the amount assumed in the Pro Forma Historical Financial Information due to any further changes in the market price of Tawana Shares or in the number of Tawana Shares issued and outstanding.

Both Tawana and AMAL are parties to the Bald Hill Joint Venture in accordance with the Bald Hill Joint Venture Agreement as discussed in Section 4.6(a) of the Scheme Booklet which is currently accounted for as a joint operation by both Tawana and AMAL.

In accounting for the business combination, the Tawana Directors have elected to apply a policy to carry Tawana's existing interest in the net assets of the Bald Hill Project at cost. Accordingly, the deemed consideration transferred will be allocated over the net assets acquired which includes AMAL's 50% interest in the net assets of the joint operation. The preliminary purchase price allocation is subject to change and is summarised as follows:

	\$'000
Pro forma total fair value of deemed consideration transferred	160,544
Estimated fair value of the net assets acquired	
Exploration and evaluation expenditure (a)	57,690
Mine properties (b)	69,190
Property, plant and equipment (c)	37,538
Borrowings (d)	(12,942)
Net other assets and liabilities acquired (including cash) (e)	3,062
Deferred tax asset/liability (f)	-
Net identifiable assets	154,538
Provisional goodwill at date of acquisition (g)	6,006

The purchase price accounting for the net assets acquired has been determined on a provisional basis. The preliminary estimate of the fair values of the assets and liabilities of AMAL is summarised below:

- The fair value of AMAL's interest in the exploration properties has been estimated to be \$57,690,000 based on the low valuation of the Resources not included in the life of mine plan based on the technical specialist report prepared by SRK Consulting (Australasia) Pty Ltd (**SRK Consulting**) (**Technical Specialist Report**) included as an annexure to the Replacement IER (refer to section 11.1.2 of the Replacement IER). This has resulted in a pro forma fair value uplift of \$57,690,000 on exploration properties.

- b. The fair value of AMAL's interest in mine properties has been estimated at \$69,190,000 based on low fair value of the Bald Hill Project of \$104,000,000 as determined by the Independent Expert in the Replacement IER, adjusted to include the estimated fair value of AMAL's office space of \$750,000 and exclude the estimated fair value of property, plant and equipment of \$37,538,000, the estimated fair value of consumables of \$843,000 and rehabilitation liabilities of \$2,821,000.

The estimated fair value for mine properties of \$69,190,000 compared to the carrying value of mine properties in the historical consolidated statement of financial position of AMAL at 30 June 2018 of \$29,427,000 resulted in a pro forma fair value uplift of \$39,763,000 for mine properties.

- c. The fair value of AMAL's interest in property, plant and equipment at the Bald Hill Project has been assumed to be equal to its carrying value of \$37,538,000.
- d. The fair values of AMAL's borrowings was determined by using the discounted cash flow method using a current market borrowing cost of approximately 23%. This has resulted in a pro forma fair value uplift of \$2,606,000 on interest bearing loans and borrowings.
- e. The fair value of other assets and liabilities acquired has been assumed to be equal to its carrying value.
- f. It is assumed that AMAL will form a tax consolidated group prior to the settlement of the Transaction and on settlement Tawana will join the AMAL tax consolidated group. For the purposes of the Pro Forma Historical Financial Information it is assumed that the accounting fair value uplift in net assets will be matched by at least an equivalent increase in tax base of the assets and liabilities. Accordingly, no additional deferred tax is recognised as a pro-forma adjustment.
- g. This reflects the resulting difference between the pro forma fair value of deemed consideration transferred and the provisional fair values of the assets acquired and liabilities assumed. The excess, amounting \$6,006,000 is recognised as provisional goodwill.

The actual fair value of the net assets of AMAL acquired by Tawana as an "accounting acquirer" will ultimately be determined after implementation of the Scheme. Therefore, it is likely that the allocation of the purchase price will vary from those shown above and the differences may be material.

5.7 ASSUMPTIONS AND PRO FORMA ADJUSTMENTS TO THE HISTORICAL CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

- a. Accounting entries arising from the demerger of Cowan Lithium. The Cowan Lithium Demerger was achieved through a capital reduction satisfied by way of a pro rata in-specie distribution of 85% of the fully paid ordinary shares in the capital of Cowan Lithium to Tawana Shareholders. Details regarding the net assets distributed of \$4,225,000 are set out above in Section 5.6(a). The 15% retained interest in Cowan Lithium, with a provisional fair value of \$634,000 is reflected as an investment in an associate in the Pro Forma Historical Financial Information of the Merged Group. On settlement of the distribution the foreign translation gain reserve of \$1,533,000 relating to Cowan Lithium is recycled to profit or loss. Refer Section 5.6(a) above for further details.
- b. Estimated transaction costs of \$15,100,000 (which includes estimated stamp duty of \$8,145,000) relating to the Transaction in accordance with the Scheme Implementation Agreement. These costs have been expensed on a pre-tax basis in the Pro Forma Historical Financial Information.
- c. Accounting entries arising from the Transaction, in accordance with the Scheme Implementation Agreement. The equity of AMAL at the date of acquisition is eliminated (as a result of Tawana being the accounting acquirer). The Pro forma total fair value of the deemed consideration transferred has been calculated at \$160,544,000 and is recognised as an additional contributed equity. Assumptions regarding the capital structure and purchase consideration are set out above in Section 5.6(b). Assumptions regarding the fair value of the net assets acquired including AMAL's 50% interest acquired in the Bald Hill Joint Venture are set out above in Section 5.6(b).
- d. All intercompany balances owing between Tawana and AMAL have been eliminated on implementation of the Scheme.
- e. Draw down of funds under the Debt Arrangements. As at the date of this Supplementary Scheme Booklet, the Tawana Facility has been fully drawn down. For the purposes of the Pro Forma Historical Financial Information, it has been assumed that the MergeCo Facility is also fully drawn, however, as the MergeCo Facility is a stand-by facility it will only be drawn as required in the future. In accordance with the terms of the Tawana Facility, \$5,000,000 of the funds drawn down will be used to repay the Red Coast loan. Costs associated with the

drawdown of funds under the Debt Arrangements (including the arrangement fee, legal fees and advisory fees) have been estimated at \$2,000,000. Refer to Section 2 of this Supplementary Scheme Booklet for further details relating to the Debt Arrangements.

- f. The issue of AMAL Shares in settlement of unexercised Options at the Implementation Date will be accounted for as a modification of a share based payment arrangement. For the purposes of the Pro Forma Historical Financial Information, it has been assumed that the exchange of shares for options provides the option holders with no incremental benefit and accordingly, no pro forma adjustments have been made.

5.8 NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Other than AASB 16: *Leases* (**AASB 16**) no other new and amended Accounting Standards and Interpretations that have been issued but are not yet effective are expected to have a material impact on the Merged Group in future reporting periods.

AASB 16

Nature of change

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under the existing AASB 117: *Leases*. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today’s accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

Application date

Annual reporting periods beginning on or after 1 January 2019.

Impact on initial application

Both Tawana and AMAL are in the process of reviewing their leases and service agreements to assess the impact of AASB 16 on adoption. It is expected that some lease commitments may be covered by the exceptions for short-term and low-value leases. Finance and operating lease commitments of the Merged Group as at 30 June 2018 (derived from the interim financial statements of Tawana for the six months ended 30 June 2018 and the financial statements of AMAL for the financial year ended 30 June 2018) are summarised below:

Finance lease commitments	Merged Group \$'000
Not longer than one year	182
Longer than one year, but not longer than five years	409
Longer than five years	-
Total minimum lease payments	591
Less: amount representing finance charges	(59)
Total	532

Operating lease commitments	Merged Group \$'000
Not longer than one year	8,104
Longer than one year, but not longer than five years	2,499
Longer than five years	-
Total	10,603

5.9 FORECAST FINANCIAL INFORMATION

Each of the Tawana Board and AMAL Board has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information in relation to the Merged Group. Each of the Tawana Board and AMAL Board has concluded that such forecast financial information has the potential to be misleading and a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable to be of value to either set of shareholders.

5.10 ITEMS NOT REFLECTED IN THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Financial Information has not been adjusted to reflect trading of either Tawana or AMAL since 30 June 2018.

5.11 SUBSEQUENT EVENTS

The AMAL Board is not aware of any significant changes in the state of affairs of the Merged Group or events subsequent to 30 June 2018 that would have a material impact on the Financial Information other than the material changes to Tawana's financial information as set out in Section 3.7 and the additional capital raised by AMAL as detailed in Section 5.4.

6 REPLACEMENT IER

The Independent Expert, BDO Corporate Finance (WA) Pty Ltd (**BDO**), has been asked to consider whether the entry into the Debt Arrangements would impact its analysis or conclusion in respect of the Transaction.

BDO has prepared a supplementary Independent Expert's Report which supplements and amends the existing Independent Expert's Report that was set out in full as Annexure A to the Scheme Booklet (**Replacement IER**). The Replacement IER includes the Technical Specialist Report prepared by SRK Consulting.


The Replacement IER, which is set out in full in Annexure A to this Supplementary Scheme Booklet, confirms that the Independent Expert, BDO, has maintained its opinion that the Scheme is fair and reasonable to Tawana Shareholders and therefore is in the best interests of Tawana Shareholders, in the absence of a superior proposal.

Your Tawana Directors encourage you to read the Independent Expert's Report and the Replacement IER in their entirety.

Although the Replacement IER confirms that the Independent Expert has not changed its conclusion, the valuations in the Replacement IER in this Supplementary Scheme Booklet are different to those in the Independent Expert's Report in the Scheme Booklet.

In the Independent Expert's Report, the Independent Expert assessed the value of a Tawana Share prior to the implementation of the Scheme, on a minority interest basis, as between \$0.210 and \$0.299 per Tawana Share (with a preferred valuation of \$0.254 per Tawana Share),² and assessed the value of the Scheme Consideration as between \$0.216 and \$0.304 per Tawana Share (with a preferred valuation of \$0.259 per Tawana Share).

² On a controlling interest basis, prior to the application of a "minority interest discount" to deliver a minority interest basis valuation, the Independent Expert assessed the value of a Tawana Share as being between \$0.293 and \$0.389 (with a preferred valuation of \$0.343 per Tawana Share).



In the Replacement IER, the Independent Expert assessed the value of a Tawana Share prior to the implementation of the Scheme, on a minority interest basis, as between \$0.174 and \$0.260 per Tawana Share (with a preferred valuation of \$0.217 per Tawana Share),³ and assessed the value of the Scheme Consideration as between \$0.183 and \$0.269 per Tawana Share (with a preferred valuation of \$0.226 per Tawana Share).

The updated valuations are different to the valuations in the original Independent Expert's Report mainly as a consequence of:

- a reduction in lithium concentrate pricing assumptions; and
- an increase in the discount rate applied to Tawana's and the Merged Group's interests in the cash flows of the Bald Hill Project to convert them to present value equivalent (as a result of a change in BDO's assessment of the cost of debt and equity since the date of the Scheme Booklet).

The Sum-of-Parts valuations of Tawana and the Merged Group have been reduced to the extent of the value of the costs associated with the draw down of funds under the Tawana Facility (in respect of Tawana) and the Debt Arrangements (in respect of the Merged Group), including the arrangement fee, legal fees and advisory fees. Otherwise, the cash raised from the draw down of the Debt Arrangements is offset by a corresponding increase in debt liabilities. Refer to sections 11.1.4 and 12.1.4 of the Replacement IER for further information.

7 RECOMMENDATION AND VOTING INTENTIONS

7.1 DIRECTORS' RECOMMENDATION

The Tawana Directors continue to believe that the Scheme is in the best interests of Tawana Shareholders and unanimously recommend that, in the absence of a Superior Proposal, Tawana Shareholders vote in favour of the Scheme at the Scheme Meeting.

The Tawana Directors maintain their view that the reasons for Tawana Shareholders to vote in favour of the Scheme outweigh the reasons to vote against the Scheme. The reasons to vote for and against the Scheme are set out in Sections 1.1 and 1.2 of the Scheme Booklet respectively.

In considering whether to vote in favour of the Scheme Resolution, the Tawana Directors encourage you to:

- carefully read the Scheme Booklet (including the Independent Expert's Report) and this Supplementary Scheme Booklet (including the Replacement IER) in their entirety;
- consider the choices available to you as outlined in Section 3.6 of the Scheme Booklet;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming Effective.

Each Tawana Director intends to vote the Tawana Shares that they own or control at the time of the Scheme Meeting (if any), and will direct any Tawana proxies placed at their discretion, in favour of the Scheme in the absence of a Superior Proposal.


Details of the marketable securities of Tawana held or controlled by Tawana Directors are set out in Section 10.2 of the Scheme Booklet.

7.2 VOTING INTENTION STATEMENTS OF RELEVANT SHAREHOLDERS

As disclosed in Section 1.1(e) of the Scheme Booklet, certain Tawana Shareholders (**Relevant Shareholders**) confirmed to Tawana their intention to vote in favour of the Scheme, in the absence of a superior proposal being publicly announced before the Scheme Meeting (**Original Statement**).

In light of the matters contemplated in this Supplementary Scheme Booklet and the time that has elapsed since the date of the Scheme Booklet, ASIC has advised that it would not seek to hold the Relevant Shareholders to their Original Statements in accordance with the principles set out in ASIC Regulatory Guide 25.

³ On a controlling interest basis, prior to the application of a "minority interest discount" to deliver a minority interest basis valuation, the Independent Expert assessed the value of a Tawana Share as being between \$0.244 and \$0.338 (with a preferred valuation of \$0.293 per Tawana Share).



However, each of the Relevant Shareholders has re-confirmed to Tawana its intention to vote in favour of the Scheme (as now contemplated in this Supplementary Scheme Booklet) all of the Tawana Shares held by them (directly or indirectly) at the time of the Scheme Meeting, in the absence of a superior proposal being publicly announced before the Scheme Meeting.

The Tawana Shareholders who have given voting intention statements are as follows (in each case as at 7 November 2018 and so far as Tawana is aware):

- Weier Antriebe und Energietechnik GmbH, as to approximately 76.2 million Tawana Shares (approximately 13.2% of the total issued Tawana Shares);
- Tribeca, as to approximately 64.5 million Tawana Shares (approximately 11.2%);
- Merriwee Pty Ltd, as to approximately 30.9 million Tawana Shares (approximately 5.3%);⁴
- Corporate Resources Consulting Pty Ltd, as to approximately 13.6 million Tawana Shares (approximately 2.3%); and
- Mark Calderwood, as to approximately 21.9 million Tawana Shares (approximately 3.8%).

7.3 CONSEQUENCES OF VOTING INTENTION STATEMENTS OF RELEVANT SHAREHOLDERS

In advance of the Scheme Booklet, ASIC advised that it had concerns that the voting intention statements given by the Relevant Shareholders (refer to Section 1.1(e) of the Scheme Booklet) may constitute arrangements between AMAL and the Relevant Shareholders such that AMAL would be treated under the Corporations Act as having a relevant interest in the Tawana Shares held by the Relevant Shareholders. This would result in AMAL having a relevant interest in more than 20 per cent of all Tawana Shares which would constitute a breach of section 606 of the Corporations Act.

In light of the refreshed voting intention statements given by the Relevant Shareholders (see Section 7.2 of this Supplementary Scheme Booklet), ASIC has advised that its concerns have been ameliorated, and therefore Tawana is no longer required to “tag” the votes of the Relevant Shareholders (other than Mark Calderwood and his associates) at the Scheme Meeting (so that these votes can be separately recorded) on the basis that these votes ought not be disregarded for Scheme approval purposes.

8 AUSTRALIAN TAX IMPLICATIONS OF THE SCHEME

8.1 AUSTRALIAN TAX

The Australian tax implications of the Scheme as set out in Section 9 of the Scheme Booklet continue to apply, notwithstanding the waiver of the ASX Listing Condition. In particular, the availability of CGT roll-over relief (as set out in Section 1.1(h) of the Scheme Booklet) continues to be a reason to vote for the Scheme.

8.2 FOREIGN RESIDENT CAPITAL GAINS WITHHOLDING TAX

As set out in Section 9.4 of the Scheme Booklet, if:

- you are a Scheme Participant who has a registered address outside Australia; or
- AMAL (as a purchaser of your Tawana Shares under the Scheme), reasonably believed you to be a “relevant foreign resident”,

you should have received (either together with the Scheme Booklet or separately) a Relevant Foreign Resident Declaration Form.

If you are one of these persons, then, unless a signed Relevant Foreign Resident Declaration Form regarding your residency or interest is provided to AMAL by 5:00pm on the Record Date, you may be treated as an Ineligible Shareholder for the purposes of the Scheme and AMAL may withhold and remit to the Australian Taxation Office 12.5% (or some lesser rate approved by the Commissioner of Taxation) of your entitlement to net proceeds of sale of AMAL Shares by the Sale Agent (as referred to in Section 3.9 of the Scheme Booklet).

⁴ As at 7 November 2018, Merriwee Pty Ltd held 30,850,000 Tawana Shares (being approximately 5.3% of the total issued Tawana Shares). References in the Scheme Booklet to the shareholding of Merriwee should be read taking into account its current shareholding.

If this Section 8.2 applies to you, and you wish to avoid paying an up to 12.5% withholding tax, it is imperative that you follow the instructions in Section 9.4 of the Scheme Booklet and on page 21 under the heading “What if I receive a Relevant Foreign Resident Declaration Form?”.

Please refer to Sections 3.9 and 7.5 of the Scheme Booklet for details as to how an Ineligible Shareholder is treated for the purposes of the Scheme.

9 ELECTION FORMS

As set out in Sections 2 and 7.3 of the Scheme Booklet, Scheme Participants (other than Ineligible Shareholders) can elect to receive the Scheme Consideration in the form of SGX Listed Shares rather than in the form of ASX Listed Shares.

To make an election, you should complete the Election Form and return the Election Form in accordance with the instructions on that form. The Election Form is available by contacting Tawana’s investor hotline on 1300 223 071 or, for overseas shareholders, +61 3 9415 4032, between 9:00am to 5:00pm (Perth, Australia time) Monday to Friday.

The deadline for receipt of Election Forms by the Tawana Share Registry is 5:00pm on 5 December 2018. If you do not make a valid election by 5:00pm on 5 December 2018, you will receive ASX Listed Shares.

Any Election Form that has been validly returned prior to the date of this Supplementary Scheme Booklet will be deemed valid unless withdrawn or revoked. If you wish to withdraw or revoke an Election Form please contact Tawana’s investor hotline on 1300 223 071 or, for overseas shareholders, +61 3 9415 4032, between 9:00am to 5:00pm (Perth, Australia time) Monday to Friday.

10 POSTPONED SCHEME MEETING AND VOTING

The Scheme Meeting originally scheduled for 26 September 2018 was postponed by the Chairperson. Tawana has subsequently obtained approval from the Court to postpone the Scheme Meeting to provide Tawana sufficient time to prepare and despatch, and to allow Tawana Shareholders a reasonable time to consider, this Supplementary Scheme Booklet.

The Postponed Scheme Meeting will be held at 10:00am on 27 November 2018 at King & Wood Mallesons, Level 30, QV1 Building, 250 St Georges Terrace, Perth, Western Australia.

Your vote is important. Your Tawana Directors strongly encourage you to vote either by attending the Scheme Meeting in person or by completing and returning the accompanying Proxy Form so that it is received at the address shown on the Proxy Form by 10:00am on 25 November 2018.

The Notice of Postponed Scheme Meeting is contained in Annexure C to this Supplementary Scheme Booklet. An updated Proxy Form accompanies this Supplementary Scheme Booklet.

See Section 3.7 and pages 5 to 8 of the Scheme Booklet for full details on how to vote at the Postponed Scheme Meeting, including specific details for SA Holders. Other than in respect of dates and times, these instructions continue to apply.

The Court has ordered that, for the purposes of the Scheme Meeting, Tawana Shares will be taken to be held by the persons who are registered as Tawana Shareholders at 10:00am on 25 November 2018. Accordingly, registrable transmission applications or transfers of Tawana Shares registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

Tawana Shareholders that have already voted are entitled to change their vote by submitting a new Proxy Form. Any Proxy Forms that have been validly lodged prior to the date of this Supplementary Scheme Booklet will be deemed valid for the Postponed Scheme Meeting unless withdrawn or revoked, provided that the Proxy Form is given by a Tawana Shareholder that continues to be a registered holder as at 10:00am on the new eligibility date of 25 November 2018. If a new Proxy Form is submitted it will be taken to revoke any previously submitted Proxy Form.

To be valid, a Proxy Form must be received no later than 10:00am on 25 November 2018 (48 hours prior to commencement of the Postponed Scheme Meeting). Proxy Forms received after this time will be invalid.

For further information on proxy voting, please refer to the detailed instructions contained in the updated Proxy Form which accompanied this Supplementary Scheme Booklet.

11 CONDITIONS PRECEDENT

As at the date of this Supplementary Scheme Booklet, the following Conditions Precedent have been satisfied or waived:

- approval of the AMAL Shareholder Resolutions, which occurred on 21 September 2018; and
- as otherwise set out in the Scheme Booklet.

As at the date of this Supplementary Scheme Booklet, the implementation of the Scheme remains subject to the following Conditions Precedent:

Approvals or restraints: Before 8:00am on the Second Court Date:

- ASIC has issued or provided such consents, approvals, modifications or exemptions, or has done such other acts which the parties agree are reasonably necessary or desirable to implement the Transaction;
- ASX has issued or provided such consents, approvals or waivers or has done such other acts which the parties agree are reasonably necessary to implement the Transaction;
- SGX has issued or provided such consents, approvals or waivers or does such other acts which the parties agree are reasonably necessary or desirable to implement the Transaction including:
 - approval of the SGX for the despatch of the AMAL Shareholders' Circular and the Transaction; and
 - approval of the issuance of the listing and quotation notice approving, amongst others, the listing and quotation of the Scheme Consideration on the official list of the Catalist;
- all other approvals of a Regulatory Authority which AMAL and Tawana agree are necessary to implement the Scheme have been granted, obtained and not withdrawn, cancelled, revoked or varied in a manner materially adverse to the parties; and
- no Court of competent jurisdiction has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, preliminary or permanent decision, notice of objection, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Transaction and no such order, decree, ruling, other action or refusal is in effect.

Scheme Approval: Tawana Shareholders have approved the Scheme at the Scheme Meeting by the requisite majorities in accordance with the Corporations Act.

Court approval: The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.

Independent Expert: The Independent Expert has issued an Independent Expert's Report which concludes that the Scheme is in the best interests of Scheme Participants, and the Independent Expert has not withdrawn or adversely modified that conclusion by 8:00am on the Second Court Date.

No Tawana Prescribed Event: No Tawana Prescribed Event has occurred between (and including) the date of execution of the Scheme Implementation Agreement and 8:00am on the Second Court Date.

No AMAL Prescribed Event: No AMAL Prescribed Event has occurred between (and including) the date of execution of the Scheme Implementation Agreement and 8:00am on the Second Court Date.

No Tawana Material Adverse Change: No Tawana Material Adverse Change has occurred between the date of execution of the Scheme Implementation Agreement and 8:00am on the Second Court Date.

No AMAL Material Adverse Change: No AMAL Material Adverse Change has occurred between the date of execution of the Scheme Implementation Agreement and 8:00am on the Second Court Date.

Tawana representations and warranties: Each of Tawana's Representations and Warranties set out in schedule 6 of the Scheme Implementation Agreement is true and correct in all material respects as at the date of execution of the Scheme Implementation Agreement and until 5:00pm on the Business Day immediately prior to the Second Court Date.

AMAL representations and warranties: Each of AMAL's Representations and Warranties set out in schedule 7 of the Scheme Implementation Agreement is true and correct in all material respects as at the date of execution of the Scheme Implementation Agreement and until 5:00pm on the Business Day immediately prior to the Second Court Date.

ASX Quotation: ASX has, before 8:00am on the Second Court Date, given approval for the admission of AMAL to the Official List and for the Official Quotation of AMAL Shares, subject to any conditions which ASX may reasonably require, including implementation of the Scheme.

No termination: The Scheme Implementation Agreement has not been terminated in accordance with clause 20 of the Scheme Implementation Agreement.

Neither Tawana nor AMAL is aware of any reason why any of the remaining Conditions Precedent will not be satisfied.

12 CONSENTS

The following parties have consented to be named in the form and context in which it is named in this Supplementary Scheme Booklet and none of them have withdrawn that consent prior to the date of this Supplementary Scheme Booklet:

- King & Wood Mallesons as legal adviser to Tawana (as to Australian law);
- Canaccord as financial adviser to Tawana;
- BDO as Independent Expert;
- SRK Consulting as technical specialist;
- EY as auditor of Tawana;
- EY as auditor of AMAL;
- Ernst & Young Transaction Advisory Services Limited as Investigating Accountant;
- Computershare Investor Services Pty Limited as Tawana Share Registry; and
- AMAL.

BDO has also given and has not withdrawn, before the date of this Supplementary Scheme Booklet, its written consent to the inclusion of its Replacement IER in this Supplementary Scheme Booklet in the form and context in which it is included and to all references in this Supplementary Scheme Booklet to the Replacement IER in the form and context in which they appear.

SRK Consulting has also given and has not withdrawn, before the date of this Supplementary Scheme Booklet, its written consent to the inclusion of its Technical Specialist Report in this Supplementary Scheme Booklet in the form and context in which it is included and to all references in this Supplementary Scheme Booklet to the Technical Specialist Report in the form and context in which they appear.


AMAL has also given and has not withdrawn, before the date of this Supplementary Scheme Booklet, its written consent to the inclusion of the AMAL Supplementary Information in this Supplementary Scheme Booklet in the form and context in which it is included, and to all references in this Supplementary Scheme Booklet to the AMAL Supplementary Information in the form and context in which they appear.

EY has also given and not withdrawn, before the date of this Supplementary Scheme Booklet, its written consent to:

- the incorporation by reference in this Supplementary Scheme Booklet of its audit reports with respect to the financial statements of AMAL for the years ended 30 June 2016, 30 June 2017 and 30 June 2018; and
- the incorporation by reference in this Supplementary Scheme Booklet of its audit reports with respect to the financial statements of Tawana for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 and its review report with respect to the interim financial statements of Tawana for the six months ended 30 June 2018.

Ernst & Young Transaction Advisory Services Limited has also given and not withdrawn, before the date of this Supplementary Scheme Booklet, its written consent to the inclusion of its Replacement ILAR in this Supplementary Scheme Booklet in the form and context in which it is included.

None of the persons referred to in this Section 12 have authorised or caused the issue of this Supplementary Scheme Booklet nor made or purport to have made any statement in this Supplementary Scheme Booklet or any statement on which a statement in the Supplementary Scheme Booklet is based, other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.



To the maximum extent permitted by law, each person referred to in this Section 12 expressly disclaims, and takes no responsibility for, any statements or omissions from, this Supplementary Scheme Booklet other than as described in this section with that person's consent.

13 FEES AND COSTS

Section 10.10 of the Scheme Booklet sets out the amount of the fees or expenses incurred (or expected to be incurred) by Tawana and AMAL in connection with the Transaction as at 20 August 2018.

The amount of the fees or expenses incurred (or expected to be incurred) by Tawana and AMAL in connection with the Transaction have decreased since 20 August 2018 as a result of a lower overall value of the Transaction.

Section 1.2(g) of the Scheme Booklet is amended on the basis that Transaction and other costs incurred (or which are expected to be incurred) by the Merged Group in relation to the implementation of the Scheme are currently estimated at approximately \$16.2 million (excluding GST), which includes approximately \$8.1 million anticipated to be attributable to stamp duty.

Section 1.3(b) of the Scheme Booklet is amended on the basis that, if the Scheme is not implemented and if no Superior Proposal emerges and is completed, Tawana expects to incur total costs of approximately \$1.8 million (excluding GST) which will be paid in the 2018 financial year. Further, Section 2 of the Scheme Booklet is amended on the basis that Tawana estimates that it will have incurred or committed transaction costs of approximately \$1.8 million (excluding GST) in relation to the Scheme prior to the Scheme Meeting. Those costs will be payable by Tawana regardless of whether or not the Scheme is approved and becomes Effective.

Section 10.10(a) of the Scheme Booklet is to be disregarded in its entirety and replaced with:

"The amount of the fees incurred (or which are expected to be incurred) by Tawana in connection with the Transaction, including the fees of the financial advisors, lawyers, accountants and the Independent Expert, is estimated at approximately \$4.1 million (excluding GST). This includes fees and expenses for professional services paid or payable (excluding GST) to:

- *the financial advisor of approximately \$2.4 million (see Section 10.10(b));*
- *legal advisors of approximately \$1.1 million; and*
- *accounting and tax advisors of approximately \$245,000.*

The balance of the fees and expenses incurred (or which are expected to be incurred) by Tawana in connection with the Transaction comprises fees paid (or expected to be payable) by Tawana in connection with the Transaction, including to the Independent Expert, SRK Consulting and the Tawana Share Registry."

14 IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

At the first court hearing held on Friday, 17 August 2018, the Court ordered Tawana to convene a Scheme Meeting to be held on 26 September 2018 to consider and vote on the Scheme. The original notice convening the Scheme Meeting is set out in Annexure F of the Scheme Booklet.

At a further court hearing on 8 November 2018, the Court ordered that the Scheme Meeting be postponed and be reconvened for 27 November 2018. The notice convening the Postponed Scheme Meeting is set out in Annexure C to this Supplementary Scheme Booklet.

The Court is not responsible for the contents of this Supplementary Scheme Booklet and, in ordering that the Scheme Meeting be held, the Court does not in any way indicate that the Court has approved or will approve the terms of the Scheme. An order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

15 WRITS RELATING TO FORMER AMAL EXECUTIVES

In the AMAL announcement to SGX of 19 October 2018, AMAL announced the receipt of two Writ of Summons dated 17 October 2018 (**Writs**) served on AMAL by lawyers representing Mr Tjandra Pramoko and Ms Suen Sze Man, previously the chief executive officer and executive director of AMAL respectively (**Former Executives**).

The Writs relate to the commencement of actions by each of the Former Executives against AMAL in the Supreme Court of Western Australia seeking, among other things, the issue of 3,750,000 AMAL shares (**Compensation AMAL Shares**) in favour of each of them as compensation arising from their previous services rendered to AMAL (or damages in lieu of the transfer of the Compensation AMAL Shares).

AMAL is continuing to consult with its legal advisers in respect of this matter and intends to defend the action.

Without forming any view as to the prospects of any claim being made by the former AMAL executives, the Independent Expert, BDO, has been asked to consider whether the issue of the Compensation AMAL Shares would impact its analysis or conclusion. In the Replacement IER annexed to this Supplementary Scheme Booklet as Annexure A, the Independent Expert has confirmed that, even if the Compensation AMAL Shares are issued, the Independent Expert would not change its opinion that the Scheme is fair to Tawana Shareholders.

16 ADDITIONAL INFORMATION

A copy of the Scheme Booklet was sent to Tawana Shareholders on or around 24 August 2018 and an electronic copy is available on ASX's website at www.asx.com.au and on Tawana's website at www.tawana.com.au/category/asx-announcements/.

Since 20 August 2018, Tawana has made the following relevant announcements:

- "Bald Hill Operations and Optimisation Study Update" on 6 September 2018;
- "Merger Presentation to Alliance Shareholders" on 10 September 2018;
- "Interim Financial Report – Half Year Ended 30 June 2018" dated 14 September 2018;
- "Merger Update" dated 19 September 2018;
- "Funding Package Secured – Alliance to Pursue ASX Listing" dated 27 September 2018;
- "Grant of ASX Listing Rule Waiver for Tribeca Funding Package" dated 4 October 2018;
- "Amended Appendix 3B" dated 12 October 2018;
- "Bald Hill JV Tantalum Concentrate Sales" dated 25 October 2018;
- "Quarterly Cashflow Report" dated 31 October 2018;
- "Quarterly Activities Report" dated 31 October 2018;
- "Finalisation of Funding Package and Merger Update" dated 31 October 2018; and
- "Merger Update" dated 7 November 2018.

Other than as expressly set out in this Supplementary Scheme Booklet, no other material information in the Scheme Booklet dated 20 August 2018 has changed.

Except as disclosed elsewhere in the Scheme Booklet and this Supplementary Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director of Tawana, at the date of this Supplementary Scheme Booklet, which has not previously been disclosed to Tawana Shareholders.



TAWANA RESOURCES NL Independent Expert's Report

7 November 2018



Financial Services Guide

7 November 2018

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Tawana Resources NL ('Tawana') to provide an independent expert's report on the proposal to merge with Alliance Mineral Assets Limited ('Alliance') by way of a scheme of arrangement. You will be provided with a copy of our report as a retail client because you are a shareholder of Tawana.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$145,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments - In November 2016, BDO was engaged by Tawana to provide an independent expert's report regarding the issue of Tawana shares to the shareholders of Lithco No. 2 Pty Ltd ('Lithco') as part of the option for Tawana to acquire 100% of the issued capital of Lithco for a fee of \$25,000.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Tawana for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA'). AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Services ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time. Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting AFCA directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

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7 November 2018

The Directors
Tawana Resources NL
Level 3, 20 Parkland Road
OSBOURNE PARK WA 6017

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 5 April 2018, Tawana Resources NL ('Tawana' or 'the Company') announced that it had entered into a Scheme Implementation Agreement ('SIA') with Alliance Mineral Assets Limited ('Alliance') to merge with Alliance, under which Alliance has agreed to acquire all of the issued capital of Tawana by way of a scheme of arrangement ('the Scheme'). The shareholders of Tawana ('Shareholders') will receive 1.10 shares in Alliance, representing the combined entity of Tawana and Alliance following the Scheme ('Proposed Merged Entity'), for every Tawana share held.

Additional information regarding the terms of, and conditions precedent to, the Scheme can be found in Section 4.

On 17 August 2018, BDO Corporate Finance (WA) Pty Ltd ('BDO') issued an independent expert's report ('Report') to express an opinion that the Scheme was in the best interests of Shareholders.

On 27 September 2018, Tawana announced its intention to execute binding documentation with, among others, Tribeca Investment Partners Pty Ltd as agent for other investors with respect to:

- A secured \$20 million term facility to be provided by way of loan notes that is to be made available to Lithco No. 2 Pty Ltd ('Lithco') ('Tawana Facility'); and
- A secured \$20 million stand-by line of credit that is to be made available to Lithco (as part of the Proposed Merged Entity), conditional on the Scheme being implemented and Alliance receiving conditional ASX listing approval, among other customary draw down conditions ('MergeCo Facility').

(Collectively the 'Debt Arrangements').

On 31 October 2018, Tawana and Lithco executed formal binding documentation with respect to the Debt Arrangements.

BDO considers execution of the Debt Arrangements constitute a material change from the conditions present at the date of our previous Report, and therefore, are required to issue a replacement independent expert's report ('Replacement Report') taking into account the material changes in the

conditions affecting the basis for the opinion of whether the Scheme is in the best interests of Shareholders.

Shareholders should disregard the previous Report, and rely solely on the Replacement Report, with all current information included in this Replacement Report.

All currencies in this report are expressed in Australian Dollars unless otherwise specified.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Tawana requested that BDO prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the Scheme is in the best interests of Shareholders. This Replacement Report is required to be prepared as the execution of the Debt Arrangements constitutes a material change from the conditions present at the date of our previous Report.

Our Replacement Report is prepared pursuant to Section 411 of the Corporations Act 2001 Cth ('**Corporations Act**' or '**the Act**') and is to be included in the supplementary scheme booklet to be produced in connection with the Scheme ('**Supplementary Scheme Booklet**') in order to assist the Shareholders in their decision whether to approve the Scheme.

2.2 Approach

Our Replacement Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 60 'Schemes of Arrangements' ('**RG 60**'), Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Scheme as outlined in the body of this report. We have considered the following:

- Whether the Scheme constitutes a "merger of entities of equals";
- How the value of a share in Tawana prior to the implementation of the Scheme, on a minority interest basis, compares to the value of the share in the Proposed Merged Entity, on a minority interest basis;
- A post-merger analysis
- The likelihood of an alternative offer being made to Shareholders;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Scheme; and
- The position of Shareholders should the Scheme not proceed.

2.3 Opinion

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that, in the absence of a superior proposal, the Scheme is fair and reasonable to Shareholders.

Therefore, in the absence of a superior proposal, we conclude that the Scheme is in the best interests of Shareholders.

2.4 Fairness

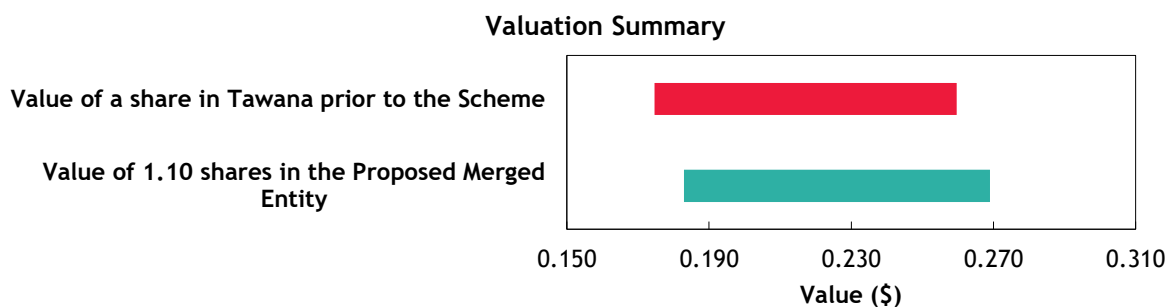
In Section 13 we determined as detailed below how the value of a share in Tawana prior to the implementation of the Scheme (on a minority interest basis) compares to the value of 1.10 shares in the Proposed Merged Entity to be received by Shareholders as consideration under the Scheme (on a minority interest basis).

The table below shows the value of a Tawana share prior to the implementation of the Scheme on a controlling basis, however, in accordance with RG111.31 in assessing whether the Scheme is fair we have considered the value of the shares prior to and following the Scheme on an equivalent minority interest basis as the Scheme is a merger of equals, as detailed in Section 3.3.

	Ref	Low \$	Preferred \$	High \$
Value of a share in Tawana prior to the Scheme (controlling interest basis)	11.1	0.244	0.293	0.338
Value of a share in Tawana prior to the Scheme (minority interest basis)	11.3	0.174	0.217	0.260
Value of 1.10 shares in the Proposed Merged Entity (minority interest basis)	12.1	0.183	0.226	0.269

Source: BDO analysis

The above minority interest valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that, in the absence of a superior offer and any other relevant information, the Scheme is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 14 of this report, in terms of both:

- advantages and disadvantages of the Scheme; and
- other considerations, including the position of Shareholders if the Scheme does not proceed.

In our opinion, the position of Shareholders if the Scheme is approved is more advantageous than the position if the Scheme is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Scheme is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.1.1.	The Scheme is fair	14.2.1.	The Scheme will result in a dilution of existing Shareholders' interests
14.1.2.	The Scheme will streamline the ownership structure and operational management of the Bald Hill Project which may result in cost synergies and efficiency benefits	14.2.2.	Some ineligible Shareholders may not be able to receive shares in the Proposed Merged Entity
14.1.3.	Creation of a combined group with a stronger financial position		
14.1.4.	Larger market presence, which may result in improved liquidity and an increased ability to raise capital		
14.1.5.	Broader expertise and increased experience of the Board of Directors		

Other key matters we have considered include:

Section	Description
14.3	Alternative proposal
14.4	Practical level of control
14.5	Post-announcement pricing
14.6	Taxation implications

3. Scope of the Report

3.1 Purpose of the Report

The Scheme is to be implemented pursuant to section 411 of the Corporations Act ('Section 411'). Part 3 of Schedule 8 to the Corporations Act Regulations 2001 (Cth) ('Regulations') prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411.

An independent expert's report must be obtained by a scheme company if:

- There is one or more common directors; or
- The other party to the scheme holds 30% or more of the voting shares in the scheme company.

The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interest of the members of the company the subject of the scheme and setting out his or her reasons for that opinion.

There are no common directors of Tawana and Alliance, nor is there any other party to the Scheme that holds 30% or more of the scheme company. Accordingly, there is no requirement for this report pursuant to Section 411. Notwithstanding the fact that there is no legal requirement to engage an independent expert to report on the Scheme, the directors of Tawana have requested that BDO prepare this report as if it were an independent expert's report pursuant to section 411, and to provide an opinion as to whether the directors of Tawana are justified in recommending the Scheme in the absence of an alternate proposal.

3.2 Regulatory guidance

Neither the Act nor the Regulations defines the term 'in the best interests of'. In determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover bid and is therefore representative of a change of 'control' transaction.

In the circumstance of a scheme that achieves the same outcome as a takeover bid, RG 111 suggests that the form of the analysis undertaken by the independent expert should be substantially the same as for a takeover. Independent expert reports required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover bid is 'fair and reasonable'. While there is no definition of 'fair and reasonable', RG 111 provides some guidance as to how the terms should be interpreted in a range of circumstances.

RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to effect the transaction.

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, 'in the best interests' must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available.

The expert must weigh up the advantages and disadvantages of the proposed transaction and form an overall view as to whether shareholders are likely to be better off if the proposed transaction is implemented than if it is not. This assessment is the same as that required for a 'fair and reasonable' assessment in the case of a takeover. If the expert would conclude that a proposal was 'fair and reasonable'; if it was in the form of a takeover bid, the expert will also be able to conclude that the scheme is in the best interests of shareholders. An opinion of 'in the best interests' does not imply the best possible outcome for shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Furthermore, RG111.31 requires the expert to assess whether a scrip takeover is in effect a merger of entities of equivalent value ('**Merger of Equals**') when control of the merged entity will be shared equally between the bidder and the target. In our assessment of whether the Scheme should be analysed as a Merger of Equals, we have considered the following factors:

- The collective interest of Shareholders and Alliance shareholders in the Proposed Merged Entity;
- The contribution by Tawana and Alliance to the assets and liabilities of the Proposed Merged Entity;
- The comparative trading performance of Tawana's and Alliance's securities, and their relative market capitalisations;
- The composition of the board of directors of both companies upon implementing the Scheme;
- Whether any shareholders from either company will be in a position to control or significantly influence the Proposed Merged Entity; and
- Whether implementing the Scheme precludes Shareholders and Alliance shareholders from receiving a control premium for their shares in the future.

Following the implementation of the Scheme, Shareholders will collectively hold approximately 49.48% of the Proposed Merged Entity's issued capital on an undiluted basis with Alliance shareholders retaining approximately 50.52% on an undiluted basis. On a diluted basis, Shareholders and Alliance shareholders will have interest of 48.48% and 51.52% in the Proposed Merged Entity, respectively.

The net asset value of Tawana and Alliance prior to the implementation of the Scheme are similar (based on 30 June 2018 audited balance sheet plus subsequent capital raises). Furthermore, the trading performance of Tawana's and Alliance's securities on the Australian Securities Exchange ('**ASX**') and the Singapore Exchange ('**SGX**'), respectively, are broadly similar with 60% of Tawana's issued capital, and 88% of Alliance's issued capital, traded in the 90-trading-day period prior to the announcement of the Scheme. We note that on 4 April 2018, being the last full trading day prior to the announcement of the Scheme, Tawana had a market capitalisation of \$230 million and Alliance had a market capitalisation of \$180 million, however we note that Tawana had not completed the proposed spin out of their exploration assets. We note that on 10 October 2018 Tawana and Alliance had a market capitalisation of \$165 million and \$175 million, respectively.

The board of the Proposed Merged Entity will have seven members, with Mark Turner as non-executive chairman (currently a non-executive director of Tawana), three additional directors to be nominated from Tawana and three directors from Alliance. It is the intention of the Alliance board that the business of Tawana will be integrated in to Alliance's existing business and will be continued substantially in the same manner as it is presently being conducted. Following implementation of the Scheme, there will not be a single shareholder or group of associated shareholders holding in excess of 20% of the issued capital of the Proposed Merged Entity. This means that the Scheme does not reduce the opportunity for Tawana and Alliance shareholders from receiving a control premium for their shares from a takeover offer in the future.

Having regard to these factors, we consider that the Scheme should be evaluated as a Merger of Equals and not a control transaction. Consequently, the consideration offered and securities given up should be assessed on an equivalent basis. As the implementation of the Scheme will not preclude either Tawana's or Alliance's shareholders from receiving a control premium for their shares in the future, we have assessed the consideration offered and securities given up, on a minority interest basis.

Having regard to the above, BDO has completed this comparison in three parts:

- A comparison between the value of a Tawana share prior to the implementation of the Scheme on a minority interest basis and the value of 1.1 shares in the Proposed Merged Entity on a minority interest basis (fairness - see Section 13 'Is the Scheme Fair?');
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Scheme, after reference to the value derived above (reasonableness - see Section 14 'Is the Scheme Reasonable?'); and
- A consideration of whether the Scheme is in the best interests of Shareholders.

RG 111 states that if a transaction is fair and reasonable then the expert can conclude that the transaction is in the best interests of shareholders; if a transaction is not fair but reasonable an expert can still conclude that the transaction is in the best interests of shareholders; if a transaction is neither fair nor reasonable then the expert would conclude that the transaction is not in the best interests of shareholders.

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Scheme

On 5 April 2018, Tawana announced a proposal to merge with Alliance by way of a scheme of arrangement, having entered into a SIA, pursuant to which Alliance would acquire all of the issued shares in Tawana. Each Tawana share will be acquired by Alliance in exchange for 1.1 Alliance shares. The SIA was amended on 6 July 2018.

As at 4 July 2018, Tawana had a total of 22,596,940 options on issue, of which 3,903,060 were subsequently exercised prior to implementation of the Scheme. Under the SIA, Tawana must make offers to each Tawana optionholder ('Optionholders') as soon as reasonably practical following the execution of the SIA, but prior to the first court date (outlined in the Scheme Booklet) and use its best endeavours to ensure that each of the Optionholders either:

- a) exercises their options; or
- b) enters into an optionholder deed whereby the Optionholder agrees to the cancellation of each option held in return for a number of Alliance shares in accordance with the option consideration formula set out in the SIA.

With respect to the remaining 18,693,880 options on issue, the Optionholders have entered into option holder agreements with Tawana to have Alliance shares issued in consideration for the options being cancelled. We have been advised that the remaining unexercised Tawana options will be exchanged for 10,106,775 Alliance ordinary shares, as per the option consideration formula set out in the SIA.

In April 2018, Tawana undertook an underwritten placement for 48,780,488 new ordinary shares at \$0.41 per share to raise gross proceeds of \$20 million. On 6 July 2018, Tawana completed a placement of 12,195,122 new ordinary shares at \$0.40 per share to raise approximately \$4.88 million before costs ('Tawana Placement').

A summary of the Tawana shares on issue as at the date of this Report is set out below:

Tawana shares outstanding	Number
Shares outstanding as at 4 July 2018	561,988,335
Tawana Placement Shares	12,195,122
Tawana options exercised on 6 July 2018	3,903,060
Total number of Tawana shares on issue as at the date of this Report	578,086,517

Source: BDO analysis

In April 2018, Alliance announced it entered into a placement agreement to carry out a fully underwritten placement of 76,522,804 Alliance shares to raise gross proceeds of S\$25.3 million (approximately \$25.0 million) from sophisticated and institutional investors ('Alliance Underwritten Placement') and a non-underwritten placement of 23,875,115 Alliance shares to Burwill Commodity Ltd ('Burwill'), an existing substantial shareholder of Alliance, to raise up to an additional S\$7.9 million (approximately \$7.8 million) ('Alliance Conditional Placement'). The Alliance Conditional Placement was approved by Alliance shareholders, at an Extraordinary General Meeting held on 25 June 2018. Of the shares placed under the Alliance Conditional Placement, 13 million Alliance shares were placed to Burwill at S\$0.33 per share and 10,875,115 Alliance shares were placed to other institutional investors at S\$0.34 per share.

In April 2018 Alliance also announced its proposed issue of 13,250,000 Alliance shares to Directors and key management staff as part of its human resource retention strategy ('Compensation Shares'). The issue of the Compensation Shares was subject to approval by non-associated Alliance shareholders. At an Extraordinary General Meeting held on 25 June 2018, Alliance shareholders approved the issue of 3,500,000 Compensation Shares.

A summary of the Alliance shares on issue as at the date of this Report is set out below:

Alliance shares outstanding	Number
Shares outstanding as at 25 June 2018	632,096,792
Alliance Conditional Placement Shares	23,875,115
Alliance Compensation Shares	3,500,000
Total number of Alliance shares on issue at the date of this Report	659,471,907

Source: BDO analysis

Upon completion of the Scheme, Shareholders and Alliance shareholders will have interests of approximately 49.48% and 50.52% in the Proposed Merged Entity ('PME') on an undiluted basis, respectively. On a diluted basis, Shareholders and Alliance shareholders will have interests of approximately 48.48% and 51.52% in the PME, respectively.

The shareholdings following the implementation of the Scheme are set out in the table below (assuming no Tawana or Alliance options are exercised):

Scheme summary	Number
Scheme consideration	
Tawana shares on issue held by Shareholders prior to the Scheme Implementation	578,086,517
Exchange ratio (1.1 PME shares for every 1 Tawana share)	1.1
Total PME shares to be issued to Shareholders under the Scheme*	635,901,782
PME shares to be issued to Tawana outstanding optionholders	10,106,775
Total PME shares held by Shareholders on completion of the Scheme (undiluted basis)	646,008,557
PME following the Scheme	
Alliance shares on issue prior to the Scheme	659,471,907
PME shares to be issued to Shareholders under the Scheme	646,008,557
Total shares on issue in the PME on completion of the Scheme (undiluted basis)	1,305,480,464
<i>Percentage of the PME retained by Alliance shareholders</i>	<i>50.52%</i>
<i>Percentage of the PME held by Shareholders</i>	<i>49.48%</i>
	100.00%
PME following the Scheme (diluted basis)	
Alliance shares on issue prior to the Scheme	659,471,907
Alliance options on issue	27,000,000
Total Alliance shares on issue prior to the Scheme (diluted basis)	686,471,907
Total PME shares to be issued to Shareholders under the Scheme	646,008,557
Total shares on issue in the PME on completion of the Scheme (diluted basis)	1,332,480,464
<i>Percentage of the PME retained by Alliance shareholders</i>	<i>51.52%</i>
<i>Percentage of the PME held by Shareholders</i>	<i>48.48%</i>
	100.00%

Source: BDO analysis

*This figure includes an additional 6,613 shares for the potential rounding up of shares, assuming there are 6,613 Shareholders.

Conditions of the Scheme

The Scheme, and various obligations of Tawana and Alliance, are conditional upon, but not limited to, the following:

- Regulatory approvals of ASIC and SGX, in addition to all other consents, waivers and approvals of a regulatory authority, are obtained;
- ASX approval for the admission of Alliance to the Official List of ASX and Official Quotation of ASX shares, subject to customary conditions which ASX may require;
- Approval of the Scheme by the requisite majority of Shareholders, in accordance with Section 411 of the Act, at the Scheme Meeting;
- Court approval of the Scheme in accordance with Section 411 of the Act; and
- The independent expert concluding that the Scheme is in the best interests of Shareholders.

Further disclosure of the conditions precedent to the Scheme is included in the Scheme Booklet and Supplementary Scheme Booklet.

Ineligible Foreign Shareholders

Each Shareholder whose address is recorded in Tawana's share registry as being outside Australia, New Zealand, Hong Kong and Singapore, will be an ineligible foreign shareholder ('**Ineligible Foreign Shareholders**') for the purpose of the Scheme. The shares in the Proposed Merged Entity, which would have been issued to the Ineligible Foreign Shareholders, will be issued to a sale facility agent or nominee of the sale facility agent ('**Sale Agent**') that will sell or procure the sale of those shares in the Proposed

Merged Entity. The Sale Agent will then pay to the Ineligible Foreign Shareholders their proportion of the cash proceeds, being the net cash proceeds of the sale of the relevant shares in the Proposed Merged Entity after deduction of any applicable brokerage and other selling costs, taxes and charges.

5. Profile of Tawana

5.1 History

Tawana is a lithium and tantalum exploration and production company with operations in Australia. Through its wholly owned subsidiary Lithco No.2 Pty Ltd (**'Lithco'**), Tawana holds a 50% interest in the Bald Hill lithium and tantalum mine (**'Bald Hill Project'**) located in the Eastern Goldfields of Western Australia. In early 2018, Tawana transitioned from purely exploration into production with the commissioning of the processing plant at the Bald Hill mine, which is owned and operated under a joint venture with Alliance.

Tawana also held a number of exploration assets including the Cowan lithium project and the Yallari lithium project, located in Western Australia, and the Mofe Creek iron ore project, located in Liberia (**'Exploration Projects'**). Following shareholder approval on 6 July 2018, Tawana transferred the Exploration Projects to a wholly owned public company, Cowan Lithium Limited (**'Cowan Lithium'**) (**'the Restructure'**). On 18 July 2018, the Company undertook a capital reduction and distribution by way of in specie distribution of 85% of all Cowan Lithium shares to Tawana Shareholders.

Tawana listed on the ASX on 18 April 2001 and on the Johannesburg Stock Exchange (**'JSE'**) on 4 November 2005 and its head office located in Osborne Park, Western Australia.

The Company's directors and senior management as at the date of this Report are listed below:

- Mr Robert Benussi - Non-Executive Chairman;
- Mr Mark Calderwood - Managing Director;
- Mr Mark Turner - Non-Executive Director;
- Mr Bob Vassie - Non-Executive Director;
- Ms Wei Xei - Non-Executive Director;
- Mr Craig Hasson - Chief Financial Officer;
- Mr Alexei Fedotov - General Manager Commercial and Legal and Joint Company Secretary; and
- Ms Joanna Kiernan - Joint Company Secretary.

5.2 Projects

Bald Hill Project (Lithium and Tantalum, 50%)

The Bald Hill Project is located 50km southeast of Kambalda in the Eastern Goldfields in Western Australia and has indicated and inferred mineral resources of lithium oxide and tantalum pentoxide. The open pit mining project comprises four mining leases, 16 exploration and prospecting licences and five applications spanning 774km².

Tawana entered into an option agreement to acquire Lithco on 24 October 2016. Lithco held the right to earn a 50% interest in the Bald Hill Mine, for consideration of 50.00 million Tawana shares. On 23 December 2016, shareholders approved the acquisition of Lithco.

On 24 February 2017, Tawana entered into a farm-in agreement with Alliance with respect to the Bald Hill Project. Under the agreement, Tawana was required to spend a minimum of \$7.50 million on exploration, evaluation and feasibility by 31 December 2017 and an additional \$12.50 million in capital expenditure by 31 December 2019 in order to earn a 50% interest in the project.

On 24 October 2017, after meeting the expenditure requirements, Tawana announced the successful completion of the farm-in agreement, giving Tawana a 50% interest in all the minerals from the tenements and the processing plant and infrastructure at Bald Hill.

Production at the mine commenced in March 2018 following completion of stage 1 development with ore commissioning of the recently completed Dense Media Separation ('DMS') circuit. The first shipment was completed in early May 2018, as part of an offtake agreement with Burwill and in July 2018, Tawana announced that Bald Hill had achieved commercial production.

Stage 2 development involves the commissioning of tantalum circuits at Bald Hill and design of a lithium fines circuit to increase the mine's capacity.

Further details on the Bald Hill Project can be found in the Independent Technical Report in Appendix 6.

5.3 Recent Corporate Events

Funding Packages

On 20 October 2017, Tawana announced it had secured a \$25.00 million funding package ('**Funding Package**') with German company, Weier Atriebe und Energietechnik GmbH ('**Weier**') for the continued development of the Bald Hill Project. Weier is a wholly owned subsidiary of Jiangte Special Electric Motor Co. Ltd, a lithium industry specialist listed on the Shenzhen Stock Exchange. The package, which comprised both debt and equity, funded initial production at the Bald Hill Project.

On 25 October 2017, the first tranche of shares was issued to Weier under the funding package, consisting of 14.29 million shares issued at a price of \$0.35 per share, to raise \$5.00 million.

On 16 November 2017, Tawana issued the second tranche of shares to Weier under the funding package. The second tranche consisted of 42.86 million shares, issued at a price of \$0.35 per share, to raise \$15.00 million.

On 5 February 2018, through its subsidiary Lithco, Tawana secured a \$5.00 million loan facility with Red Coast Investment Limited, a nominee of Weier. The loan completed the A\$25.00 million funding package with Weier to support works at the Bald Hill Project.

On 19 September 2018, Tawana announced that admission of Alliance to the Official List of ASX was no longer a condition precedent to the Scheme after determining that a requirement set out by ASX would not be met within the necessary timeframe for the Merger. In order to list, the ASX required that Alliance alleviate the emphasis of matter in the PME's pro forma balance sheet, surrounding uncertainty regarding PME's ability to continue as a going concern.

On 27 September 2018, Tawana announced it had secured a conditional \$40.00 million funding package to fund further additions and upgrades to the Bald Hill DMS and tantalum circuits, repay the \$5.00 million Red Coast loan and strengthen the Company's balance sheet liquidity position. The package comprised a \$20.00 million debt facility with a number of lenders, led by Tribeca Investment Partners Pty Ltd ('**Tribeca**') ('**the Tawana Facility**') and a \$20.00 million line of credit for the PME ('**the MergeCo**')

Facility’), conditional on the completion of the Merger and Alliance receiving conditional ASX listing approval.

On 5 November 2018, Tawana and Alliance agreed to make the Scheme conditional on admission of Alliance to the official List of ASX by revoking the waiver of that condition as announced on 19 September 2018

Offtake Agreements

On 26 April 2017, Tawana announced a binding long term lithium concentrate offtake agreement, with a subsidiary of Burwill (**‘Lithium Offtake Agreement’**). The Lithium Offtake Agreement covers a period of approximately five years. The key terms of the Lithium Offtake Agreement are as follows:

- A fixed price of \$US880/t (FOB Esperance) for 6% lithium concentrate (subject to adjustment for grade), for the period from 15 March 2018 to 31 December 2019, following which the parties will agree on a sales price based on prevailing market conditions at the time; and
- A \$12.5 million prepayment, which is interest free, and will be repaid from each lithium concentrate shipment until the prepayment has been repaid. The prepayment is to be used towards the capital and operational costs of the Bald Hill Project.

Alliance entered into a separate offtake agreement with Burwill, resulting in a total prepayment from Burwill of \$20.125 million.

On 25 January 2018, Tawana and Alliance announced that they had executed a non-binding in principle term sheet for the offtake of tantalum concentrate from the Bald Hill Project (**‘Tantalum Offtake Term Sheet’**). The term sheet was executed with subsidiaries of H.C. Starck GmbH (**‘H.C. Starck’**). Under the Tantalum Offtake Term Sheet, H.C. Starck agreed in principle to purchase a minimum of 600,000 pounds of tantalum concentrate in aggregate, from April 2018 to 31 December 2020, or all the standard grade tantalum concentrate produced from the Bald Hill Project prior to 31 December 2020 if the delivery is less than 600,000 pounds.

Capital Raisings

On 26 October 2016, Tawana announced that it had completed a capital raising of \$7.20 million through the issue of 29.6 million shares at \$0.12 per share, to fund the ongoing development of the Company’s lithium projects. The funds were issued in two tranches and were used to complete drilling and metallurgy at the Uis Project in Namibia, continue exploration of the Cowan Project, and conduct due diligence on the Bald Hill Project.

On 20 April 2017, the Company completed a capital raising of \$15.00 million via the issue of 60.00 million shares at an issue price of \$0.25 per share. The first tranche of the placement comprised 35.90 million shares which were issued on 8 May 2017, and the second tranche comprised the remaining 24.10 million shares, which were issued on 30 May 2017. The funds raised were used to commence capital works at the Bald Hill Project.

On 17 April 2018, Tawana announced the completion of the underwritten placement of 48.78 million fully paid ordinary shares at \$0.41 per share to raise \$20.00 million for the advancement of the Bald Hill Project.

On 6 July 2018, Tawana completed a placement of 12.20 million new ordinary shares at \$0.40 per share to raise approximately \$4.88 million before costs. The funds raised were used to continue commissioning of

the mine, provide additional working capital and fund resource drilling, feasibility studies on expansion projects and other initiatives at the Bald Hill Project.

5.4 Historical Consolidated Statements of Financial Position

Statement of Financial Position	Reviewed as at 30-Jun-18 \$000s	Audited as at 31-Dec-17 \$000s	Audited as at 31-Dec-16 \$000s
CURRENT ASSETS			
Cash and cash equivalents	10,811	16,375	6,959
Trade and other receivables	9,355	5,190	322
Prepayments and deposits	468	1,116	-
Disposal group held for distribution	4,225	-	-
Inventory	868	27	-
TOTAL CURRENT ASSETS	25,727	22,708	7,281
NON-CURRENT ASSETS			
Mine properties	36,379	18,045	-
Exploration and evaluation expenditure	316	7,660	12,463
Property plant and equipment	36,844	23,833	61
Deposits	345	73	-
TOTAL NON-CURRENT ASSETS	73,884	49,611	12,524
TOTAL ASSETS	99,611	72,319	19,805
CURRENT LIABILITIES			
Trade and other payables	16,566	9,373	1,212
Deferred revenue	11,705	9,595	-
Provisions	359	160	2
Interest bearing liabilities	89	-	-
TOTAL CURRENT LIABILITIES	28,719	19,128	1,214
NON-CURRENT LIABILITIES			
Interest bearing liabilities	5,035	-	-
Deferred revenue	-	2,905	-
Provision for rehabilitation	2,863	706	18
TOTAL NON-CURRENT LIABILITIES	7,898	3,611	18
TOTAL LIABILITIES	36,617	22,739	1,232
NET ASSETS	62,994	49,580	18,573
EQUITY			
Contributed equity	128,287	108,024	73,034
Reserves	5,861	6,990	2,833
Accumulated losses	(72,687)	(65,434)	(57,294)
Amounts recognised in equity relating to disposal group	1,533	-	-
TOTAL EQUITY	62,994	49,580	18,573

Source: Tawana's reviewed interim financial statements for the half year ended 30 June 2018, audited financial statements for the years ended 31 December 2017 and 31 December 2016.

We draw attention to the existence of material uncertainty relating to the ability of the Group to continue as a going concern, as raised by the auditor in the financial statements for the years ended 31 December 2017 and 31 December 2016. In the financial statements for the half year ended 30 June 2018, Tawana noted that in the event the group was unable to obtain sufficient funding for ongoing operating and capital requirements, this material uncertainty would continue to exist.

Commentary on Historical Consolidated Statements of Financial Position

We note the following in relation to the Company's financial position:

- Cash and cash equivalents decreased \$5.56 million from \$16.38 million at 31 December 2017 to \$10.81 million at 30 June 2018. The decrease was primarily attributable to payments for mine properties of \$14.92 million, payments for property, plant and equipment ('PPE') of \$15.14 million, purchases for operations of \$2.12 million, payments to administration suppliers and employees of \$1.86 million and capital raising costs of \$1.22 which were partially offset by proceeds from the sale lithium concentrate of \$4.31 million, proceeds from the issue of shares of \$21.39 million and proceeds from borrowings of \$5.00 million.
- Trade and other receivables increased by \$4.16 million, from \$5.19 at 31 December 2017 to \$9.35 million at 30 June 2018 due to an increase in receivables from Joint Operations participants.
- Disposal group held for distribution of \$4.23 million related to Tawana's non-core assets which were transferred to Cowan Lithium under the demerger.
- Prepayments and deposits of \$1.12 million at 31 December 2017 mainly related to a retention deposit held as security for works at the Bald Hill Project under the engineering, procurement and construction agreement.
- Mine properties increased from \$18.05 million at 31 December 2017 to \$36.38 million at 30 June 2018 as a result of mining related expenditure at Bald Hill during the period.
- Exploration and evaluation expenditure of \$7.66 million at 31 December 2017 comprised reclassified mine properties expenditure of \$12.53 million, capitalised costs incurred during the period of \$6.75 million, capitalised acquisition expenditure of \$2.54 million and \$1.56 million in expenditure was written off.
- PPE increased \$13.01 million from \$23.83 million at 31 December 2017 to \$36.84 million at 30 June 2018. The increase is attributable to project and pre-commercial production (assets under construction) expenditure at Bald Hill which did not relate directly to mines under construction.
- Trade and other payables increased by \$7.20 million from \$9.37 million at 31 December 2017 to \$16.57 million at 30 June 2018 in line with the ramp up of operational activities at Bald Hill.
- Non-current interest bearing liabilities of \$5.035 million at 30 June 2018 related primarily to the loan facility with Red Coast.

5.5 Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Comprehensive Income	Reviewed Half year ended 30-Jun-18 \$000s	Audited Year ended 31-Dec-17 \$000s	Audited Year ended 31-Dec-16 \$000s
Revenue			
Revenue from continuing operations	127	84	26
Expenses			
Administration expenses	(1,328)	(815)	(605)
Employee benefit expense	(1,058)	(995)	(399)
Share based payments expense	(448)	(4,334)	(326)
Compliance and regulatory expense	(259)	(318)	(192)
Depreciation	(35)	(39)	(25)
Exploration expenditure	-	(164)	(239)
Exploration expenses written off	-	-	-
Impairment of exploration and evaluation asset	(4,059)	(1,559)	-
Foreign exchange gain/(loss)	1	-	-
Loss on disposal of subsidiary	-	-	-
Finance expenses	(194)	-	-
Other expenses	-	-	-
Loss from continuing operations before income tax	(7,253)	(8,140)	(1,760)
Income tax expense	-	-	-
Loss from continuing operations after income tax	(7,253)	(8,140)	(1,760)
Loss from discontinued operations after tax	-	-	-
Loss for the period attributable to Tawana Resources NL	(7,253)	(8,140)	(1,760)
Other comprehensive income			
(Loss)/gain on translation of foreign operations	(44)	(177)	(16)
Total comprehensive loss for the year	(7,297)	(8,317)	(1,776)

Source: Tawana's reviewed interim financial statements for the half year ended 30 June 2018, audited financial statements for the years ended 31 December 2017 and 31 December 2016.

Commentary on Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

We note the following in relation to the Tawana's historical statement of profit or loss and other comprehensive income:

- Revenue from continuing operations related mainly to interest income, as production had not yet commenced at the Bald Hill Project.
- The employee share based expense increased from \$0.33 million for the year ended 31 December 2016, to \$4.33 million for the year ended 31 December 2017. The increase of \$4.00 million was due to an increase in non-cash incentives provided to directors, staff and advisors.
- Exploration expenses written off amounting to \$7.73 million for the year ended 31 December 2015 related to the Mofe Creek Project in Liberia, which was placed into care and maintenance during the 2015 financial year.

- Impairment of exploration and evaluation assets of \$1.56 million for the year ended 31 December 2017 related to costs capitalised in the acquisition of the Uis Project in Namibia. Similar impairment expenses totalling \$4.06 million incurred in the half year ended 30 June 2018 relate to the fair value assessment of Tawana's non-core assets which were transferred to Cowan Lithium under the demerger.

5.6 Capital Structure

The share structure of Tawana as at 30 September 2018 is outlined below:

	Number
Total ordinary shares on issue	578,086,517
Top 20 shareholders	361,438,051
Top 20 shareholders - % of shares on issue	62.52%

Source: Tawana's Share Register

The range of shares held in Tawana as at 30 September 2018 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	1,004	363,888	0.06%
1,001 - 5,000	1,921	5,303,452	0.92%
5,001 - 10,000	1,035	8,530,278	1.48%
10,001 - 100,000	2,059	71,176,470	12.31%
100,001 - and over	414	492,712,429	85.23%
TOTAL	6,433	578,086,517	100.00%

Source: Tawana's Share Register

The ordinary shares held by the most significant shareholders as at 30 September 2018 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Weier Antriebe und Energietechnik GMBH	76,167,857	13.18%
Citicorp Nominees Pty Limited	56,318,628	9.74%
Merriwee Pty Ltd	31,650,000	5.47%
UBS Nominees Pty Ltd	30,275,705	5.24%
CG Nominees (Australia) Pty Ltd	28,000,000	4.84%
Subtotal	222,412,190	38.47%
Others	355,674,327	61.53%
Total ordinary shares on Issue	578,086,517	100.00%

Source: Tawana's share register

6. Profile of Alliance Mineral Assets Ltd.

6.1 History

Alliance is a lithium and tantalum mining company with its head office located in Osborne Park, Western Australia. It was incorporated in Australia on 6 December 2010 and listed on the SGX in July 2014.

Alliance's principal asset is the Bald Hill Project in which it holds a 50% interest. Alliance acquired a 100% interest the Bald Hill tenements in December 2010, and begun refurbishment and further development of the mine in December 2013. A joint venture farm-in agreement with Tawana's wholly owned subsidiary Lithco was completed in October 2017, reducing Alliance's interest to 50%.

The Company's directors and senior management are set out below:

- Ms Pauline Gately - Executive Chairperson;
- Mr Mahtani Bhagwandas - Director;
- Mr Ong Kian Guan - Director; and
- Mr Eddy Chan - Director;
- Mr Shaun Menezes - Director, Chief Financial Officer and Company Secretary;
- Ms Fiona Leaw - Company Secretary

6.2 Historical Statements of Financial Position

Statement of Financial Position	Audited as at 30-Jun-18 \$000s	Audited as at 30-Jun-17 \$000s	Audited as at 30-Jun-16 \$000s
CURRENT ASSETS			
Cash and cash equivalents	18,841	2,857	5,390
Other receivables	2,151	148	2,147
Other current assets	586	3,790	23
Inventory	842	-	-
TOTAL CURRENT ASSETS	22,421	6,795	7,560
NON-CURRENT ASSETS			
Mine development	29,427	3,506	3,088
Property plant and equipment	37,538	12,294	13,636
Reimbursement asset - rehabilitation obligation	2,821	-	-
TOTAL NON-CURRENT ASSETS	69,786	15,800	16,724
TOTAL ASSETS	92,207	22,595	24,283
CURRENT LIABILITIES			
Trade and other payables	8,327	3,299	3,586
Deferred revenue	7,343	3,702	-
Employee benefit liabilities	210	45	38
Interest bearing loans and borrowings	658	25	1,032
TOTAL CURRENT LIABILITIES	16,538	7,071	4,656
NON-CURRENT LIABILITIES			
Trade and other payables	-	-	669
Provision for rehabilitation	5,642	1,079	1,079
Interest bearing loans and borrowings	10,337	17	35
TOTAL NON-CURRENT LIABILITIES	15,978	1,096	1,783
TOTAL LIABILITIES	32,516	8,168	6,438
NET ASSETS	59,691	14,428	17,845
EQUITY			
Contributed equity	82,017	38,960	38,960
Reserves	7,189	3,849	2,463
Accumulated losses	(29,515)	(28,382)	(23,578)
TOTAL EQUITY	59,691	14,428	17,845

Source: Alliance's audited financial statements for the years ended 30 June 2018, 30 June 2017 and 30 June 2016.

We note that Alliance's auditor issued an unmodified audit report with no qualifications for the year ended 30 June 2016. We draw attention however, to the existence of material uncertainty relating to the ability of Alliance to continue as a going concern, as raised by the auditor in the annual report for the years ended 30 June 2018 and 30 June 2017.

Commentary on Historical Statements of Financial Position

We note the following in relation to the Alliance's financial position:

- Cash and cash equivalents increased from \$2.86 million at 30 June 2017 to \$18.84 million at 30 June 2018. The increase was primarily attributable to proceeds from capital raisings of \$44.58 million, the

drawdown of a \$13.00 million syndicated loan relating to the Bald Hill Project and the recognition of a lithium prepayment of \$8.13 million. This was offset by expenditure relating to the Bald Hill Project and repayment of the loan from Living Waters Mining (Australia) Pty Ltd (**‘Living Waters Mining’**).

- Other current receivables of \$2.15 million at 30 June 2018 comprise mainly of the Company’s share of receivables for the Bald Hill Project of which \$1.72 million relates to Goods and Services Tax (**‘GST’**) receivable.
- Other current assets of \$0.59 million at 30 June 2018 comprised mainly cash calls paid to the joint venture but not yet spent of \$0.40 million. Other current assets of \$3.79 million at 30 June 2017 comprised restricted cash relating to the first prepayment under the lithium offtake contract with Burwill, for which the conditions precedent had not been satisfied at the balance date.
- Inventory of \$0.84 million recorded in 30 June 2018 relates to Alliance’s 50% interest in stores and spares held at the Bald Hill Project.
- Mine development assets of \$29.43 million at 30 June 2018 related to development expenditure at the Bald Hill Project. The increase in mine development assets from \$3.51 million at 30 June 2017 reflects additions of \$27.49 million and an impairment reversal of \$5.30 million which occurred in 30 April 2018. These were partly offset by proceeds from sale of product during the development phase of \$5.21 million as well as contributions to joint operation on formation of \$1.66 million.
- PPE of \$37.54 million at 30 June 2018 primarily comprised assets under construction, plant, equipment and buildings at the Bald Hill Project. The increase from \$12.29 million at 30 June 2017 was mainly a result of additions of \$31.36 million, which was partly offset by a disposal to joint operation on formation of \$5.54 million.
- \$2.82 million of reimbursement assets relating to rehabilitation obligations recoverable from Tawana under the joint venture agreement were also recognised in the financial year ended 30 June 2018.
- Trade and other payables increased from \$3.30 million at 30 June 2017 to \$8.33 million at 30 June 2018. The increase was primarily attributable to Alliance’s share of liabilities relating to the Bald Hill Project and accrued professional fees associated with the Scheme, which were partially offset by the full repayment of the loan from Living Waters Mining.
- Deferred revenue of \$7.34 million as at 30 June 2018 increased from \$3.70 million in the prior financial year ended 30 June 2017 and represents the prepayment for lithium product received from Burwill of \$8.13 million less repayments via lithium concentrate.
- Employee benefit liabilities increased from \$45,000 as at 30 June 2017 to \$0.21 million as at 30 June 2018 as a result of an increase in annual leave accruals and the termination provision for the former chief executive officer and executive director.
- The current portion of interest bearing loans and borrowings increased from \$25,000 at 30 June 2017 to \$0.66 million at 30 June 2018, primarily driven by interest accrued on the new \$13 million syndicated loan facility for the Bald Hill Project. The provision for rehabilitation increased from \$1.08 million at 30 June 2017 to \$5.64 million at 30 June 2018 and relates to Lithco’s estimate of rehabilitation costs associated with the Bald Hill Project. This is the full amount of the liability as Alliance is the sole tenement holder, but is offset by a corresponding receivable from Tawana, being the joint venture partner.

- The non-current portion of interest bearing loans and borrowings increased from \$17,000 to \$10.34 million primarily due to the drawdown of the \$13 million syndicated loan facility, slightly offset by costs to establish the facility including cost of options issued to lenders of \$2.09 million and an establishment fee of \$0.20 million.

6.3 Historical Statements of Profit or Loss and Other Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-18 \$000s	Audited for the year ended 30-Jun-17 \$000s	Audited for the year ended 30-Jun-16 \$000s
Revenue			
Interest income	176	35	23
Other income	-	321	135
Expenses			
Gain (loss) on foreign exchange	237	(174)	111
Loss on disposal of fixed assets	-	(2)	(15)
Accounting and audit expenses	(287)	(186)	(146)
Consulting and directors' fees	(765)	(274)	(344)
Tenement expenses	-	-	(176)
Administration expenses	(2,327)	(1,827)	(681)
Employee salaries and other benefit expense	(2,077)	(369)	(489)
Site operating expenses	-	(1,840)	-
Borrowing costs	(1,035)	(488)	(788)
Loss on deemed disposal of interest in non-current assets	(352)	-	-
Reversal of impairment	5,297		
Loss before income tax	(1,134)	(4,804)	(2,371)
Income tax expense	-	-	(1,711)
Loss after income tax	(1,134)	(4,804)	(4,082)
Total comprehensive loss for the year	(1,134)	(4,804)	(4,082)

Source: Alliance's audited financial statements for the years ended 30 June 2018, 30 June 2017 and 30 June 2016.

Commentary on Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

We note the following in relation to the Company's Statement of Comprehensive Income:

- Interest income of \$0.18 million for the year ended 30 June 2018 increased from \$35,000 reported in the previous financial year ended 30 June 2017 due to more AUD short-term deposits placed by Alliance.
- Other income of \$0.32 million for the year ended 30 June 2017 primarily comprised mining camp and administrative services provided to Lithco and research and development incentives. There was no such other income recorded for the financial year ended 30 June 2018 as the Bald Hill joint venture was effected in October 2017 resulting in the Bald Hill Project being jointly owned with Lithco.
- A gain on foreign exchange of \$0.24 million was recorded for the year ended 30 June 2018 as compared to a foreign exchange loss of \$0.17 million for the previous financial year ended 30 June 2017, mainly a result of the strengthening Singapore dollar.
- Administrative expenses increased to \$2.33 million for the year ended 30 June 2018 as compared to \$1.83 million in the financial year prior primarily due to the increase in legal fees, compliance costs

and advisory costs associated with the Scheme. This was partially offset by a decrease in depreciation expenses from \$1.32 million in the year ended 30 June 2017 to \$0.10 million in the year ended 30 June 2018 as these were capitalised instead following the project entering the construction phase.

- Employee salaries and other benefits increased from \$0.37 million for the year ended 30 June 2017 to \$2.08 million for the year ended 30 June 2018 as the number of full time employees increased in line with business activity. Also contributing to this increase was the issue of 3 million compensation shares to executives amounting to \$1.07 million.
- Site operating expenses of \$1.84 million for the year ended 30 June 2017 related to Alliance's share of depreciation expenses, plant and site maintenance and other operating expenses at the Bald Hill Project. These expenses were absent for the year ended 30 June 2018 as all cost had been capitalised as mine development cost, as the project had been in construction phase.
- Borrowing costs increased from \$0.49 million for the year ended 30 June 2017 to \$1.04 million for the year ended 30 June 2018, driven primarily by interest associated with the \$13 million loan facility drawn down during the 2018 financial year.
- A loss on deemed disposal of interest in non-current assets amounting to \$0.35 million was recognised for the year ended 30 June 2018. This relates to the loss incurred on disposal of 50% of the Bald Hill Project to Lithco following the formation of the joint venture.
- During the financial year ended 30 June 2018, a \$5.30 million reversal of a 2015 impairment charge on Alliance's mine development assets was recorded following re-assessment of the recoverable value of the Bald Hill Cash Generating Unit. Several factors contributed to this reversal including: the expansion of mining operations to include extraction and processing of lithium in addition to tantalum, the completion of construction of the DMS plant on the Bald Hill Project and the achievement of project funding. This impairment reversal is the main driver of the smaller loss before income tax of \$1.13 million recorded for the year ended 30 June 2018 compared to the loss before income tax of \$4.80 million for the year ended 30 June 2017.

6.4 Capital Structure

The share structure of Alliance as at 21 September 2018 is outlined below:

	Number
Total ordinary shares on issue	659,471,907
Top 20 shareholders	444,166,207
Top 20 shareholders - % of shares on issue	67.35%

Source: Alliance's 2018 Annual Report

The range of shares held in Alliance as at 21 September 2018 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	43	19,748	0.00%
1,001 - 10,000	381	2,940,863	0.45%
10,001 - 1,000,000	1,400	158,910,863	24.10%
1,000,001 - and over	53	497,600,433	75.45%
TOTAL	1,877	659,471,907	100.00%

Source: Alliance's 2018 Annual Report

The ordinary shares held by the most significant shareholders as at 21 September 2018 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Phillip Securities Pte Limited	100,932,828	15.31%
Citibank Nominees Singapore Pte Limited	87,360,436	13.25%
Raffles Nominees (pte) Limited	48,523,207	7.36%
DBS Nominees (Private) Limited	46,345,500	7.03%
Merrill Lynch (singapore) Pte Ltd	40,954,538	6.21%
Subtotal	324,116,509	49.15%
Others	335,355,398	50.85%
Total ordinary shares on Issue	659,471,907	100.00%

Source: Alliance's 2018 Annual Report

As at 30 June 2018, there were 27 million options exercisable detailed below:

Current Options on Issue	Exercise Price (\$S)	Expiry Date	Number of Options
Tranche 1 - Granted 14 March 2017	0.24	24-May-20	3,800,000
Tranche 2 - Granted 14 March 2017	0.30	24-May-20	3,800,000
Tranche 3 - Granted 14 March 2017	0.36	24-May-20	3,800,000
Tranche 4 - Granted 12 April 2018	0.49	12-Apr-21	15,600,000
TOTAL			27,000,000

Source: Alliance's 2018 Annual Report

7. Profile of Proposed Merged Entity

Upon implementation of the Scheme, the Proposed Merged Entity will represent the combined assets of Tawana and Alliance.

7.1 Key assets

The key combined assets of the Proposed Merged Entity will include:

- 100% interest in the Bald Hill Project.

7.2 Board of Directors

The board of directors of the Proposed Merged Entity is intended to comprise:

- Mark Turner (non-executive chairperson) (Tawana nominee);
- Mark Calderwood (in capacity as Managing Director and Chief Executive Officer) (Tawana nominee);
- Robert Vassie (Tawana nominee);
- Vicky Xie (Tawana nominee);
- Arnold Chan Ming Fai - a nominee of Burwill (in consultation with Alliance) (Alliance nominee);
- Ong Kian Guan (Joshua Ong) (Alliance nominee); and
- Geoffrey McNamara (Alliance nominee).

7.3 Capital structure

Under the Scheme, Shareholders will receive 1.10 shares in the Proposed Merged Entity for every Tawana share held. Upon implementation of the Scheme, Shareholders and Alliance shareholders will hold approximately 49.48% and 50.52% of the total issued capital of the Proposed Merged Entity on an undiluted basis, respectively. On a diluted basis, Shareholders and Alliance shareholders will hold approximately 48.48% and 51.52% of the total issued capital of the Proposed Merged Entity, respectively.

7.4 Stock exchange listing

Following the implementation of the Scheme, the Proposed Merged Entity will be listed on the SGX and will seek a listing on the ASX.

7.5 Proposed Merged Entity Options

As outlined in Section 4, if the Scheme is implemented, the Proposed Merged Entity will maintain Alliance's current outstanding options register totalling 27 million options ('**Proposed Merged Entity Options**'). Details of the terms of the Proposed Merged Entity Options are summarised in the table below:

Proposed Merged Entity options outstanding	Number
Unlisted options exercisable at S\$0.36 on or before 24 May 2020	3,800,000
Unlisted options exercisable at S\$0.36 on or before 24 May 2020	3,800,000
Unlisted options exercisable at S\$0.36 on or before 24 May 2021	3,800,000
Unlisted lender options exercisable at S\$0.4875 on or before 12 April 2021	15,600,000
Total Proposed Merged Entity options outstanding	27,000,000

Source: Scheme Booklet

Note that the terms of the Proposed Merged Entity Options outlined above do not alter from their original terms as Alliance options.

8. Economic analysis

Australian Economic Analysis

The Australian economy remains on track to achieve growth in coming years, with the pace of growth increasing. Supported by domestic monetary policy, latest national accounts show an increase in Gross Domestic Product ('GDP') of 3.4 percent, with this trend forecast to continue. Business conditions in Australia remain positive, and growth in non-mining sectors are expected to continue.

Australia's terms of trade have increased over recent years, primarily driven by increases in commodity prices such as coal, nickel and iron ore. Sustained global demand should continue to boost exports, and record export volumes are forecast over the next two years. After which, demand is expected to stabilise at a high level as major projects reach their targeted production levels. Having depreciated along with most other currencies, the Australian dollar ('AUD') is currently trading within a downward trend against the US dollar ('USD') but still remains within the range it has been in over the past two years.

Low interest rates continue to support spending and growth of the Australian economy. Money market rates are higher than they were at the start of the year, despite a downward trend since June. To partially offset the increase, some lenders have marginally increased their standard variable mortgage rates. The Reserve Bank of Australia ('RBA') are likely to consider higher interest rates to be appropriate at some point, if the economy continues to display sustainable growth.

The outlook for the labour market remains encouraging, with the unemployment rate of 5.3 percent at its lowest point in six years. Furthermore, leading indicators of employment growth point to above-average growth in the period ahead. This is also supported by an increase in the number of job vacancies. Above-trend GDP growth is expected to increase in the coming years, which may provide the stimulus for growth and the possibility for inflationary pressures. Analysts expect a continued gradual decline in the unemployment rate to 5 percent by 2020.

The RBA's forecasts are for inflation to increase in 2019 and 2020. Inflation is expected to fall toward the lower end of the range in the near term, as a result of once-off declines in some administered prices. Gradual progress towards bringing inflation closer to the midpoint of the target is expected over coming years.

Global Economic Analysis

Global economic expansion is continuing, with advanced economies growing at an above-trend rate and is anticipated to reach 3.9 percent in 2018 and 2019. Despite a global cyclical upswing, world growth is becoming less synchronised with the rate of expansion peaking in some countries and not others. This divergence between countries is expected to continue in the medium term. Among emerging market and developing economies, growth projections are dwindling from escalating trade tensions and higher US yields.

The growth of China's economy continues to slow, with a decrease in the production of consumer related goods and a reduction in infrastructure investment. The Chinese authorities had responded to the slowing in growth with targeted fiscal stimulus, including the announcement of new rail infrastructure projects and directives to hasten progress on some current infrastructure projects. The strength in Chinese crude steel production had supported imports of high-quality iron ore and coking coal. In turn, this had supported benchmark steel and iron ore prices, which had remained in a relatively tight range since the end of March, although the premiums for higher-quality iron ore had increased.

Globally, inflation remains low although it has increased due to both higher oil prices and an increase in wages growth. In the United States, inflation is forecast to increase from tight labour market conditions and fiscal stimulus. Government bond yields have moved slightly higher, although credit spreads remain low.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision, www.imf.org World Economic Outlook Update July 2018.

9. Industry analysis

9.1 Lithium overview

Lithium is a soft, silver-white metal belonging to the alkali metal group of chemical elements and is the lightest and least dense metal. It has excellent potential for power generation due to its reactivity, however does not occur naturally as a metal in nature. Lithium occurs rather as chemical compounds which are extracted from ores of petalite, lepidolite, spodumene or from subsurface brines.

Lithium production in Australia is focussed primarily on the extraction of high-grade lithium from pegmatite ore bodies. Pegmatite lithium bodies, also known as hard-rock lithium bodies, host high-grade lithium found in the mineral spodumene, which can be extracted through open pit mining. Although this method of extraction incurs higher operating costs, pegmatite deposits host more concentrated sources of lithium and can be developed more rapidly than lithium occurring in subsurface brines. In the extraction of lithium from brines, the salt-rich waters are pumped to the surface into evaporation ponds where solar evaporation occurs over approximately 18 to 24 months per batch.

Once processed, lithium metal has several industrial applications, the most prominent being in that of batteries for phones, laptops and electric vehicles. Global-end use markets for lithium are estimated at 46% for batteries, 26% for ceramics and glass, 11% for greases and polymer production, 4% for industrial powders, 2% for air treatment and 11% for other uses. Lithium is widely used in rechargeable batteries due to the higher energy density, greater durability and cost advantages it provides compared to other rechargeable batteries. It is also used to strengthen and improve resistance in glasses and ceramics, along with being alloyed with aluminium and copper to reduce weight in airframe structural components.

Tawana's Bald Hill mine is an open cut operation producing spodumene (lithium) concentrate and tantalum concentrate.

Lithium demand

Demand for Lithium has increased significantly in recent years, driven namely by growing demand from the transport, technology and energy sectors for use in rechargeable batteries. Increasing demand from foreign manufactures especially, has driven demand growth for Australian lithium over the five years through to 2018-2019. In 2017, Australia's lithium exports tripled to be worth \$780.00 million.

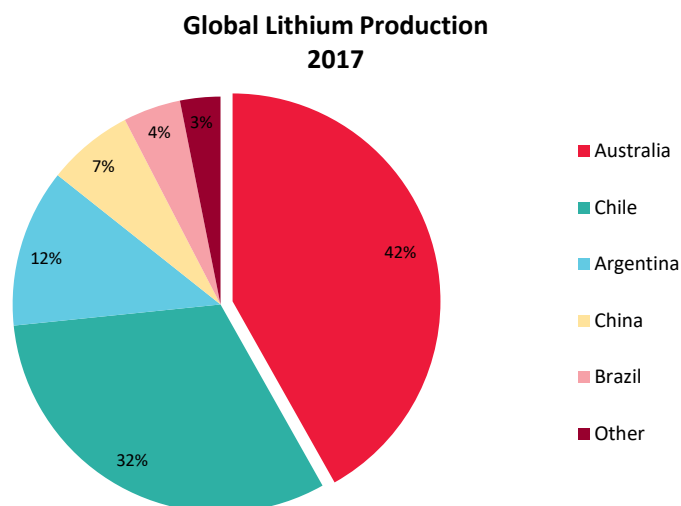
Growth in the electric car manufacturing industry particularly is a key driver for lithium demand, as major players within the industry, including Tesla and China's MIIT, expand production and increasingly target mainstream markets. According to Bloomberg New Energy Finance, electric car production globally is expected to increase more than thirty fold by 2030, sustaining demand for Lithium.

The use of lithium-ion batteries in technological devices such as computers and smartphones has also continued to be a key driver for lithium demand, and lithium supply security has become a top priority for technology companies in the United States of America ('USA') and Asia.

Lithium production and reserves

Since the late 1990s, subsurface brines have become the dominant raw material for lithium carbonate production worldwide. Subsurface brines offer lower production costs compared with the mining and processing of hard-rock ores. According to the USGS, two brine operations each in Argentina and Chile and three spodumene operations in Australia currently account for the majority of world lithium production.

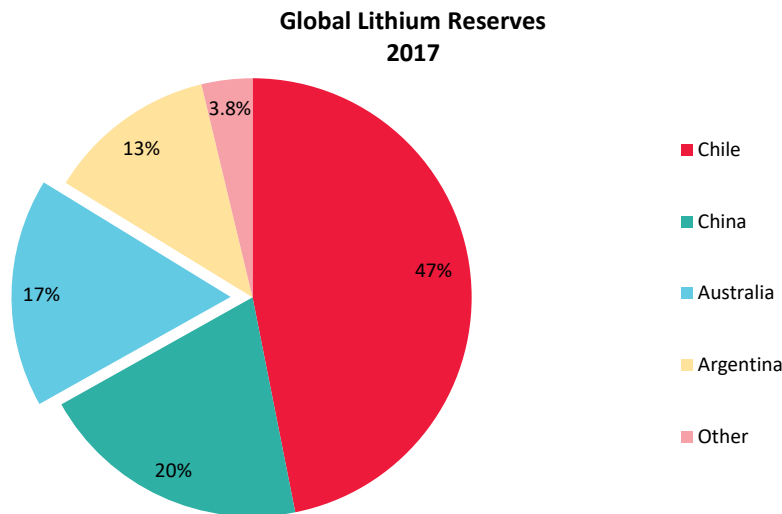
As depicted in the figure below, Australia led global Lithium production in 2017, accounting for 42% of total production. Despite growing global production, Australia also increased its share of production fractionally on 2016. Domestic production increased almost 34% as two new mines entered production, to bring the number of producing mines to three. In 2017, four countries including Australia accounted for 93% of global production, Chile, Argentina and China were the next largest producers accounting for 32%, 12% and 7% of global production respectively.



Source: US Geological Survey 2018

Global lithium extraction is dominated by four large companies; being Albemarle Corporation, FMC Lithium Corporation, Sociedad Quimica y Minera de Chile S.A. ('SQM') and Tianqi Lithium Corporation. Albemarle, SQM and FMC Corporation recover lithium from subsurface brines in both Chile and Argentina, and Talison Lithium Pty Ltd which is jointly owned by Albemarle and Tianqi Lithium Corporation extract lithium carbonate concentrate from hard-rock ore in Australia. According to Bloomberg Intelligence, together these four companies account for approximately 85% of the world's lithium supply, although will face more intense competition in the next four years from new market entrants.

According to the USGS, global lithium resources have increased significantly due to continued exploration and are now estimated to total more than 53 million tons. As depicted in the figure below, Chile accounted for approximately 47% of global lithium reserves, followed by China at 20% and Argentina at 17%.



Source: US Geological Survey 2018

Lithium prices

Lithium trade is usually confined to a small number of producers and their customers, and as such, contract terms such as pricing are privately negotiated. Furthermore, there are an extensive range of products that can be made from lithium which leads to a range of prices that are dependent on the product and its' purity.

The strong Australian dollar reduced lithium export values within Australia from 2010 through to 2012 however, export prices benefited from strong Chinese demand for lithium from 2012-13 and the weaker Australian dollar over recent times through to 2017.

The lithium market has experienced change due to the current growth in demand for electric vehicles and the potential for static power storage devices. According to Bloomberg intelligence, the price of battery-grade Lithium has more than doubled since 2015, spurred by growing demand.

Lithium outlook

According to Bloomberg Intelligence, traditional industrial demand for lithium is expected to rise in line with global gross GDP. Battery applications will be the driving force behind growth within the lithium industry going forward, led by the development of electric vehicles and underpinned by use of portable electronics.

It is expected that global demand will continue to outstrip supply in the short-term at least, as number of large-scale battery and energy plants complete construction. Tesla is building the world's largest lithium battery plant in the USA, while a number of new developments in China will contribute substantially to global capacity for electric vehicles and energy-storage systems, which is expected to triple by 2021.

Australian lithium output is forecast to continue increasing in 2018, supported by a number of mine development and expansion projects nearing completion. Continued growth in foreign demand however will continue to outstrip supply, allowing prices to strengthen despite increased production. According to IBISWorld, lithium's contribution to the salt and other mineral mining industry in Australia will see industry revenue grow at an annualised 2.4% to reach 1.9 billion over the five years through to 2022-23.

The recycling of batteries is also said to play a key role in the supply of lithium in the medium to long term. As lithium is a resource with the ability to be recycled repeatedly, this reduces the need for new sources of lithium in the future.

Source: US Geological Survey, Bloomberg Intelligence and IBIS World

9.2 Tantalum

Tantalum is a hard, silver-grey metal. Tantalum minerals have more than 70 different chemical compositions, with the most common being tantalite, microlite and wodginite, contained within pegmatite ore bodies. Tantalum has a high melting point and anticorrosive properties. It is for this reason that tantalum is commonly used as a super alloy in aircraft engines, and in the manufacture of corrosion resistant chemical equipment and capacitors required for electronics. Tantalum capacitors have the highest capacitance per unit volume, as such they are often used in miniaturised electrical circuitry in automotive electronics, mobile phones and personal computers.

Tantalum production and reserves

The tantalum market is considered to be boutique in size, with approximately 1,300 tonnes of tantalum required each year. As depicted in the table below, the Democratic Republic of Congo ('DRC') and Rwanda are the world's leading tantalum producers. However, Australia ranks first in the world, ahead of Brazil for identified tantalum resources. Most of Australia's economic demonstrated tantalum resource ('EDR') is located in Western Australia, with identified deposits at Bald Hill, Greenbushes, Wodgina, Pilgangoora and Mount Cattin.

Country	Mine Production (tonnes)		Reserves (tonnes)
	2016	2017 (estimated)	
Australia	N/A*	N/A*	78,000
Brazil	103	100	34,000
China	94	95	N/A*
Democratic Republic of Congo	370	370	N/A*
Ethiopia	63	60	N/A*
Nigeria	192	190	N/A*
Rwanda	350	390	N/A*
Other	45	65	N/A*
Total (rounded)	1,220	1,300	>110,000

*Not Available

Source: US Geological Survey

Tantalum outlook

The tantalum industry is expected to undergo a significant change over the coming years, with the amount of tantalum produced expected to increase, as a by-product of lithium mining in Australia. On 21 June 2018, Pilbara Minerals Limited ('Pilbara Minerals') announced that it had produced its first spodumene and tantalum concentrates at its 100% owned Pilgangoora Lithium Tantalum Project ('Pilgangoora'). Production from Pilgangoora and Bald Hill is expected to ramp up over the coming twelve months.

Source: USGS, Geoscience Australia

10. Valuation approach adopted

In Section 3.3, we determined that the Scheme is, in effect, a Merger of Equals and that the consideration offered and the securities given up should be assessed on an equivalent basis. As the implementation of the Scheme will not preclude either Tawana's or Alliance's shareholders from receiving a control premium for their shares in the future, we have assessed the consideration offered and securities given up on a minority interest basis.

There are a number of methodologies which can be used to value a business or the shares in a company. Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a 'sum-of-parts'.

The sum-of-parts methodology involves separately valuing each asset and liability of a company using the different methodologies described above. The component parts are then valued using the NAV methodology, which involves aggregating the estimated fair market value of the company's individual assets and liabilities ('Sum-of-Parts').

10.1 Valuation of Tawana prior to the Scheme

In our assessment of the value of Tawana prior to the implementation of the Scheme, we have chosen to employ the following methodologies:

- Sum-of-Parts as our primary methodology, which estimates the market value of a company by assessing the realisable value of its identifiable assets and liabilities. The value of each asset and liability may be determined using different methods and the component parts are then aggregated using the NAV methodology. The value derived from this methodology reflects a control value; and
- QMP as our secondary methodology, as this represents the value that a Shareholder may receive for a share if it were sold on market. The value derived from this methodology reflects a minority interest value.

We have employed the Sum-of-Parts method in estimating the fair market value of Tawana by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the:

- Value of Tawana's 50% interest in the Bald Hill Project, applying the DCF methodology;
- Value of Tawana's 50% interest in the residual resources (mineral resources and advanced and early stage exploration assets) of the Bald Hill Project not included in the DCF, having reliance on the valuation carried out by an independent technical expert;
- Amount of cash received from capital raisings completed after 30 June 2018;

- Amount of cash received from the drawdown of the Tawana Facility (to fund working capital towards 50% of the forecast expenditure of the Bald Hill Project);
- Amount of cash received from a notional capital raising (required to fund the ongoing capital expenditure and working capital of the Bald Hill Project);
- Amount of cash received from the notional exercise of outstanding Tawana options;
- Value of Tawana's 15% shareholding in the demerged entity, Cowan Lithium Limited;
- Value of other assets and liabilities of Tawana, applying the cost approach under the NAV method; and
- Present value of Tawana's corporate overhead costs.

We have chosen these methodologies for the following reasons:

- As Tawana has one flagship project, the 50% interest in the Bald Hill Project (following the demerger of Tawana's exploration assets), its core value is in the future cash flows to be generated from operations of the Bald Hill Project;
- Cash flows from the Bald Hill Project have a finite life and these cash flows may vary substantially from year to year, rendering it suitable for a DCF valuation;
- The life of mine of the Bald Hill Project has been prepared based on ore reserves identified by the JV partners, providing a sufficiently reasonable basis to apply the DCF methodology;
- The ability to obtain funding for 50% of the forecast capital expenditure of the Bald Hill Project is assumed through the Tawana Facility available to Tawana;
- The residual resources of the Bald Hill Project not included in the DCF are valued using alternative valuation methodologies (including comparable transactions, yardstick approach and the geoscientific factor method) by an independent technical expert is contained in the report in Appendix 6;
- The FME methodology is most commonly applicable to profitable businesses with steady growth histories and forecasts. As Tawana's projects are not currently generating stable income nor are there any historical profits that could be used to represent future earnings, the FME approach is not appropriate. The FME methodology is also not considered appropriate for valuing finite life assets such as mining assets;
- Tawana's other assets and liabilities valued using the NAV method; and
- The QMP basis is a relevant methodology to consider because Tawana shares are listed on the ASX and JSE, therefore reflecting the value that a Shareholder will receive for a share sold on the market. This means that there is a regulated and observable market where Tawana shares can be traded. However, in order for the QMP to be considered appropriate, the Company's shares should be liquid and the market should be fully informed on the Company's activities.

Technical Expert

In performing our valuation of Tawana's 50% interest in the Bald Hill Project using the DCF method, we have relied on the technical assessment and valuation report prepared by SRK Consulting (Australasia) Pty Ltd ('SRK') dated 20 October 2018 ('**Independent Technical Report**') based on SRK's review of the technical project assumptions contained in the cash flow model of the Bald Hill Project.

Additionally, we have relied on SRK's valuation of the residual resources (mineral resources and exploration assets) of the Bald Hill Project not included in the DCF valuation ('**Bald Hill Exploration Assets**'), which is included in the Independent Technical Report.

SRK's Independent Technical Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015 Edition) ('the **Valmin Code**') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) ('**JORC Code**').

We are satisfied with the valuation methodologies adopted by SRK, which we believe are in accordance with industry practices and compliant with the requirements of the Valmin Code. The specific valuation methodologies used by SRK are referred to in the respective sections of our Report and in further detail in the Independent Technical Report contained in Appendix 6.

QMP

We have chosen the QMP methodology as a further cross check. The QMP basis is a relevant methodology to consider as Tawana's shares are listed on the ASX and JSE. This means that there is a regulated and observable market where Tawana's shares can be traded. However, in order for the QMP to be considered appropriate, the Company's shares should be liquid and the market should be fully informed on the Company's activities.

10.2 Valuation of the Proposed Merged Entity

In our assessment of the value of 1.1 shares in the Proposed Merged Entity following implementation of the Scheme, we have chosen to employ the following methodologies:

- Sum-of-Parts which estimates the market value of a company by assessing the realisable value of its identifiable assets and liabilities. The value of each asset and liability may be determined using different methods and the component parts are then aggregated using the NAV methodology; and

We have employed the Sum-of-Parts method in estimating the fair market value of Tawana by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the:

- Value of 100% of the Bald Hill Project, applying the DCF methodology;
- Value of 100% of the residual resources of the Bald Hill Project not included in the DCF, the Bald Hill Exploration Assets, having reliance on the valuation carried out by an independent technical expert;
- Amount of cash received from capital raisings completed after 30 June 2018;
- Amount of cash received from the drawdown of the Debt Arrangements (to fund working capital towards the forecast expenditure of the Bald Hill Project);
- Amount of cash received from a notional capital raising (required to fund the ongoing capital expenditure and working capital of the Bald Hill Project);
- Value of Tawana's 15% shareholding in the demerged entity, Cowan Lithium Limited;
- Value of other assets and liabilities of Tawana, applying the cost approach under the NAV method;
- Value of other assets and liabilities of Alliance, applying the cost approach under the NAV method;
- Stamp duty payable on implementation of the Scheme; and
- Present value of the Proposed Merged Entity's corporate overhead costs.

We have chosen these methodologies for the following reasons:

- As the Proposed Merged Entity has one flagship project, the Bald Hill Project (following the demerger of Tawana's exploration assets), its core value is in the future cash flows to be generated from operations of the Bald Hill Project;

- Cash flows from the Bald Hill Project have a finite life and these cash flows may vary substantially from year to year, rendering it suitable for a DCF valuation;
- The life of mine of the Bald Hill Project has been prepared based on ore reserves and resources identified by the JV partners, providing a sufficiently reasonable basis to apply the DCF methodology;
- The ability to obtain funding for the forecast capital expenditure of the Bald Hill Project is assumed through the Debt Arrangements available to the Proposed Merged Entity;
- The Bald Hill Exploration Assets not included in the DCF are valued using alternative valuation methodologies (including comparable transactions, yardstick approach and the geoscientific factor method) by an independent technical expert is contained in the report in Appendix 6;
- As the Proposed Merged Entity's projects are not currently generating stable income nor are there any historical profits that could be used to represent future earnings, the FME approach is not appropriate;
- Tawana's other assets and liabilities valued using the NAV method; and
- Alliance's other assets and liabilities valued using the NAV method.

In performing our valuation of the Bald Hill Project using the DCF method, we have relied on the Independent Technical Report prepared by SRK based on SRK's review of the technical project assumptions contained in the cash flow model of the Bald Hill Project.

Additionally, we have relied on SRK's valuation of the residual resources of the Bald Hill Exploration Assets, which is included in the Independent Technical Report.

11. Valuation of Tawana prior to the Scheme

We have employed the Sum-of-Parts methodology in estimating the fair market value of a Tawana share on a minority basis prior to the Scheme by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- Value of Tawana's 50% interest in the Bald Hill Project;
- Value of Tawana's 50% interest in the Bald Hill Exploration Assets;
- Amount of cash received from capital raisings completed after 30 June 2018;
- Amount of cash received from a drawdown of the Tawana Facility;
- Amount of cash received from a notional capital raising (to fund the ongoing capital expenditure and working capital of the Bald Hill Project);
- Amount of cash received from the notional exercise of outstanding Tawana options;
- Value of Tawana's 15% shareholding in the demerged entity, Cowan Lithium Limited;
- Value of the other assets and liabilities of Tawana; and
- Present value of Tawana's corporate overhead costs.

We used the QMP approach as our secondary valuation method. Tawana is listed on the ASX and JSE, which provides an indication of the market value where an observable market for the securities exists and this reflects the minimum value that a Shareholder will receive for the sale of their shares on market.

11.1 Sum-of-Parts valuation of Tawana

The value of Tawana assets on a going concern basis is reflected in our valuation below:

Summary of assessment	Ref	Low value \$000s	Preferred value \$000s	High value \$000s
Equity value of Tawana's 50% interest in the Bald Hill Project	11.1.1.	104,000	114,000	124,000
Add: Value of Tawana's 50% interest in Bald Hill Exploration Assets	11.1.2.	57,690	77,305	94,765
Add: Cash received from Tawana Placement	11.1.3.	4,756	4,756	4,756
Add: Establishment fee relating to drawdown of Tawana Facility	11.1.4.	(800)	(800)	(800)
Add: Cash received from exercise of Tawana options	11.1.5.	792	792	792
Add: Cash received from notional capital raising	11.1.6.	13,180	13,180	13,180
Add: Value of Tawana's 15% interest in Cowan Lithium	11.1.7.	1,813	1,813	1,813
Add: Value of Tawana's other assets and liabilities	11.1.8.	(12,775)	(12,775)	(12,775)
Less: Transaction costs of the Scheme	11.1.9.	(1,431)	(1,431)	(1,431)
Less: Present value of Tawana's corporate overhead costs	11.1.10.	(12,383)	(12,383)	(12,383)
Value of Tawana prior to the Scheme		154,843	184,458	211,918
Number of shares on issue prior to the Scheme	11.1.12.	634,484,891	630,244,412	626,767,219
Value per Tawana share on controlling interest basis (\$)		0.244	0.293	0.338
Discount for minority interest	11.1.11.	28.6%	25.9%	23.1%
Value per Tawana share on minority interest basis (\$)		0.174	0.217	0.260

Source: BDO analysis

The table above indicates that the value of a Tawana share prior to the Scheme on a control basis is between \$0.244 and \$0.338 and on a minority interest basis is between \$0.174 and \$0.260, with a preferred value of \$0.217.

11.1.1. Equity value of Tawana's 50% interest in the Bald Hill Project

We elected to use the DCF approach in valuing the Bald Hill Project. The DCF approach estimates the fair market value by discounting the future cash flows arising from the Bald Hill Project to their net present value. Performing a DCF valuation requires the determination of the following:

- The expected future cash flows that the Bald Hill Project is expected to generate; and
- An appropriate discount rate to apply to the cash flows of the Bald Hill Project to convert them to present value equivalent.

Given that Tawana has a 50% interest in the Bald Hill Project, we determined the operating cash flows of the Bald Hill Project to a project level and determined tax treatment and discount rate specific to Tawana's 50% interest in the Bald Hill Project.

11.1.1.1. Future cash flows

A detailed cash flow model of the Bald Hill Project was prepared by management of Tawana and Alliance ('the Model'). The Model estimates the future cash flows expected from lithium and tantalum production at the Bald Hill Project based on determined JORC compliant reserves and resources. The Model depicts forecasts of real pre-tax cash flows over the life of mine on a monthly basis from July 2018 to July 2023 assuming a second DMS processing plant is fully operational by July 2019. We have reviewed the Model and material assumptions that underpin it.

BDO has made certain adjustments to the Model where it was considered appropriate to arrive at an adjusted model ('Adjusted Model'). In particular, we have adjusted the Model to reflect any changes to technical assumptions as a result of SRK's review and any changes to the economic and other input assumptions from our research. We have also adjusted the Model to reflect cash flows on a nominal post-tax basis. The Model was prepared based on estimates of a production profile, operating costs and start-up and sustaining capital expenditure. The main assumptions underlying the Adjusted Model include:

- Mining and production volumes;
- Commodity prices;
- Operating costs;
- Start-up and sustaining capital expenditure;
- Foreign exchange rates;
- Royalties;
- Corporate tax; and
- Discount rate.

We undertook the following analysis of the Model:

- Appointed SRK as a technical expert to review, and where required, provide changes to the technical assumptions underlying the Model;

- Conducted independent research on certain economic and other inputs such as commodity prices, exchange rates, inflation and discount rate applicable to the future cash flows of the Bald Hill Project;
- Held discussions with Tawana management regarding the preparation of the forecasts in the Model and its views; and
- Performed a sensitivity analysis on the value of the Bald Hill Project as a result of flexing selected assumptions and inputs.

We have not undertaken a review of the cash flows in accordance with the Standard on Assurance Engagements ASAE 3450 'Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information' and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Adjusted Model has been based have not been prepared on a reasonable basis.

Appointment of technical expert

SRK was engaged to prepare the Independent Technical Report which includes a technical assessment of the Bald Hill Project assumptions underlying the Model. SRK's assessment involved the review and provision of input on the assumptions adopted in the Model, including but not limited to:

- Mining physicals (including volume mined, recovery and grade);
- Processing assumptions (including products and recovery, scheduling and plant utilisation);
- Operating costs (comprising direct operating expenditure and certain fixed costs);
- Capital expenditure (development and sustaining capital expenditure required); and
- Other relevant assumptions.

Based on current reserves, and assuming the second DMS plant is built, the Bald Hill Project is expected to have a mine life of approximately five years.

A copy of SRK's Independent Technical Report is included in Appendix 6.

Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts included in the Model, as it is often the case that some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

Economic assumptions

Inflation

We note that all cash flows contained in the Model were calculated on a real basis. As the prices for lithium and tantalum are contracted subject to current offtake agreements, and subsequently obtained from our research sources, which are quoted on a nominal basis, we applied an inflation rate to convert all costs into nominal terms in the Adjusted Model.

Given that the Bald Hill Project is situated in Australia, we have assumed the forecast inflation rate of Australia. In our assessment of the inflation rate, we have considered forecasts prepared by economic

analysts and other publicly available information including broker consensus to arrive at our inflation rate assumptions. On this basis, we consider the inflation rate in Australia will be approximately 2.5% per annum over the forecast period.

Foreign exchange

The Adjusted Model is predominantly denominated in Australian Dollars ('AUD' or 'A\$'), except for the forecast commodity prices, which are denominated in United States Dollars ('USD' or 'US\$'). The conversions from USD to AUD were undertaken using the following foreign exchange rate assumptions:

Exchange rates	2018	2019	2020	2021	2022	2023
USD:AUD	0.72	0.73	0.75	0.76	0.75	0.75

Source: Bloomberg

Revenue assumptions

The Bald Hill Project will receive revenue from the sale of lithium and tantalum.

In obtaining forecast commodity prices we have considered:

- Current offtake agreements with lithium and tantalum offtake partners;
- Historical spot and forecast spot prices from industry research;
- Historical term and forecast term prices from lithium and tantalum industry research;

Based on our analysis, we have adopted the following future lithium and tantalum prices (in nominal terms):

Forecast commodity prices	2018	2019	2020	2021	2022	2023
Lithium concentrate (USD/t)	880	880	725	675	625	625
Tantalum concentrate (USD/lb)	88	80	70	70	70	70

Source: Offtake agreements, Independent research, BDO analysis

Where offtake contracts are in place, we have used the terms of those contracts to determine the commodity prices used, which include lithium concentrate price of US\$880/t over 2018 and 2019.

We consider a tantalum concentrate price of US\$88/lb to be appropriate for 2018 as this is an approximate price at which tantalum has been recently sold in the market.

We have considered consensus forecast prices from leading independent research and investment firms for both lithium concentrate and tantalum concentrate for the period after the current offtake agreements are contracted.

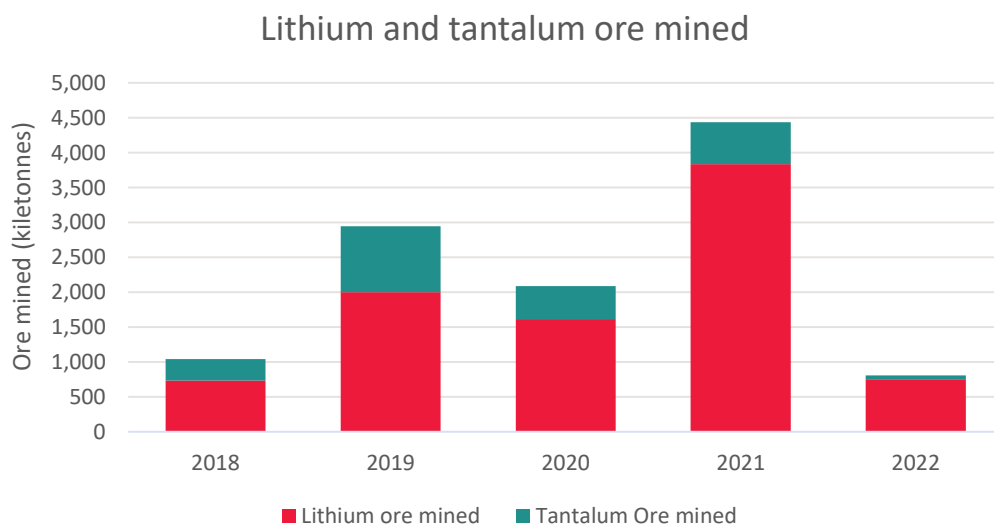
Mining physicals

The graph below shows the indicative forecast total tonnes, broken down into lithium ore, tantalum ore and overburden, to be mined over the life of the mine of the Bald Hill Project. This is based on open pit mining. SRK has reviewed the reasonableness of the mining physicals in the Independent Technical Report found in Appendix 6.



Source: Adjusted Model

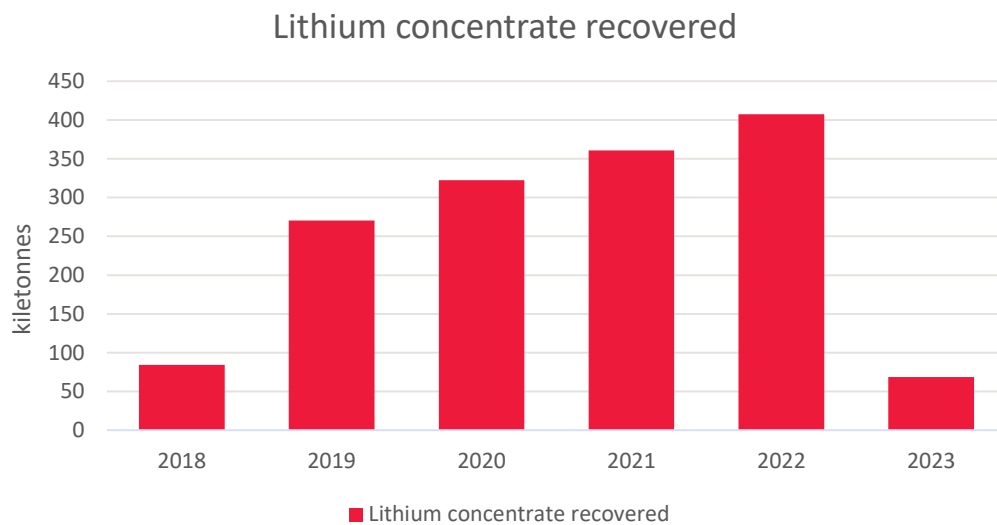
The graph below details the contained lithium and tantalum ore mined for each year of production, without the distortion of the overburden as outlined in the table above. Management have advised that low amounts of lithium ore and tantalum ore are forecast to be mined in 2020 due to the nature of the ore body, which shows high amounts of ore to be mined at the beginning and end of the life of mine, with a large waste deposit to be extracted in the midway section of the life of mine.



Source: Adjusted Model

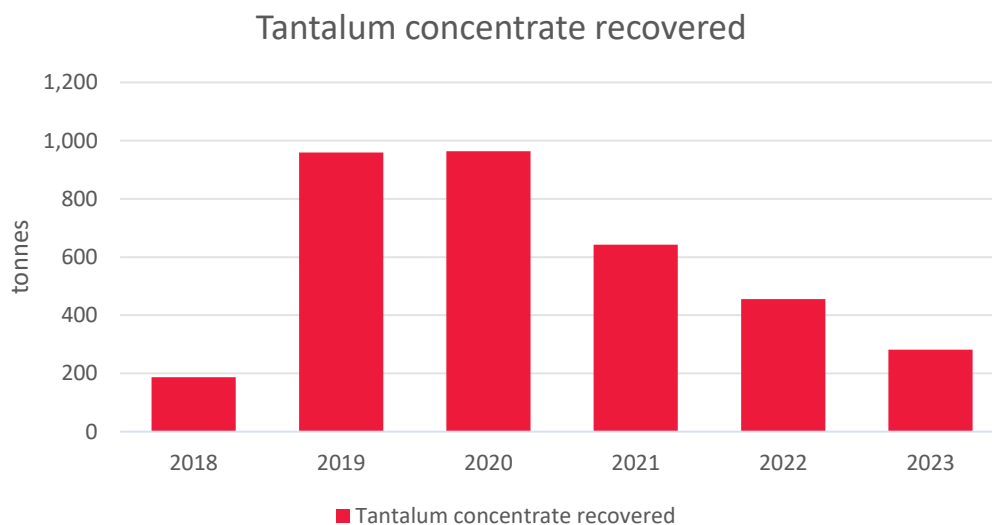
Product assumptions

The graph below shows the forecast lithium concentrate processed and recovered annually over the life of mine. We note that this processing schedule is assuming the second DMS processing plant becomes fully operational in July 2019 to allow processing of 2.4Mtpa through the plant.



Source: Adjusted Model

The graph below shows the forecast tantalum concentrate processed and recovered annually over the life of mine. We note that the current production schedule within the Adjusted Model includes approximately 1.0 million tonnes of tantalum ore that is left unprocessed at the end of the life of mine, which will hold some value.

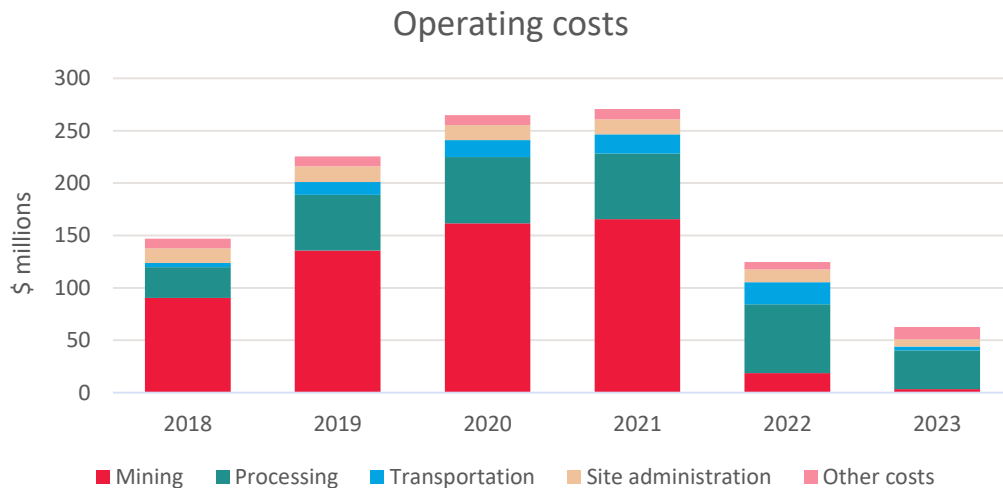


Source: Adjusted Model

Operating costs

Operating costs included in the Adjusted Model consists of mining, processing (include crushing, lithium plant processing, lithium plant maintenance, tantalum processing), transportation, site administration and other costs. SRK has noted the operating cost estimate assumptions underlying the Adjusted Model reflect the accuracy of the feasibility level.

The graph below outlines the projected operating costs over the life of mine. We note that the mining costs incurred over 2022 and 2023 largely relate to fixed costs, contractor costs and load and haul costs for remaining waste and ore.



Source: Adjusted Model

Capital expenditure

Significant capital expenditure has already been incurred on the Bald Hill Project, with the majority of the following forecast capital expenditure to be incurred in the period from July 2018 to June 2019:

- Construction of a second DMS plant;
- DMS 1mm fines processing plant; and
- Other sustaining capital expenditure.

SRK noted the capital expenditure assumptions made in the Model appear reasonable within a +/- 50% scoping level estimate.

Royalties

Royalties will be distributed to the Western Australian government at the rate of 5% of the sale value of the lithium and tantalum concentrate produced.

SRK considers there is an obligation to pay a royalty to the previous holder of a number of the tenements within the area of land in which the Bald Hill Project lies (**'Royalty Obligation'**). SRK understands this royalty is currently payable in respect of E15/1058, E15/1066 and E15/1067 (**'the Royalty Tenements'**).

Details of the royalty payable under the Royalty Obligation is as follows:

- 2.5% of the gross proceeds of sale, net of GST, of all finished processed materials of tantalum and tin mined and extracted from the land the subject of the Royalty Tenements; and
- 5% of the gross proceeds of sale, net of GST, of all other finished processed materials mined and extracted from the land the subject of the Royalty Tenements.

We note that the current life of mine of the Bald Hill Project lies within M15/400, which is not included in the Royalty Tenements, and therefore no royalty is currently payable under the Royalty Obligation.

Further details on royalties can be found in the Independent Technical Report.

As part of SRK's review, no other royalties were identified at the Bald Hill Project that are relevant to our valuation.

Taxation

Taxation has been applied at a notional rate of 30% which represents the current corporate tax rate in Australia. We have obtained expert advice on the available fractions of Tawana's historical tax losses and consider it reasonable to calculate Tawana's tax payable assuming available historical tax losses of \$nil. This is due to the minimal available fractions available as a consequence of the historical capital raises undertaken by Tawana.

Given the Model was provided on a pre-tax basis, we have applied tax calculations to the Adjusted Model.

Restoration and rehabilitation costs

The restoration and rehabilitation costs of approximately \$7.25 million (nominal terms) relate to backfilling, decommissioning and post-closure costs at the later stages of the life of mine.

SRK have reviewed these costs forecast in the Model and did not make any recommendations for adjustment to the restoration and rehabilitation costs. We consider this to be reasonable.

11.1.1.2. Discount rate

Prior to the Scheme, we have selected a nominal after tax discount rate in the range of 9.7% and 13.5% per annum to discount Tawana's interest in the cash flows of the Bald Hill Project to their present value. We have used a rounded discount rate of 12% in our base case.

In selecting this range of discount rate, we have considered the following:

- The rate of return for comparable ASX listed lithium and tantalum exploration and production companies; and
- The risk profile of Tawana, prior to the Scheme, as compared to other lithium and tantalum exploration and production companies.

A detailed consideration of how we arrived at our adopted discount rate is shown in Appendix 3.

11.1.1.3. Sensitivity analysis

The estimated value of Tawana's 50% interest in the Bald Hill Project is derived under the DCF approach. Our valuation is highly sensitive to change in the forecast of lithium price (following the period already contracted through offtake agreement), tantalum price (following the period already contracted through offtake agreement), operating costs, capital costs and USD:AUD foreign exchange rates. We have therefore included an analysis to consider the value of Tawana's 50% interest in the Bald Hill Project under various pricing scenarios and in applying:

- A change of +/- 10% to the lithium price (following the period contracted through offtake agreement);
- A change of +/- 10% to the tantalum price (following the period contracted through offtake agreement);
- A change of +/- 10% to the operating costs;
- A change of +/- 50% to the capital costs;

- A change of +/- 10% to the USD:AUD foreign exchange rates; and
- A discount rate in the range of 10% to 14%.

The following sensitivities have been prepared to assist Shareholders in considering the potential effects to the value of Tawana's 50% interest in the Bald Hill Project if our base case assumptions change.

Flex	Lithium price \$000s	Tantalum price \$000s	Operating costs \$000s	AUDUSD rate \$000s
10.0%	141,163	119,091	86,870	92,742
7.5%	134,517	117,939	93,785	97,802
5.0%	127,853	116,788	100,700	103,102
2.5%	121,172	115,636	107,596	108,659
0.0%	114,484	114,484	114,484	114,484
-2.5%	107,788	113,331	121,362	120,602
-5.0%	101,085	112,178	128,233	127,036
-7.5%	94,364	111,024	135,080	133,797
-10.0%	87,640	109,871	141,915	140,922

Source: Adjusted Model, BDO analysis

Flex	Capital costs \$000s
50.0%	102,410
10.0%	112,070
7.5%	112,673
5.0%	113,277
2.5%	113,880
0.0%	114,484
-2.5%	115,087
-5.0%	115,690
-7.5%	116,293
-10.0%	116,897
-50.0%	126,548

Source: Adjusted Model, BDO analysis

Discount rate	10%	11%	12%	13%	14%
\$000s	120,826	117,593	114,484	111,491	108,610

Source: Adjusted Model, BDO analysis

Considering the valuation outcomes above, we estimate the equity value of Tawana's 50% interest in the Bald Hill Project to be in the range of \$104 million and \$124 million, with a midpoint value of \$114 million.

11.1.2. Value of Tawana's 50% interest in the Bald Hill Exploration Assets

We instructed SRK to value all of the Bald Hill Exploration Assets of the Bald Hill Project under the Valmin Code 2015 that are not included in the Model.

The Bald Hill Exploration Assets have been valued by SRK based on comparable transactions, yardstick and geoscientific rating methods.

The value of the Bald Hill Exploration Assets, and Tawana's 50% interest, are summarised in the table below:

Bald Hill Exploration Assets	Low value \$000s	Preferred value \$000s	High value \$000s
Mineral Resources	113,400	148,300	183,100
Advanced Exploration	180	310	430
Early Exploration	1,800	6,000	6,000
Bald Hill Exploration Assets	115,380	154,610	189,530
<i>Tawana's ownership prior to the Scheme</i>	50%	50%	50%
Value of Tawana's interest in the Bald Hill Exploration Assets	57,690	77,305	94,765

Source: BDO analysis, SRK Independent Technical Report

11.1.3. Cash raised from Tawana Placement

We note that Tawana completed the Tawana Placement (as detailed above in Section 4) of 12,195,122 shares to raise \$4.878 million at \$0.40 per share subsequent to 30 June 2018. We note that a placement fee of 2.5% of the funds raised payable to the lead advisor, which was deducted from the gross amount raised. Therefore we consider it appropriate to increase the cash balance to include this cash inflow.

11.1.4. Establishment fee relating to drawdown of Tawana Facility

Tawana intends to drawdown on the Tawana Facility, a \$20 million debt facility, to repay outstanding debt of \$5 million and partially fund the Bald Hill Project capital expenditure and working capital requirements over the period from July 2018 to April 2019 (see SRK's Independent Technical Report for further details). Therefore we have assumed the drawdown of the Tawana Facility to fund the Bald Hill Project through this period and bring it into positive cash flows.

The cash raised from the drawdown of the Tawana Facility is offset by a corresponding increase in debt liabilities. The Sum-of-Parts valuation of Tawana has been reduced to the extent of the value of the establishment fee associated with the Tawana Facility. The Sum-of-Parts valuation of Tawana has also been reduced to the extent of the value of the other costs associated with the drawdown of funds under the Tawana Facility (including legal fees and advisory fees), however, these costs are dealt with in a separate line item as part of the Sum-of-Parts valuation of Tawana.

11.1.5. Exercise of Tawana options

The following in-the-money Tawana options were exercised in the period following 30 June 2018 and prior to the implementation of the Scheme.

Cash received from notional exercise of Tawana options	Exercise price \$	Number of options	Funds received \$
Options to be exercised:			
Class J incentive options	0.130	1,250,000	162,500
Class N incentive options	0.230	500,000	115,000
Advisor options	0.30625	653,060	200,000
Class O incentive options	0.220	250,000	55,000
Class O incentive options	0.240	250,000	60,000
Director options	0.200	1,000,000	200,000
Total funds received under exercise of Tawana options		3,903,060	792,500

Source: Tawana management

We assume the cash raised from the exercise of the Tawana options will be used to fund any additional working capital requirements of Tawana through development of the Bald Hill Project.

11.1.6. Notional capital raise

We are required by RG 111.15 to assess the funding requirements for a company that is not in financial distress when considering its value, particularly when using the DCF methodology.

We note that Tawana has a credible and current track record of obtaining sources of non-equity funding, as follows:

- Current debt of \$5 million repayable in June 2020;
- Current revenue prepayment agreement with the offtake partner of \$12.5 million; and
- The Tawana Facility for \$20 million.

Tawana management has also advised that some major capital expenditure items have scope to be delayed by up to 12 months.

These historical and potential sources of funding give a strong indication that Tawana would seek sources of funding other than equity, prior to the need to undertake equity funding. However, at the date of this Report, we consider that we do not have reasonable grounds to assume current availability of the additional sources of funding. Therefore, we have included a notional capital raising to fund the remaining capital expenditure and working capital requirements of the Bald Hill Project.

As per our Adjusted Model, the Bald Hill Project requires approximately \$38.10 million to fund the project through the plant upgrade period to a stage where it is cash flow positive. Given that prior to the implementation of the Scheme, Tawana will be responsible for funding 50% of the Bald Hill Project, Tawana will be required to provide funds of \$19.05 million to fund the Bald Hill Project into a positive cash flow position.

The following table outlines Tawana's sources of funding that we currently have reasonable grounds to assume are at Tawana's disposal, and commitments that Tawana will be required to fund over the period until the Bald Hill Project is taken into a positive cash flow position.

Notional capital raising		\$000s
Sources of funding:		
Cash balance		10,811
Other major working capital balances		(19,275)
Cash received from Tawana Placement		4,756
Cash received from exercise of Tawana options		792
Cash available from Tawana Facility		19,200
Total funding available		16,284
Funding commitments:		
50% of Bald Hill Project		19,049
Repayment of current debt		5,000
Corporate costs over period of negative cash flows		1,949
Other costs over period of negative cash flows		3,466
Total funding commitments		29,465
Additional funding required by Tawana		13,180

Source: BDO analysis

The Tawana cash balance outlined above is taken from the 30 June 2018 Tawana Balance Sheet outlined in section 5.4.

Other major working capital accounts consist of the following 30 June 2018 Balance Sheet line items taken from the adjusted balance sheet outlined in section 11.1.8.:

	Adjusted as at 30-Jun-18 \$'000s
Tawana working capital	
Working capital accounts	
Trade and other receivables	9,355
Inventory	-
Trade and other payables	(16,566)
Deferred revenue	(11,705)
Provisions	(359)
Working capital position	(19,275)

Source: BDO analysis

We have included these accounts in the funding calculation as they are considered current balance sheet items, and therefore, would be expected to be extinguished in the 12 months following the balance date. Given that the Bald Hill Project is forecast to require funding into positive cash flows over the period, May 2018 to April 2019, we consider the majority of these amounts will be extinguished within the period ending April 2019.

Note that we have included Tawana's current debt balance of \$5.0 million as it is repayable as part of the drawdown of the Tawana Facility.

Corporate costs have been calculated in nominal terms over the period from May 2018 to April 2019.

Other working capital required over the funding period includes interest expenses, transaction costs of undertaking the Scheme, costs related to the demerger of Cowan Lithium and other costs.

Based on the calculations above, the resultant funds required to fund the capital expenditure and working capital requirements of the Bald Hill Project and the broader business of Tawana is approximately \$13.18 million ('Additional Tawana Funding Required'), which we have assumed will be met through a notional equity raise. We have also assumed a notional placement fee of 5% to account for a potential underwriter's or broker's fee. This results in the required equity funds to be raised increasing to approximately \$13.87 million.

We note that Tawana will likely be required to source this additional funding in 2019 as the Company has sources of funding at its disposal that would be expected to fund working capital requirements throughout the remainder of 2018.

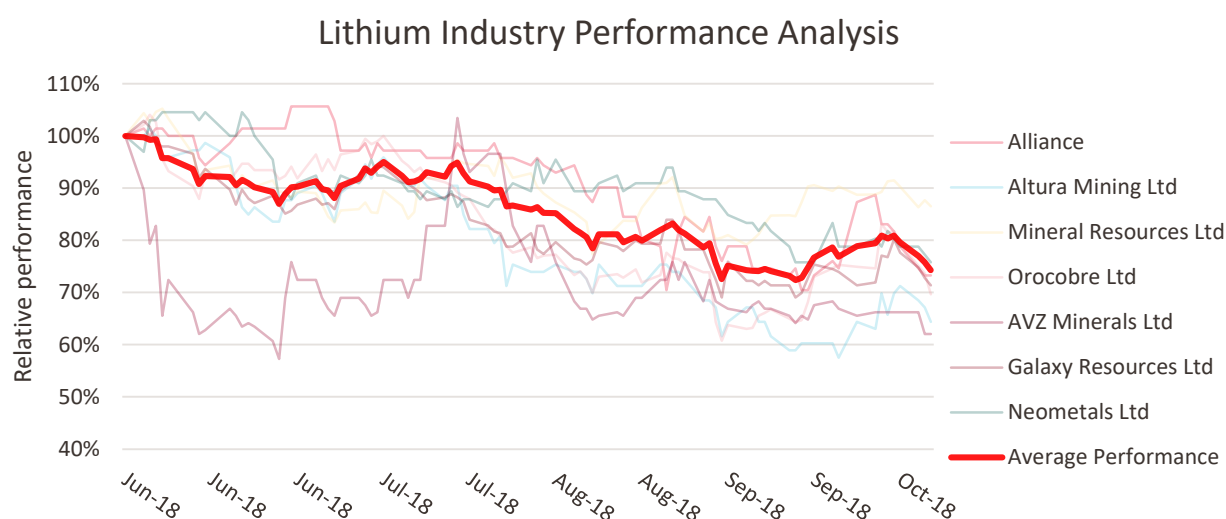
Given Tawana's track record of alternative sources of funding, outlined on the previous page, including:

- Current debt of \$5 million repayable in December 2019;
- Current revenue prepayment agreement with the offtake partner of \$12.5 million;
- The Tawana Facility for \$20 million; and
- Tawana's indicative illustration of non-essential capital expenditure that has scope to be delayed to free up working capital,

We consider the likelihood of Tawana being required to undertake a capital raise to be low. However, in the absence of information regarding the most likely funding structure, to remain conservative, we have assumed it will be fully funded by equity. As such, we have assumed a notional equity raising will be used to fund the Additional Tawana Funding Required. Equity funding is a conservative assumption, as such, we have reflected the potential difficulty of raising funds in our assessment of the likely range of prices at which a capital raising may be conducted.

In order to determine the likely price at which Tawana would have to place its shares to a third party or to current shareholders under a notional capital raising, we would normally consider the VWAP of Tawana shares prior to the announcement of the Scheme as this represents a proxy for the share price of Tawana without any influence from the proposed implementation of the Scheme.

However, the broader lithium production industry has declined since the announcement of the Scheme, as evidenced by the following table which portrays a number of ASX listed lithium exploration and production companies that have declined in recent months.



Source: Bloomberg, BDO analysis

Therefore, in this case, we consider it appropriate to rely on recent trading prices of Tawana shares to calculate a reasonable price at which Tawana would have to place its shares to a third party or to current shareholders under a notional capital raising.

The closing price, 10-day and 30-day VWAP of Tawana's shares at 10 October 2018 are set out in the table below:

Share Price per unit	10-Oct-18	10 Days	30 Days
Closing price	\$0.285		
Volume weighted average price		\$0.316	\$0.310

Source: Bloomberg

Based on the above analysis, we have assessed the price of a Tawana share to be in the range of \$0.28 and \$0.31. However, typically companies must raise capital at a discount to the current market price. As such, we have assessed Tawana's recent capital raisings and the discounts applied to current market prices evidenced. This has typically shown a discount of approximately 10% to market price.

We have also considered the discount at which shares have been issued by ASX listed mining companies since July 2016. Given that placement discounts by ASX listed mining companies have ranged significantly, we assessed the discounts adopted by companies since July 2016 with market capitalisations between \$100 million and \$500 million (a band in which Tawana's market capitalisation falls). Our findings substantiate the 10% discount highlighted above.

Based on the above analysis, we consider a placement discount in the range of 8% to 12%, with our preferred being a midpoint of 10%, will be required to provide a sufficient incentive for investors to participate in a capital raising.

The number of shares to be issued under the notional capital raising is set out in the table below:

Notional capital raising	Low	Preferred	High
Additional Tawana Funding Required (\$000s)	13,180	13,180	13,180
Placement fee	5%	5%	5%
Additional Tawana Funding Required including placement fee (\$000s)	13,874	13,874	13,874
Price per share in Tawana (\$)	0.310	0.295	0.280
Discount on placement	8%	10%	12%
Placement share price (\$)	0.285	0.266	0.246
Number of Tawana shares to be issued via notional capital raise	48,680,702	52,157,895	56,398,374

Source: BDO analysis

11.1.7. Value of Tawana's 15% interest in Cowan Lithium Limited

We have assessed the value of Tawana's shareholding of 9,064,920 shares in the demerged entity, Cowan Lithium Limited by using the share price at which Cowan Lithium is proposed to raise funds through the IPO of \$0.20. As part of the demerger, Tawana paid \$750,000 and transferred certain exploration assets to Cowan Lithium in exchange for Cowan Lithium issuing ordinary shares to Tawana, 85% of which shares Tawana distributed to its shareholders and retained 15%. The net value of Cowan Lithium is outlined in the table below:

Interest in Cowan Lithium	
Number of shares held in Cowan Lithium	9,064,920
<i>IPO capital raising price per share (\$)</i>	<i>0.20</i>
Value of shareholding in Cowan Lithium (\$000s)	1,813

Source: BDO analysis

11.1.8. Value of Tawana's other assets and liabilities

Other assets and liabilities of Tawana represent the assets and liabilities that have not been specifically adjusted. We have relied on the 30 June 2018 Tawana Balance Sheet outlined in section 5.4 of this Replacement Report. From our review of these other assets and liabilities, outlined in the table below, we do not believe that there is a material difference between their book value and their market value unless an adjustment has been noted.

The table below represents a summary of the assets and liabilities identified:

Statement of Financial Position	Audited as at 30-Jun-18 \$'000s	Adjusted 30-Jun-18 \$'000s
CURRENT ASSETS		
Cash and cash equivalents	10,811	10,811
Trade and other receivables	9,355	9,355
Prepayments and deposits	468	468
Disposal group held for distribution	4,225	-
Inventory	868	-
TOTAL CURRENT ASSETS	25,727	20,634
NON-CURRENT ASSETS		
Mine properties	36,379	-
Exploration and evaluation expenditure	316	-
Property plant and equipment	36,844	-
Deposits	345	345
TOTAL NON-CURRENT ASSETS	73,884	345
TOTAL ASSETS	99,611	20,979
CURRENT LIABILITIES		
Trade and other payables	16,566	16,566
Deferred revenue	11,705	11,705
Provisions	359	359
Interest bearing liabilities	89	89
TOTAL CURRENT LIABILITIES	28,719	28,719
NON-CURRENT LIABILITIES		
Interest bearing liabilities	5,035	5,035
Provision for rehabilitation	2,863	-
TOTAL NON-CURRENT LIABILITIES	7,898	5,035.00
TOTAL LIABILITIES	36,617	33,754
NET ASSETS	62,994	(12,775)

Source: Tawana reviewed balance sheet as at 30 June 2018, BDO analysis

We note that any cash burn since 30 June 2018 relating to development of the Bald Hill Project or corporate costs will not be considered necessary to deduct from the 30 June 2018 cash balance as we have included the Bald Hill Project and corporate costs as separate line items in our Sum-of-Parts valuation.

We also note that the inventories, mine properties, exploration and evaluation expenditure, property, plant and equipment and provision for rehabilitation relate to the Bald Hill Project and have been incorporated into the equity value of the Bald Hill Project. Therefore we have adjusted the balances to exclude all assets and liabilities related to the Bald Hill Project.

We note that the exploration assets held for distribution consist of the exploration assets to be spun-out as part of the demerger of Cowan Lithium. Therefore we have omitted this balance as part of our assessment.

Additionally, nothing has come to our attention as a result of our procedures that would suggest the need for any further adjustments.

11.1.9. Transaction costs of the Scheme

Estimated transaction costs totalling \$1.43 million to be expensed post 30 June 2018 are to be borne by Tawana on approval or non-approval of the Scheme. As these costs will be borne by Tawana regardless of the outcome of the Scheme, we have deducted the value of the transaction costs from our Sum-of-Parts. Further details on the transaction costs can be found in the Supplementary Scheme Booklet.

11.1.10. Present value of corporate costs

Management has provided us with the forecast corporate costs for Tawana going forward, assuming the Scheme is not approved, and Tawana continues as a JV partner of the Bald Hill Project. Based on our benchmarking of other companies with similar profiles and analysis of Tawana's historical corporate costs, we consider the corporate costs of \$2.50 million per annum (real terms) over the life of mine to be reasonable.

We calculated the annual corporate costs over the remaining life of mine of the Bald Hill Project, inflating these costs at Australia's long term inflation rate of 2.5% per annum, given that Tawana's head office is located, and incurs costs, in Australia.

The net present value of Tawana's corporate costs are estimated to be \$12.38 million.

11.1.11. Minority interest discount

The Sum-of-Parts value of Tawana prior to the Scheme is reflective of a controlling interest. As determined in Section 3.3, we determined that the Scheme is in effect a Merger of Equals and that the consideration offered and the securities given up should be assessed on an equivalent basis. As the implementation of the Scheme will not preclude either Shareholders or Alliance shareholders from receiving a control premium for their shares in the future, we have assessed the consideration offered and securities given up on a minority interest basis.

Therefore, we have adjusted our valuation of a Tawana share prior to the Scheme to reflect the minority interest holding. The minority discount is based on the inverse of the control premium and is calculated using the formula $1 - 1 / (1 + \text{control premium})$.

As discussed further in Appendix 5 of our Report, we consider an appropriate control premium for Tawana to be in the range of 30% and 40%, giving rise to a minority interest discount in the range of 23.1% to 28.6%.

11.1.12. Number of Tawana shares on issue

The number of shares in Tawana, prior to the Scheme, is set out in the table below:

Number of Tawana shares on issue prior to the Scheme	Ref	Low	Preferred	High
Number of Tawana shares on issue prior to the Scheme	4	578,086,517	578,086,517	578,086,517
Add: Shares issued under the Notional Capital Raising	11.1.6.	48,680,702	52,157,895	56,398,374
Total number of Tawana shares on issue prior to the Scheme		626,767,219	630,244,412	634,484,891

Source: BDO analysis

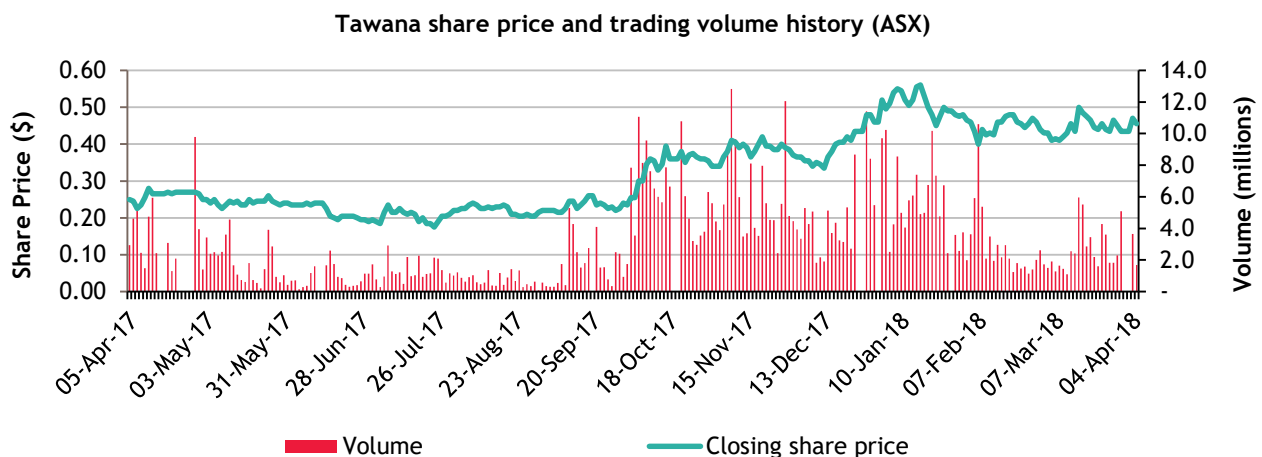
11.2 Quoted Market Prices for Tawana securities

To provide a comparison to the valuation of Tawana in Section 11.1, we have also assessed the quoted market price for a Tawana share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

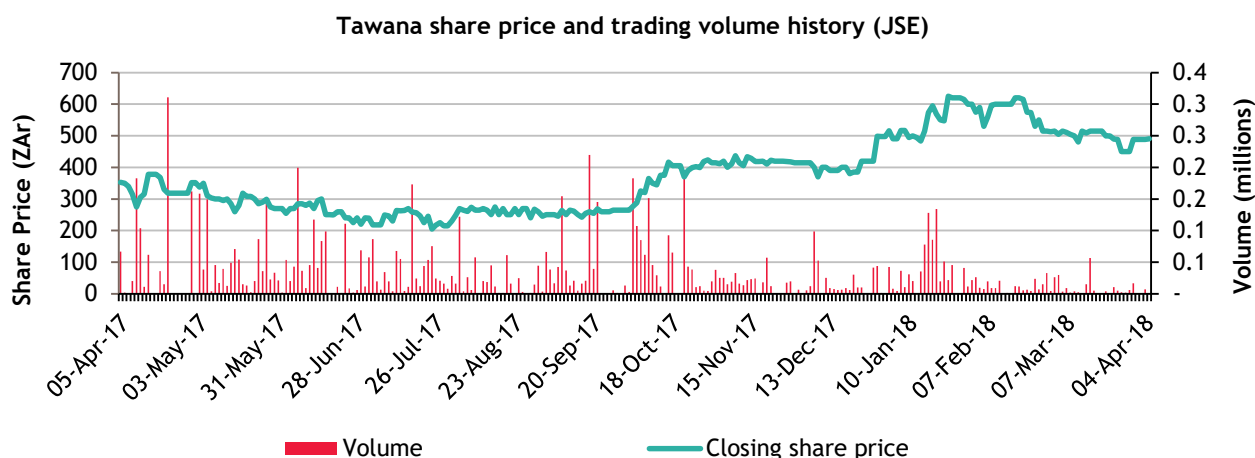
Our analysis of the quoted market price of a Tawana share is based on the pricing prior to the announcement of the Scheme. This is because the value of a Tawana share after the announcement may include the effects of any change in value as a result of the Scheme. However, we have considered the value of a Tawana share following the announcement when we have considered reasonableness in Section 14.

Information on the Scheme was announced to the market on 5 April 2018. Therefore, the following chart provides a summary of the share price movement over the 12 months to 4 April 2018, which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Tawana shares on the ASX, from 5 April 2017 to 4 April 2018, has ranged from a low of \$0.175 on 24 July 2017 to a high of \$0.585 on 16 Jan 2018. Tawana's share price exhibited an upwards trend over the 12 months to 4 April 2018. The highest single day of trading was on 8 November 2017, when 12,818,886 shares were traded.



The daily price of Tawana shares on the JSE, from 5 April 2017 to 4 April 2018, has ranged from a low of South African cents (‘ZAR’) 205.00 on 24 July 2017 to a high of ZAR 625.00 on 23 January 2018. The highest single day of trading was on 20 April 2017, when 310,762 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
29/03/2018	Bald Hill Plant Achieves Key Milestones	0.435	▼	3.3%	0.470	▲	8.0%
22/03/2018	Tawana to spin out Cowan, Yallari and Mofe Creek Assets	0.455	▲	3.4%	0.465	▲	2.2%
14/03/2018	Lithium Production Commences at Bald Hill	0.500	▲	14.9%	0.465	▼	7.0%
09/03/2018	S&P DJ Indices Announces March Quarter Rebalance	0.430	▲	2.4%	0.500	▲	16.3%
15/02/2018	Commissioning Commences at Bald Hill Lithium Plant	0.475	▲	3.3%	0.460	▼	3.2%
05/02/2018	Tawana secures \$5m Loan Facility for Bald Hill	0.435	▼	5.4%	0.425	▼	2.3%
31/01/2018	Quarterly Activities Report	0.480	▲	1.1%	0.435	▼	9.4%
31/01/2018	Quarterly Cashflow Report	0.480	▲	1.1%	0.435	▼	9.4%
25/01/2018	Tantalum Offtake Term Sheet Executed	0.490	▼	2.0%	0.475	▼	3.1%
12/01/2018	Bald Hill on track for lithium production this Quarter	0.520	▲	3.0%	0.530	▲	1.9%
18/12/2017	Addendum to Announcement released 6 December 2017	0.405	▲	1.3%	0.410	▲	1.2%
06/12/2017	Significant Exploration Results Continue at Bald Hill	0.355	►	0.0%	0.345	▼	2.8%
28/11/2017	Bald Hill on track for lithium production in Q1 CY18	0.390	▼	2.5%	0.365	▼	6.4%
31/10/2017	Quarterly Activities Report	0.355	▼	1.4%	0.340	▼	4.2%
31/10/2017	Quarterly Cashflow Report	0.355	▼	1.4%	0.340	▼	4.2%
30/10/2017	Tawana increases Cowan Lithium Project Area	0.360	►	0.0%	0.340	▼	5.6%
24/10/2017	Tawana Completes Earn in to Bald Hill	0.370	▲	5.7%	0.360	▼	2.7%
20/10/2017	Tawana Fully Funded for Bald Hill Mine	0.380	▲	5.6%	0.375	▼	1.3%

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
18/10/2017	Trading Halt	0.360	►	0.0%	0.350	▼	2.8%
11/10/2017	Bald Hill Mineral Resource Update	0.355	▼	1.4%	0.395	▲	11.3%
10/10/2017	Bald Hill Project Update	0.360	▲	4.3%	0.345	▼	4.2%
20/09/2017	Third Offtake Prepayment Received	0.235	▼	9.6%	0.225	▼	4.3%
19/09/2017	Trading Halt	0.260	►	0.0%	0.235	▼	9.6%
06/09/2017	Bald Hill Delivers Excellent Metallurgical Test Work Results	0.215	▼	2.3%	0.245	▲	14.0%
15/08/2017	Construction Commences on Lithium Plant at Bald Hill Mine	0.230	▲	2.2%	0.230	►	0.0%
02/08/2017	Significant High Grade Lithium Discoveries	0.225	▲	2.3%	0.240	▲	6.7%
31/07/2017	Quarterly Activities Report	0.220	▲	4.8%	0.225	▲	2.3%
31/07/2017	Quarterly Cashflow Report	0.220	▲	4.8%	0.225	▲	2.3%
25/07/2017	Environmental Approvals Finalised	0.190	▲	8.6%	0.210	▲	10.5%
11/07/2017	Bald Hill to Deliver Outstanding Cash Flows and Returns	0.225	▲	4.7%	0.215	▼	4.4%
06/07/2017	Response to ASX Price Query	0.235	▲	9.3%	0.225	▼	4.3%
28/06/2017	Tawana Earns in to Lithium Rights at Bald Hill	0.195	►	0.0%	0.190	▼	2.6%
14/06/2017	Maiden Lithium Mineral Resource	0.225	▼	6.2%	0.195	▼	13.3%
13/06/2017	Trading Halt	0.240	►	0.0%	0.200	▼	16.7%
25/05/2017	Significant Increase in Lithium Pegmatite at Bald Hill	0.245	▼	5.8%	0.240	▼	2.0%
18/05/2017	Tawana Commenced Early Works at Bald Hill	0.240	▼	4.0%	0.245	▲	2.1%
28/04/2017	Quarterly Activities Report	0.265	▼	1.9%	0.240	▼	9.4%
28/04/2017	Quarterly Cashflow Report	0.265	▼	1.9%	0.240	▼	9.4%
27/04/2017	Reinstatement to Official Quotation	0.270	►	0.0%	0.250	▼	7.4%
27/04/2017	\$15 Million Capital Raising Compete for Bald Hill	0.270	►	0.0%	0.250	▼	7.4%
26/04/2017	Suspension from Official Quotation	0.270	►	0.0%	0.250	▼	7.4%
20/04/2017	Trading Halt	0.270	▲	1.9%	0.270	►	0.0%
19/04/2017	Strong Lithium and Tantalum Results from Bald Hill	0.265	▼	1.9%	0.270	▲	1.9%
19/04/2017	Bald Hill Joint Venture Agreement Completed	0.265	▼	1.9%	0.270	▲	1.9%
11/04/2017	Lithium JV Finalised and Appointment of Corporate Advisor	0.280	▲	9.8%	0.265	▼	5.4%

Source: ASX, Bloomberg, BDO analysis

On 29 March 2018, Tawana announced the achievement of key milestones at the Bald Hill Project, with initial performance results suggesting the plant was operating in line with expectations. The share price decreased 3.3% on the day of the announcement to close at \$0.435, before increasing 8.0% over the subsequent three-day period to close at \$0.470.

On 14 March 2018, Tawana announced the commencement of production at the Bald Hill Project. The share price increased 14.9% on the day of the announcement to close at \$0.500, before declining 7.0% over the three-days subsequent to close at \$0.465.

On 9 March 2018, the S&P DJ indices announced the March Quarter rebalance, which included Tawana as an addition to the S&P/ASX 300 Index. On the date of the announcement the share price increased 2.4% to close at \$0.430, before increasing a further 16.3% over the subsequent three-day period to close at \$0.500.

On 15 February 2018, Tawana announced that commissioning at the Bald Hill Project had commenced. The share price increased 3.3% on the day of the announcement to close at \$0.475, before decreasing by 3.2% over the subsequent three-day period to close at \$0.460.

On 5 February 2018, the Company announced that it had secured a \$5 million Loan Facility with Weier, for the Bald Hill Project. The share price decreased 5.4% on the day of the announcement to close at \$0.435, and a further 2.3 % over the three-days subsequent to close at \$0.425.

On 31 January 2018 the Company released its Quarterly Cashflow Statement and Activities Report, which highlighted the continued construction and development efforts at the Bald Hill Project. On the date of the announcement the share price increased by 1.1% to close at \$0.480, before decreasing by 9.4% over the subsequent three day trading period, to close at \$0.435.

On 28 November 2017, the Company announced that lithium production from the Bald Hill Project was on track to commence in the first quarter of 2018. On the date of the announcement the share price decreased 2.5%, to close at \$0.390, before declining a further 6.4% over the subsequent three day trading period, to close at \$0.0365.

On 30 October 2017, Tawana announced that it had entered into an agreement to purchase tenements bordering its Cowan project area. On the date of the announcement the share price closed unchanged at \$0.360, before decreasing by 5.6% over the subsequent three-day period to close at \$0.340.

On 24 October 2017, the completion of the earn in agreement for the Bald Hill Project was announced. The share price increased 5.7% on the day of the announcement to close at \$0.370, before decreasing 2.7% over the three-days subsequent to close at \$0.360.

On 20 October 2017, Tawana announced it had secured a \$25 million funding package, fully funding the Company to start production at the Bald Hill Project. The share price increased by 5.6% on the day of the announcement to close at \$0.380, before declining by 1.3% over the subsequent three-day period to close at \$0.375.

On 11 October 2017, a mineral resource update for Bald Hill was announced. The share price decreased 1.4% on the day of the announcement to close at \$0.355, before increasing 11.3% over the subsequent three-day period to close at \$0.395.

On 20 September 2017, Tawana received the third offtake payment from Burwill. The share price decreased 9.6% on the day of the announcement to close at \$0.235, and a further 4.3% over the subsequent three-day period to close at \$0.225.

On 6 September 2017, Tawana announced positive metallurgical test work results relating to the Bald Hill Project. The share price decreased 2.3% on the day of the announcement to close at \$0.215, before increasing 14.0% over the three-days subsequent to close at \$0.245.

On 2 August 2017, the Company announced significant high-grade lithium discoveries at the Bald Hill Project. The share price increased 2.3% on the day of the announcement to close at \$0.225, before increasing 6.7% over the subsequent three-day period to close at \$0.240.

On 25 July 2017, Tawana announced the finalisation of environmental approvals relating to the construction and operation of the dense media separation plant at the Bald Hill Project. The share price increased 8.6% on the day of the announcement to close at \$0.190, and a further 10.5% over the subsequent three-day period to close at \$0.210.

On 6 July 2017, the Company responded to an ASX Price and Volume Query, stating that it was not aware of any information concerning it that had not been announced to the market. The share price increased by 9.3% on the day of the announcement to close at \$0.235, before decreasing by 4.3% over the subsequent three-day period to close at \$0.2125

On 14 June 2017, Tawana announced a maiden indicated and inferred lithium mineral resource, (independently estimated by CSA Global Pty Ltd) for the Bald Hill Project. The share price decreased by 6.2% on the day of the announcement to close at \$0.225, before decreasing a further 13.3% over the subsequent three-day trading period to close at \$0.195.

On 28 April 2017, the Company released its Quarterly Cashflow Report and Activities Statement, which highlighted the results of metallurgical test work undertaken during the quarter and the signing of a long term offtake agreement. On the date of the announcement the share price decreased by 1.9% to close at \$0.265, before decreasing by a further 9.4% over the subsequent three-day trading period to close at \$0.240.

27 April 2017 the Company announced that it had received commitments to raise \$15 million through the issue of 60 million new fully paid ordinary shares at an issue price of \$0.25 per share. On the date of the announcement the share price closed unchanged at \$0.270, before decreasing by 7.4% over the subsequent three-day trading period to close at \$0.250

On 11 April 2017, Tawana announced the finalisation of the Lithium Rights Joint Venture Agreement with Alliance and the appointment of Canaccord Genuity (Australia) Limited as corporate advisor. The share price increased 9.8% on the day of the announcement to close at \$0.280, before decreasing 5.4% over the subsequent three-day period to close at \$0.265.

To provide further analysis of the market prices for a Tawana share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 4 April 2018.

ASX	04-Apr-18	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.455				
Volume weighted average price (VWAP)		\$0.452	\$0.454	\$0.470	\$0.460

Source: Bloomberg, BDO analysis

JSE (ZAR)	04-Apr-18	10 Days	30 Days	60 Days	90 Days
Closing price	490.00				
Volume weighted average price (VWAP)		467.04	508.84	553.54	513.31

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Scheme, to avoid the influence of any increase in price of Tawana shares that has occurred since the Scheme was announced.

An analysis of the volume of trading in Tawana shares for the twelve months to 4 April 2018 is set out below:

Trading days (ASX)	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 Day	\$0.450	\$0.470	1,691,251	0.30%
10 Days	\$0.425	\$0.470	24,280,681	4.35%
30 Days	\$0.400	\$0.515	70,127,395	12.57%
60 Days	\$0.365	\$0.585	197,068,848	35.32%
90 Days	\$0.320	\$0.585	335,242,661	60.08%
180 Days	\$0.195	\$0.585	641,042,904	114.88%
1 Year	\$0.175	\$0.585	775,626,503	139.00%

Source: Bloomberg, BDO analysis

Trading days (JSE)	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 Day	ZAr 488.00	ZAr 490.00	1,100	0.00%
10 Days	ZAr 450.00	ZAr 490.00	51,117	0.01%
30 Days	ZAr 410.00	ZAr 615.00	294,338	0.05%
60 Days	ZAr 410.00	ZAr 700.00	1,114,247	0.20%
90 Days	ZAr 360.00	ZAr 700.00	1,650,528	0.30%
180 Days	ZAr 205.00	ZAr 700.00	4,602,698	0.82%
1 Year	ZAr 200.00	ZAr 700.00	8,372,614	1.50%

Source: Bloomberg, BDO analysis

The table above indicates that Tawana's shares display a high level of liquidity, with 139.00% of the Company's current issued capital being traded in a twelve month period on the ASX and 1.50% of the Company's current issued capital being traded in a twelve month period on the JSE. This collectively resulted in 140.50% of the Company's current issued capital being traded in a twelve-month period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Tawana, a liquid and active market exists for Tawana shares, with 60.08% of the Company's issued capital being traded on the ASX and 0.30% being traded on the JSE in a 90-day period.

Our assessment is that a range of values for Tawana shares based on market pricing, after disregarding post announcement pricing, is between \$0.400 and \$0.500.

11.3 Assessment of Tawana value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Sum-of-Parts (Section 11.1)	0.174	0.217	0.260
QMP method (Section 11.2)	0.400	0.450	0.500

Source: BDO analysis

We note the values obtained under the QMP method are higher than the values obtained from the Sum-of-Parts method. The difference in values under the QMP and Sum-of-Parts methodologies may be explained by the following:

- It is not uncommon for mining exploration and production companies to trade at a premium to their intrinsic value. This is due to investors typically anticipating some potential upside of ‘blue sky’ prospects for the company, for example the discovery of further mineral deposits, the release of strong feasibility results, or bullish sentiment towards future commodity prices, which are factored into the share price in advance of any such value being realised. We note that lithium in particular has had significant recent publicity regarding the proposed increases in demand for lithium into the future, which may be reflected in the QMP value;
- Our Sum-of-Parts valuation includes an independent valuation of the Bald Hill Exploration Assets performed by SRK. SRK have relied on a combination of valuation methodologies, which reflect the market value of the Bald Hill Exploration Assets. Depending on the assumptions used, investors may yield a higher value than that derived from the market based assessment (comparable transaction analysis), yardstick approach and geoscientific rating method adopted by SRK;
- We note that our Sum-of-Parts valuation only incorporates 15% of the value of the exploration assets being demerged as part of the demerger of Cowan Lithium Limited, whereas our QMP value includes investors’ perception on 100% of the value of the exploration assets being demerged as part of the demerger of Cowan Lithium Limited; and
- Under RG111.69 (d), the QMP methodology is considered appropriate when a liquid and active market exists for the securities. From our analysis in Section 11.2, we note that approximately 60% of the Company’s issued capital was traded on the ASX in the 90-trading-day period prior to the announcement of the Scheme. This represents a high level of liquidity, and therefore, the quoted market price of Tawana could be expected to accurately reflect the market value of the Company’s value.

For the reasons stated above, we consider the Sum-of-Parts to be the most appropriate method to value Tawana prior to the implementation of the Scheme. In particular, our Sum-of-Parts methodology incorporates the technical assessment of the Bald Hill Project and valuation of the Bald Hill Exploration Assets by SRK, an independent technical specialist.



We also consider the Sum-of-Parts valuation, prior to the implementation of the Scheme, to be more accurately comparable, and assessable in relative terms, to our Sum-of-Parts valuation of the Proposed Merged Entity following implementation of the Scheme.

Based on the results above, we consider the value of a Tawana share prior to the implementation of the Scheme, on a minority interest basis, to be between \$0.174 and \$0.260, with a preferred value of \$0.217.

12. Valuation of the Proposed Merged Entity

We have employed the Sum-of-Parts method in estimating the fair market value of 1.10 Proposed Merged Entity shares on a minority basis following implementation of the Scheme by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration for the following:

- Value of 100% of the Bald Hill Project;
- Value of 100% of the Bald Hill Exploration Assets;
- Amount of cash received from capital raisings completed after 30 June 2018;
- Amount of cash received from the intended drawdown of the Debt Arrangements;
- Amount of cash received from a notional capital raising (to fund the ongoing capital expenditure and working capital of the Bald Hill Project);
- Value of Tawana's 15% shareholding in the demerged entity, Cowan Lithium Limited;
- Value of other assets and liabilities of Tawana;
- Value of other assets and liabilities of Alliance;
- Stamp duty payable on implementation of the Scheme; and
- Present value of Proposed Merged Entity's corporate overhead costs.

12.1 Sum-of-Parts valuation of the Proposed Merged Entity

The value of the Proposed Merged Entity's assets on a going concern basis is reflected in our valuation below:

Summary of Sum-of-Parts valuation	Ref	Low value \$000s	Preferred value \$000s	High value \$000s
Equity value of the Bald Hill Project	12.1.1.	226,000	246,000	266,000
Add: Value of Bald Hill Exploration Assets	12.1.2.	115,380	154,610	189,530
Add: Cash received from Tawana Placement	11.1.3.	4,756	4,756	4,756
Add: Cash received from Alliance Placements	12.1.3.	7,658	7,658	7,658
Add: Establishment fee relating to drawdown of Debt Arrangements	12.1.4.	(1,600)	(1,600)	(1,600)
Add: Cash received from notional exercise of Tawana options	11.1.5.	792	792	792
Add: Cash received from notional capital raising	12.1.5.	10,239	10,239	10,239
Add: Value of Tawana's 15% interest in Cowan Lithium	11.1.7.	1,813	1,813	1,813
Add: Value of Tawana's other assets and liabilities	11.1.8.	(12,775)	(12,775)	(12,775)
Add: Value of Alliance's other assets and liabilities	12.1.6.	(4,547)	(4,547)	(4,547)
Less: Transaction costs of the Scheme	12.1.7.	(6,312)	(6,312)	(6,312)
Less: Stamp duty assessment on implementation of the Scheme	12.1.8.	(9,846)	(9,846)	(9,846)
Less: Present value of PME's corporate overhead costs	12.1.9.	(17,424)	(17,424)	(17,424)
Value of Proposed Merged Entity following the Scheme		314,135	373,365	428,285
Number of shares on issue following the Scheme	12.1.11.	1,351,620,202	1,348,085,303	1,345,053,498
Value per Proposed Merged Entity share on controlling interest basis (\$)		0.232	0.277	0.318
1.10 shares in Proposed Merged Entity (controlling interest basis) (\$)		0.256	0.305	0.350
Discount for minority interest	12.1.10.	28.6%	25.9%	23.1%
1.10 shares in Proposed Merged Entity (minority interest basis) (\$)		0.183	0.226	0.269

Source: BDO analysis

The table above indicates that the value of 1.10 shares in the Proposed Merged Entity following the Scheme on a minority interest basis is between \$0.183 and \$0.269, with a preferred value of \$0.226.

12.1.1. Equity value of the Bald Hill Project

We have employed the same method to value the Bald Hill Project as was used in Section 11, using the DCF method, however the Proposed Merged Entity will own the entire Bald Hill Project.

We elected to use the DCF approach in valuing the Bald Hill Project. The DCF approach estimates the fair market value by discounting the future cash flows arising from the Bald Hill Project to their net present value. Performing a DCF valuation requires the determination of the following:

- The expected future cash flows that the Bald Hill Project is expected to generate; and
- An appropriate discount rate to apply to the cash flows of the Bald Hill Project to convert them to present value equivalent.

Given that the Proposed Merged Entity will own the entire Bald Hill Project, we determined the operating cash flows of the Bald Hill Project to a project level and determined tax treatment and discount rate specific to the Proposed Merged Entity.

12.1.1.1. Future cash flows

Taking this into account, the forecast mining operations and cash flows determined in the Adjusted Model outlined in Section 11 are consistent prior to, and following, implementation of the Scheme, except for the following assumptions.

Taxation

Taxation has been applied at a notional rate of 30% which represents the current corporate tax rate in Australia. We have obtained expert advice on the available fractions of Tawana's and Alliance's historical tax losses and consider it reasonable to calculate the Proposed Merged Entity's tax payable over the life of mine assuming available historical tax losses of \$nil. This is due to the minimal available fractions available as a consequence of the historical capital raises undertaken, and potential implementation of the Scheme, by both Tawana and Alliance.

We have also calculated an indicative tax base uplift as a result of Alliance's acquisition of Tawana. We conducted brief sensitivity analysis on the tax base uplift calculation and consider a +/- 20% change in the assessed tax base uplift to have an insignificant effect on the value of Bald Hill Project.

Given the Model was provided on a pre-tax basis, we have applied tax calculations to the Adjusted Model.

12.1.1.2. Discount rate

Following implementation of the Scheme, we have selected a nominal after tax discount rate in the range of 9.2% and 12.8% per annum to discount the cash flows of the Bald Hill Project to their present value. We have used a rounded discount rate of 11% in our base case.

In selecting this range of discount rate, we have considered the following:

- The rate of return for comparable ASX listed lithium and tantalum exploration and production companies; and

- The risk profile of the Proposed Merged Entity, following the Scheme, as compared to other lithium and tantalum exploration and production companies.

A detailed consideration of how we arrived at our adopted discount rate is shown in Appendix 3.

12.1.1.3. Sensitivity analysis

The estimated value of the Bald Hill Project is derived under the DCF approach. Our valuation is highly sensitive to change in the forecast of lithium price (following the period already contracted through offtake agreement), tantalum price (following the period already contracted through offtake agreement), operating costs, capital costs and USD:AUD foreign exchange rates. We have therefore included an analysis to consider the value of the Bald Hill Project under various pricing scenarios and in applying:

- A change of +/- 10% to the lithium price (following the period contracted through offtake agreement);
- A change of +/- 10% to the tantalum price (following the period contracted through offtake agreement);
- A change of +/- 10% to the operating costs;
- A change of +/- 50% to the capital costs;
- A change of +/- 10% to the USD:AUD foreign exchange rates; and
- A discount rate in the range of 9% to 13%.

The following sensitivities have been prepared to assist Shareholders in considering the potential effects to the value of the Bald Hill Project if our base case assumptions change.

Flex	Lithium price \$000s	Tantalum price \$000s	Operating costs \$000s	AUDUSD rate \$000s
10.0%	300,821	255,450	189,524	202,028
7.5%	287,159	253,098	203,750	212,275
5.0%	273,470	250,747	217,873	223,001
2.5%	259,762	248,395	231,968	234,248
0.0%	246,043	246,043	246,043	246,043
-2.5%	232,294	243,689	260,089	258,430
-5.0%	218,530	241,335	274,121	271,453
-7.5%	204,734	238,980	288,136	285,164
-10.0%	190,832	236,624	302,120	299,596

Source: Adjusted Model, BDO analysis

Flex	Capital costs \$000s
50.0%	221,497
10.0%	241,136
7.5%	242,363
5.0%	243,589
2.5%	244,816
0.0%	246,043
-2.5%	247,269
-5.0%	248,495
-7.5%	249,721
-10.0%	250,946
-50.0%	270,558

Source: Adjusted Model, BDO analysis

Discount rate	9%	10%	11%	12%	13%
\$000s	259,805	252,789	246,043	239,553	233,308

Source: Adjusted Model, BDO analysis

Considering the valuation outcomes above, we estimate the equity value of Bald Hill Project to be in the range of \$226 million and \$266 million, with a midpoint value of \$246 million.

12.1.2. Value of the Bald Hill Exploration Assets

We instructed SRK to value all of the Bald Hill Exploration Assets under the Valmin Code 2015 that are not included in the Model.

The Bald Hill Exploration Assets have been valued by SRK based on comparable transactions, yardstick and geoscientific rating methods.

The value of the Bald Hill Exploration Assets are summarised in the table below:

Bald Hill Exploration Assets	Low value \$000s	Preferred value \$000s	High value \$000s
Mineral Resources	113,400	148,300	183,100
Advanced Exploration	180	310	430
Early Exploration	1,800	6,000	6,000
Bald Hill Exploration Assets	115,380	154,610	189,530
<i>Proposed Merged Entity's ownership following the Scheme</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>
Value of PME's interest in the Bald Hill Exploration Assets	115,380	154,610	189,530

Source: BDO analysis, SRK Independent Technical Report

12.1.3. Cash raised from Alliance Placements

We note that Alliance completed the Alliance Conditional Placement (as detailed above in Section 4) of 13,000,000 Alliance shares at S\$0.33 per share and 10,875,115 Alliance shares at S\$0.34 per share to raise S\$7.99 million subsequent to 30 June 2018. We note that a placement fee of 6% of the funds raised is payable to the lead advisor, totalling S\$0.48 million, which is to be deducted from the gross amount raised.

The capital raisings are summarised in the table below:

Alliance capital raisings	000s
Alliance Conditional Placement (S\$000s)	7,988
Placement fee 6% (S\$000s)	(479)
Total funds raised (S\$000s)	7,508
AUDSGD conversion	1.02
Total funding available (S\$000s)	7,658

Source: BDO analysis

Therefore we consider it appropriate to increase the cash balance to include this cash inflow.

We note that Alliance raised this capital in Singapore Dollars. We have exchanged this at the rate of AUDSGD 1.02, which equates to \$7.66 million.

12.1.4. Establishment fee relating to drawdown of Debt Arrangements

In addition to the drawdown of the Tawana Facility, outlined in 11.1.4., the MergeCo Facility, consisting of a \$20 million stand-by line of credit, is to be made available to Lithco (as part of the Proposed Merged Entity), conditional on the Scheme being implemented and Alliance receiving conditional ASX listing approval. Cumulatively, the Debt Arrangements will partially fund the Bald Hill Project over the period from July 2018 to April 2019 and bring it into positive cash flows.

The cash raised from the drawdown of the Debt Arrangements is offset by a corresponding increase in debt liabilities. The Sum-of-Parts valuation of the Proposed Merged Entity has been reduced to the extent of the value of the establishment fee associated with the Debt Arrangements. The Sum-of-Parts valuation of the Proposed Merged Entity has also been reduced to the extent of the value of the other costs associated with the drawdown of funds under the Debt Arrangements (including legal fees and advisory fees), however, these costs are dealt with in a separate line item as part of the Sum-of-Parts valuation of the Proposed Merged Entity.

12.1.5. Notional capital raise

We are required by RG 111.15 to assess the funding requirements for a company that is not in financial distress when considering its value, particularly when using the DCF methodology.

We note that Tawana and Alliance both have credible and current track records of obtaining sources of funding, other than equity, as follows:

- Tawana's and Alliance's total current debt of \$18 million;
- Tawana's and Alliance's current revenue prepayment agreement with the offtake partner totalling \$20.625 million;
- Tawana's Debt Facility for \$20 million; and
- The Proposed Merged Entity's MergeCo Facility for \$20 million.

Tawana management has also advised that some major capital expenditure items have scope to be delayed by up to 12 months.

These historical and potential sources of funding give a strong indication that the Proposed Merged Entity would seek sources of funding other than equity, prior to the need to undertake equity funding. However, at the date of this Report, we consider that we do not have reasonable grounds to assume current availability of the additional sources of funding. Therefore, we have included a notional capital raising to fund the remaining capital expenditure and working capital requirements of the Bald Hill Project.

As per our Adjusted Model, the Bald Hill Project requires approximately \$38.10 million to fund the project through the plant upgrade period to a stage where it is cash flow positive.

The following table outlines the Proposed Merged Entity's sources of funding at its disposal and commitments that the Company will be required to fund over the period until the Bald Hill Project is taken into a positive cash flow position.

Notional capital raising		\$'000s
Sources of funding:		
Tawana:		
Cash		10,811
Other major working capital accounts		(19,275)
Cash received from Tawana Placement		4,756
Cash received from exercise of Tawana options		792
Cash available from Tawana Facility		19,200
Alliance:		
Cash		18,841
Other major working capital accounts		(13,801)
Cash received from Alliance Placements		7,658
Cash available from MergeCo Facility		19,200
Total funding available		48,183
Funding commitments:		
Bald Hill Project		38,098
Repayment of current Tawana debt		5,000
Corporate costs over period of negative cash flows		3,422
Other costs over period of negative cash flows		11,902
Total funding available		58,422
Additional funding required by PME		10,239

Source: BDO analysis

The Tawana and Alliance cash balances outlined above is taken from the 30 June 2018 Balance Sheet outlined in section 5.4 and 6.2 of this Replacement Report.

Alliance's other major working capital accounts consist of the following 30 June 2018 Balance Sheet line items taken from the adjusted balance sheet outlined in section 12.1.6.:

		Adjusted as at 30-Jun-18 \$'000s
Alliance working capital		
Working capital accounts		
Trade and other receivables		2,151
Other current assets		586
Trade and other payables		(8,327)
Deferred revenue		(7,343)
Interest bearing loans		(658)
Employee benefit liabilities		(210)
Working capital position		(13,801)

Source: BDO analysis

We have included these accounts in the funding calculation as they are considered current balance sheet items, and therefore, would be expected to be extinguished in the 12 months following the balance date. Given that the Bald Hill Project is forecast to require funding into positive cash flows over the period, May 2018 to April 2019, we consider the majority of these amounts will be extinguished within the period ending April 2019.

Corporate costs have been calculated in nominal terms over the period from June 2018 to April 2019.

Other working capital required over the funding period includes interest expenses, transaction costs of undertaking the Scheme, costs related to the demerger of Cowan Lithium and other costs.

Based on the calculations above, the resultant funds required to fund the capital expenditure and working capital requirements of the Bald Hill Project and the broader business of the Proposed Merged Entity is approximately \$10.24 million (**'Additional PME Funding Required'**), which we have assumed will be met through a notional equity raise in SGD (as Alliance is currently listed only on the SGX). We have also assumed a notional placement fee of 5% to account for a potential underwriter's or broker's fee. This results in the required equity funds to be raised increasing to S\$10.57 million.

We note that the Proposed Merged Entity will likely be required to source this additional funding in 2019 as the Proposed Merged Entity has sources of funding at its disposal that would be expected to fund working capital requirements throughout the remainder of 2018.

Given Tawana's and Alliance's track record of alternative sources of funding, outlined on the previous page, including:

- Current debt totalling \$18 million;
- Current revenue prepayment agreement with the offtake partner totalling \$20.125 million;
- The Tawana Facility for \$20 million;
- The MergeCo Facility for \$20 million; and
- Tawana's indicative illustration of non-essential capital expenditure that has scope to be delayed to free up working capital,

We consider that there may be alternative funding options available to the Proposed Merged Entity, similar to those outlined above. Therefore we consider the likelihood of the Proposed Merged Entity being required to undertake a capital raise to be low. However, in the absence of information regarding the most likely funding structure, to remain conservative, we have assumed it will be fully funded by equity. As such, we have assumed a notional equity raising will be used to fund the Additional PME Funding Required. Equity funding is a conservative assumption, as such, we have reflected the potential difficulty of raising funds in our assessment of the likely range of prices at which a capital raising may be conducted.

In order to determine the likely price at which the Proposed Merged Entity would have to place its shares to a third party or to current shareholders under a notional capital raising, we considered the recent VWAP of Alliance following the announcement of the Scheme as this represents a proxy for the share price of the Proposed Merged Entity following implementation of the Scheme. The closing price, 10-day and 30-day VWAP of Alliance's shares at 10 October 2018 are set out in the table below:

Share Price per unit	10-Oct-18	10 Days	30 Days
Closing price	S\$0.260		
Volume weighted average price		S\$0.289	S\$0.276

Source: Bloomberg

Based on the above analysis, we have assessed the price of an Alliance share to be in the range of S\$0.26 and S\$0.29. However, typically companies must raise capital at a discount to the current market price. As such, we refer to our analysis in Section 11.1.6. in which we consider a placement discount in the range of 8% to 12%, with our preferred being a midpoint of 10%, will be required to provide a sufficient incentive for investors to participate in a capital raising.

The number of shares to be issued under the notional capital raising is set out in the table below:

Notional capital raising	Low	Preferred	High
Additional PME Funding Required (\$000s)	10,239	10,239	10,239
AUDSGD conversion	1.02	1.02	1.02
Additional PME Funding Required (\$\$000s)	10,038	10,038	10,038
Placement fee	5%	5%	5%
Additional PME Funding Required including placement fee (\$\$000s)	10,566	10,566	10,566
Price per share in PME (\$\$)	0.290	0.275	0.260
Discount on placement	8%	10%	12%
Placement share price (\$\$)	0.267	0.248	0.229
Number of PME shares to be issued via notional capital raise	39,573,034	42,604,839	46,139,738

Source: BDO analysis

12.1.6. Value of Alliance's other assets and liabilities

Other assets and liabilities of Alliance represent the assets and liabilities that have not been specifically adjusted. From our review of these other assets and liabilities, outlined in the table below, we do not believe that there is a material difference between their book value and their market value unless an adjustment has been noted.

The table below represents a summary of the assets and liabilities identified:

Statement of Financial Position	Reviewed as at 30-Jun-18 \$'000s	Adjusted 30-Jun-18 \$'000s
CURRENT ASSETS		
Cash and cash equivalents	18,841	18,841
Trade and other receivables	2,151	2,151
Other current assets	586	586
Inventory	842	-
TOTAL CURRENT ASSETS	22,421	21,578
NON-CURRENT ASSETS		
Mine properties	29,427	-
Property plant and equipment	37,538	750
Reimbursement asset	2,821	-
TOTAL NON-CURRENT ASSETS	69,786	750
TOTAL ASSETS	92,207	22,328
CURRENT LIABILITIES		
Trade and other payables	8,327	8,327
Deferred revenue	7,343	7,343
Interest bearing loans	658	658
Employee benefit liabilities	210	210
TOTAL CURRENT LIABILITIES	16,538	16,538
NON-CURRENT LIABILITIES		
Interest bearing loans	10,337	10,337
Provision for rehabilitation	5,642	-
TOTAL NON-CURRENT LIABILITIES	15,978	10,337
TOTAL LIABILITIES	32,516	26,875
NET ASSETS	59,691	(4,547)

Source: BDO analysis

We note that any cash burn since 30 June 2018 relating to development of the Bald Hill Project or corporate costs will not be considered necessary to deduct from the 30 June 2018 cash balance as we have included the Bald Hill Project and corporate costs as separate line items in our Sum-of-Parts valuation.

We also note that the inventories, mine properties, exploration and evaluation expenditure, property, plant and equipment and provision for rehabilitation relate to the Bald Hill Project and have been incorporated into the equity value of the Bald Hill Project. Therefore we have adjusted the balances to exclude all assets and liabilities related to the Bald Hill Project. We note the remaining \$0.75 million of property, plant and equipment relates to the Alliance office space, recently valued at \$0.75 million by an independent property valuation specialist.

Additionally, nothing has come to our attention as a result of our procedures that would suggest the need for any further adjustments.

12.1.7. Transaction costs of the Scheme

Estimated transaction costs totalling \$6.25 million to be expensed following 30 June 2018 are to be borne by the Proposed Merged Entity on approval of the Scheme, which includes the \$1.43 million borne by Tawana outlined in Section 11.1.9. Therefore we have deducted the value of the transaction costs from our Sum-of-Parts. Further details on the transaction costs can be found in the Supplementary Scheme Booklet.

12.1.8. Stamp duty payable on implementation of the Scheme

As part of the Scheme, stamp duty will be payable on the acquisition of Tawana's shares by Alliance.

Western Australia ('WA') stamp duty will be payable on the acquisition of a 100% interest in the WA land and chattels held by Tawana and its subsidiaries based on the rate of \$19,665 plus 5.15% of any excess over \$500,000.

We have adopted our assessed preferred value of Tawana's share in the Bald Hill Project and the Bald Hill Exploration Assets, totalling approximately \$191 million, as the indicative value on which stamp duty is to be assessed. Therefore, we calculate stamp duty payable will be approximately \$9.85 million.

We consider it reasonable to assume the actual assessment and request for payment could be expected around May 2019, however it is also reasonable to assume the Proposed Merged Entity could apply for a six month extension on payment with an appropriate interest charge as consideration.

12.1.9. Present value of Proposed Merged Entity corporate costs

Management has provided us with the forecast corporate costs for Tawana going forward, assuming the Scheme is approved, and Tawana head office becomes the sole corporate head office of the Proposed Merged Entity.

Tawana have assumed that the Alliance corporate head office and corresponding overhead costs will be incurred up until December 2018, at which point the Alliance corporate overhead costs will cease and the Tawana corporate costs (outlined in Section 11.1.10.) will increase to cover the increasing corporate overhead costs that will be incurred to run a relatively larger operation, with the Bald Hill Project ramping up to full production.

We calculated the annual corporate costs over the remaining life of mine of the Bald Hill Project, inflating these costs at Australia's long term inflation rate of 2.5% per annum, given that the Proposed Merged Entity's head office will be located, and incurs costs, in Australia.

The net present value of the Proposed Merged Entity's corporate costs are estimated to be \$17.42 million.

12.1.10. Discount for minority interest

The net asset value of the Proposed Merged Entity is reflective of a controlling interest. As determined in Section 3.3, we determined that the Scheme is in effect a Merger of Equals and that the consideration offered and the securities given up should be assessed on an equivalent basis. As the implementation of the Scheme will not preclude either Shareholders or Alliance shareholders from receiving a control premium for their shares in the future, we have assessed the consideration offered and securities given up on a minority interest basis.

In order to convert the Proposed Merged Entity's NAV to a minority interest basis, we must apply a minority interest discount, which is the inverse of a premium for control and is calculated using the formula $1 - (1/1 + \text{control premium})$.

As discussed further in Appendix 5 of our Report, we consider an appropriate control premium for the Proposed Merged Entity to be in the range of 30% and 40%, giving rise to a minority interest discount in the range of 23.1% to 28.6%.

12.1.11. Number of Proposed Merged Entity shares on issue

Following the implementation of the Scheme, the Proposed Merged Entity is set out in the table below. We have not included the exercise of the Proposed Merged Entity options as, at the date of this Report, they are out-of-the-money.

Number of PME shares on issue following the Scheme	Ref	Low	Preferred	High
Number of Proposed Merged Entity shares on issue following the Scheme	4	1,305,480,464	1,305,480,464	1,305,480,464
Add: Shares issued under the Notional Capital Raising	12.1.5.	39,573,034	42,604,839	46,139,738
Total number of PME shares on issue following the Scheme		1,345,053,498	1,348,085,303	1,351,620,202

Source: BDO analysis

13. Is the Scheme fair?

13.1 Fairness assessment

A comparison of the value of a share in Tawana prior to the implementation of the Scheme, on a minority interest basis, and the value of 1.10 shares in the Proposed Merged Entity, on a minority interest basis, is set out below:

	Ref	Low \$	Preferred \$	High \$
Value of a share in Tawana prior to the Scheme (minority interest basis)	11.3	0.174	0.217	0.260
Value of 1.10 shares in the Proposed Merged Entity	12.1	0.183	0.226	0.269

We note from the table above that in the absence of a superior offer and any other relevant information, the Scheme is fair for Shareholders.

13.2 Potential additional issue of Alliance shares

We are aware that Alliance received writs from Mr Tjandra Pramoko and Ms Suen Sze Man (**‘the Former Executives’**), former chief executive officer and executive director of Alliance respective, before the opening of trading on 19 October 2018, claiming the issue 3,750,000 ordinary shares of Alliance in favour of each of the Former Executives as compensation arising from their previous services rendered to Alliance, including other alternative claims.

We understand Alliance is in consultation with its legal counsel on the claim.

We have considered the effect on the fairness opinion outlined above in section 13.1 and conducted the following analysis on the potential inclusion of an additional 7,500,000 Alliance ordinary shares on issue in the Proposed Merged Entity (post scheme implementation).

	Low \$	Preferred \$	High \$
Value of a share in Tawana prior to the Scheme (minority interest basis)	0.174	0.217	0.260
Value of 1.10 shares in the Proposed Merged Entity (minority interest basis)	0.183	0.226	0.269
Value of 1.10 shares in the Proposed Merged Entity including additional 7,500,000 shares on issue (minority interest basis)	0.182	0.225	0.268

Taking into account the above analysis, we consider the inclusion of an additional 7,500,000 Alliance shares on issue will not change our fairness assessment. Therefore, the current fairness opinion that the Scheme is fair to Shareholders, will not change as a result of the issue of a total of 7,500,000 shares to the Former Executives.

14. Is the Scheme reasonable?

14.1 Advantages of Approving the Scheme

We have considered the following advantages when assessing whether the Scheme is reasonable.

14.1.1. The Scheme is fair

As set out in Section 13, the Scheme is fair. RG 111.12 states that an offer is reasonable if it is fair.

14.1.2. Implementation of the Scheme will streamline the ownership structure and operational management of the Bald Hill Project, which may result in cost synergies and efficiency benefits

As detailed in Section 5.2.1, the Bald Hill Project is currently co-owned by Tawana and Alliance, with each holding a 50% interest in the minerals, processing plant and infrastructure at the Project.

If the Scheme is implemented, the Proposed Merged Entity will be able to streamline the development of the Bald Hill Project by reducing the structural and operational inefficiencies that are inherent in a joint venture.

In particular, the simplified corporate structure of the Proposed Merged Entity has been estimated to provide significant corporate cost savings over the Bald Hill Project's life of mine. The Proposed Merged Entity may also be able to realise additional cost synergies and efficiency benefits resulting from the streamlining of management and operational processes following implementation of the Scheme.

14.1.3. Creation of a combined group with a stronger financial position

If the Scheme is implemented, Shareholders will become shareholders in the Proposed Merged Entity, which will have a stronger financial position, be larger in size and have an increased market capitalisation compared to Tawana. Following the implementation of the Scheme, the Proposed Merged Entity will have a combined:

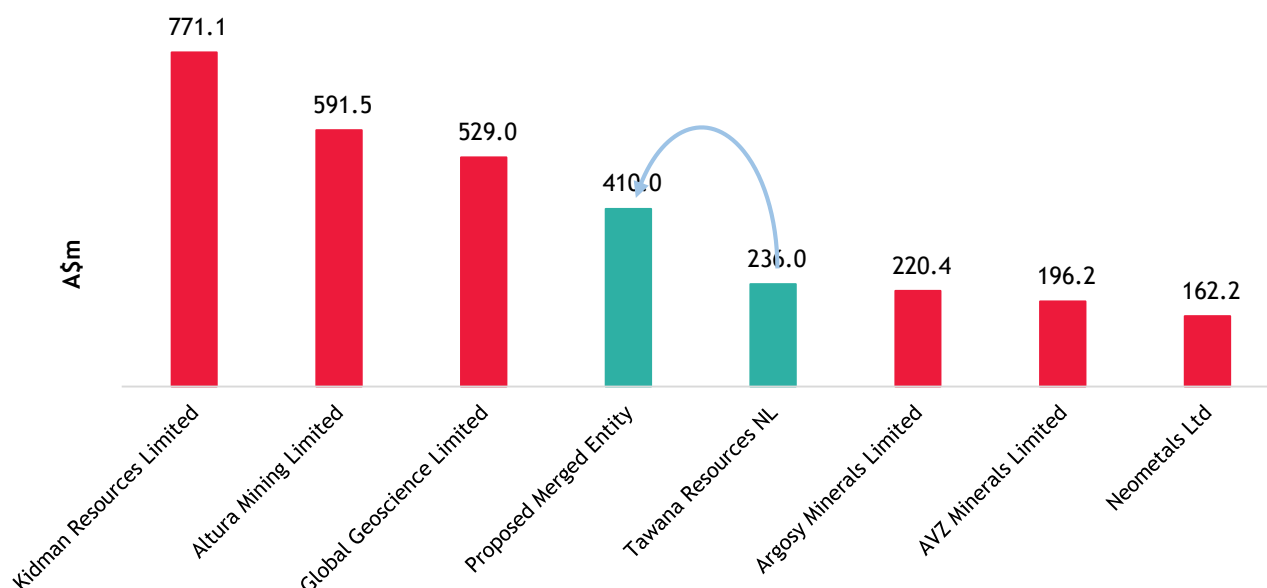
- cash position of approximately \$30 million (as at 30 June 2018);
- net asset position of approximately \$123 million (excluding acquisition adjustments); and
- market capitalisation based on ASX and SGX closing prices of the two companies, prior to the announcement of the Scheme, of approximately \$410 million.

The combined market capitalisation of Tawana and Alliance, based on their respective closing prices on the ASX and SGX on 4 April 2018, being the last trading day prior to the announcement of the Scheme, was approximately \$410 million.

This combined market capitalisation is derived from Tawana's closing share price on the ASX on 4 April 2018 of A\$0.455, and Alliance's closing share price on the SGX of 0.340 Singaporean Dollars ('SGD'), which we have converted to AUD at the historical exchange rate of AUD 0.9877/SGD 1.00 as at on 4 April 2018, resulting in an AUD equivalent share price of approximately A\$0.336.

The graph below illustrates the market capitalisation of the Proposed Merged Entity relative to Tawana's market capitalisation and a group of companies we consider broadly comparable to Tawana.

Market Capitalisation at 4 April 2018



Source: Bloomberg and BDO analysis

14.1.4. The Proposed Merged Entity will have a larger market presence, which may result in improved liquidity and an increased ability to raise capital

The stronger financial position and increased market capitalisation outlined in Section 14.1.3 is expected to provide the Proposed Merged Entity with increased media and analyst coverage. Additionally, the Proposed Merged Entity will be listed on both the ASX and Catalist Board of the SGX.

In conjunction, these factors will contribute to a larger market presence for the Proposed Merged Entity, which may translate to increased levels of interest from financial markets and access to a wider range of investors, ultimately resulting in the shares of the Proposed Merged Entity being more liquid than Tawana's.

Furthermore, the Proposed Merged Entity may have an enhanced ability to source equity and debt funding on better terms than may otherwise be available to Tawana on a standalone basis, due to its greater scale and liquidity.

The enhanced funding capacity of the Proposed Merged Entity will facilitate the continued development and operation of the Bald Hill Project, in addition to financing future exploration and growth initiatives.

14.1.5. Broader expertise and increased experience of the board of directors of the Proposed Merged Entity

As detailed in Section 4, if the Scheme is implemented, four of the current Tawana directors will join three of the current Alliance directors to form the board of the Proposed Merged Entity. The proposed board members of the Proposed Merged Entity are set out below:

- Mark Turner (non-executive chairperson);

- Mark Calderwood (in capacity as Managing Director and Chief Executive Officer) (Tawana nominee);
- Robert Vassie (Tawana nominee);
- Vicke Xie (Tawana nominee);
- Arnold Chan Ming Fai - a nominee of Burwill (in consultation with Alliance) (Alliance nominee);
- Ong Kian Guan (Joshua Ong) (Alliance nominee); and
- Geoffrey McNamara (Alliance nominee).

The Proposed Merged Entity will be led by a highly credentialed Board of directors and experienced management team with proven successful track records in exploration, project management and open pit mining operations, combined with significant and capital markets experience. Some of the notable experience of the Proposed Merged Entity directors is set out below:

Mr Turner is a mining engineer with more than 30 years' experience in the resources sector. During his career, Mr Turner has served as the General Manager of Operations at Resolute Mining Limited and the Chief operating officer of CGA Mining Limited. Mr Turner is currently the Chief Operating Officer of RTG Mining Inc.

Mr Calderwood is a chartered professional member of the Australasian Institute of Mining and Metallurgy. During his career, Mr Calderwood served as the Managing Director of Perseus Mining. He has had 30 years of mineral exploration experience, including 7 years' experience in pegmatite minerals. Mr Calderwood co-authored the publication 'A guidebook to the Pegmatites of Western Australia'. He is currently the Managing Director of Tawana Resources, and serves as Non-Executive Chairman on the board of Manas Resources Limited.

Mr Vassie is an experienced mining engineer, with over 30 years of international mining experience and 18 years of experience in a range of senior management roles at Rio Tinto. He is currently the Managing Director and Chief Executive Officer of St Barbara Limited.

Ms Xie is an experienced accountant. Ms Xie has served as a chief financial officer and company secretary for companies in both Australia and China. Ms Xie is a representative for Weier.

Mr Ong Kiang Guan joined AMAL in June 2014 as an Independent Director. He has been an Audit Partner with Baker Tilly TFW LLP since 2005, where he is currently the Head of its Assurance and Capital Market practices. He is currently also the Independent director and Chairman of audit committees of Serrano Limited and Weiye Holdings Limited which are listed on SGX-ST, and China XLX Fertilisers Ltd, a company listed on Hong Kong Stock Exchange. Mr Guan obtained a Bachelor of Accountancy from Nanyang Technological University in 1992. He is a fellow of the Institute of Singapore Chartered Accountants. He is currently a member of the Investigation and Disciplinary Panel, and has also previously served as a member of the Auditing and Assurance committee of ISCA.

Mr Geoffrey McNamara has over 23 years of resource sector experience as a geologist, project manager, corporate financier and fund manager. He was most recently an owner and investment director of Pacific Road Capital, a private equity manager, investing in the global mining industry. Prior to that he was a director of Societe General's Mining Finance group in New York. Mr McNamara holds a Bachelors degree in Geology from Queensland University of Technology and Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is a member of the Australian Institute of Company Directors and the Australasian Institute of Mining and Metallurgy.

14.2 Disadvantages of Approving the Scheme

If the Scheme is approved, in our opinion, the potential disadvantages to Shareholders include those listed below:

14.2.1. The Scheme will result in the dilution of existing Shareholders' interests

If the Scheme is approved, Shareholders will hold approximately 49.48% of the Proposed Merged Entity whilst Alliance shareholders will hold approximately 50.52% of the Proposed Merged Entity, on an undiluted basis.

On a fully diluted basis, Shareholders will hold approximately 51.52% of the Proposed Merged Entity whilst Alliance shareholders will hold approximately 48.48% of the Proposed Merged Entity.

This means that Shareholders interests following the Scheme may be diluted from holding 100% of Tawana, to holding between approximately 48.48% and 49.48% of the Proposed Merged Entity. This will dilute Shareholders' interest and their collective influence on the operations of the Proposed Merged Entity compared to their influence over the operations of the Company.

14.2.2. Some ineligible Shareholders may not be able to receive shares in the Proposed Merged Entity

If the Scheme is implemented, a Shareholder whose address is recorded in Tawana's share registry at the Record Date as being outside of Australia and its external territories, New Zealand, Hong Kong and Singapore, will be an Ineligible Foreign Shareholder for the purpose of the Scheme. The shares in the Proposed Merged Entity which would have been issued to the Ineligible Foreign Shareholders will be issued to a Sale Agent that will sell or procure the sale of all the shares in the Proposed Merged Entity, that would have been issued to the Ineligible Foreign Shareholders. The Sale Agent will then pay to the Ineligible Foreign Shareholders their proportion of the cash proceeds, being the net cash proceeds of the sale of the relevant shares in the Proposed Merged Entity after deduction of any applicable brokerage and other selling costs, taxes and charges.

In effect, if the Scheme is implemented, Ineligible Foreign Shareholders will be forced to exit their respective investments in Tawana without specific control or guarantee in relation to the sale price they receive for their parcel of Tawana shares.

Based on the Company's share register, there will be 36 Ineligible Foreign Shareholders if the Scheme is implemented.

14.3 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Tawana a premium over the value resulting from the Scheme.

14.4 Practical Level of Control

If the Scheme is implemented, Shareholders and Alliance shareholders will have interests of approximately 49.48% and 50.52% in the Proposed Merged Entity on an undiluted basis, respectively. On a diluted basis, Shareholders and Alliance shareholders will have interests of approximately 48.48% and 51.52% in the Proposed Merged Entity, respectively. In addition to this, Tawana and Alliance will each have 3 members

on the board of the Proposed Merged Entity, with a seventh board member, Mr Mark Turner, as non-executive Chairman. Mr Turner is currently a non-executive board member of Tawana.

As detailed in Section 3.3, we do not consider the Scheme to be a control transaction because if the Scheme is implemented, both Shareholders and Alliance shareholders do not forego the opportunity to receive a control premium in the future. As such, there are no direct control implications resulting from the Scheme.

Nonetheless, we have included the control of the Proposed Merged Entity as a consideration for Shareholders because the board of the Proposed Merged Entity will comprise three members from each of Tawana and Alliance, and Mr Mark Turner, in capacity as non-executive chairman. This may be a relevant consideration for Shareholders if they hold a particular view of the current directors of Tawana or the current directors of Alliance who will be on the board of the Proposed Merged Entity.

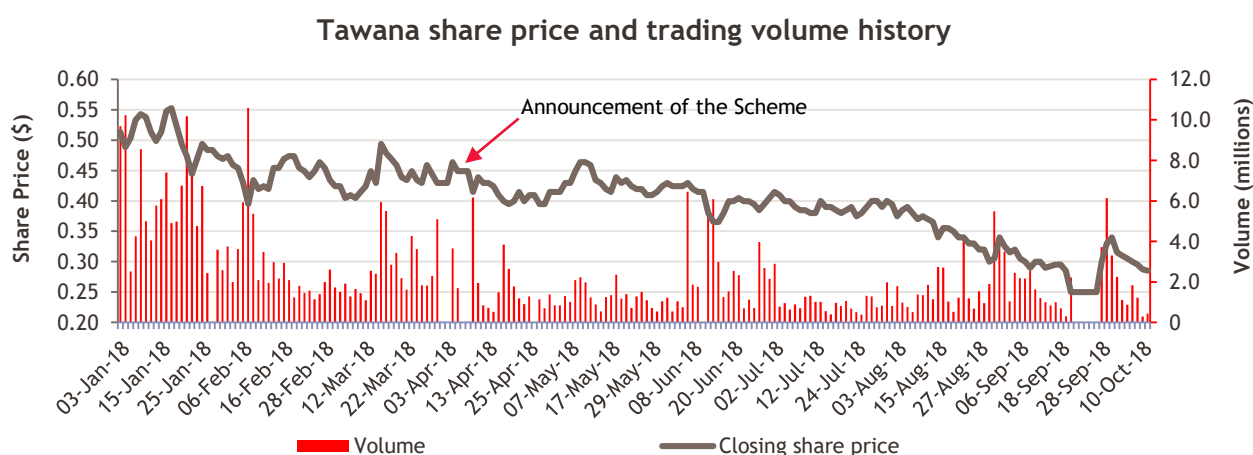
When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. We do not consider there to be any control implications relating to shareholder approval levels because if the Scheme is implemented, there will be no individual shareholder or group of associated shareholders that hold in excess of 25% of the issued capital of the Proposed Merged Entity. Therefore, no individual shareholder or group of associated shareholders will be able to block a special resolution.

14.5 Post-announcement pricing

We have analysed Tawana and Alliance's share price movements since the Scheme was announced.

Tawana

A graph of Tawana's share price and trade volume leading up to and following the announcement is set out below:



Source: Bloomberg

The first day of trading subsequent to the announcement of the Scheme was 9 April 2018, on which 6,161,711 shares were traded. This represents approximately 1.1% of the Company's total issued capital.

The table below details the VWAP of Tawana's shares for 10, 30 and 60 day periods to 10 October 2018.

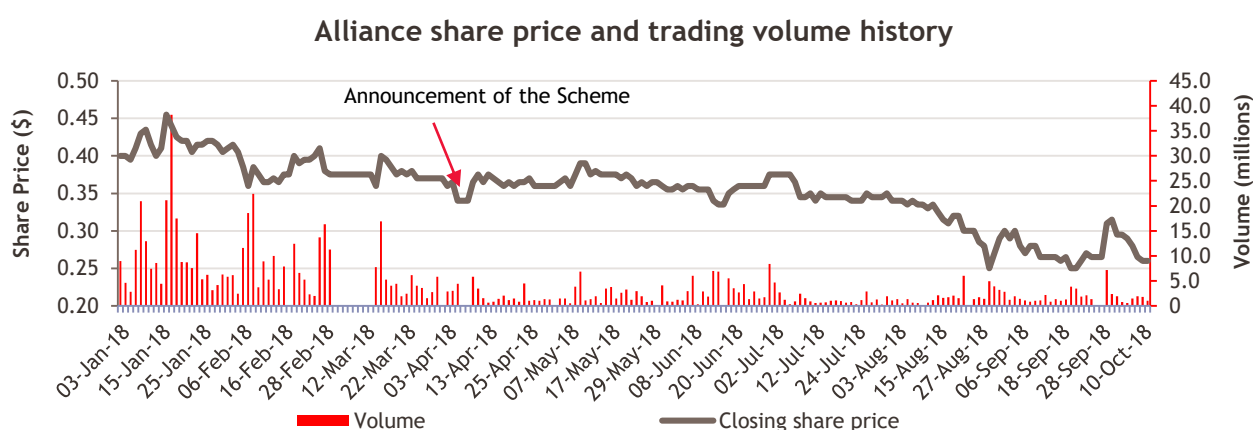
Share Price per unit	10-Oct-18	10 Days	30 Days	60 Days
Closing price	\$0.285			
Volume weighted average price		\$0.316	\$0.310	\$0.328

Source: Bloomberg

Following the announcement of the Scheme, Tawana's share price steadily declined to reach a low of \$0.365 on 14 June 2018. The share price then entered an upward trend reaching \$0.415 on 29 June 2018 before closing at \$0.285 on 10 October 2018.

Alliance

A graph of Alliance's share price and trade volume leading up to and following the announcement is set out below:



Source: Bloomberg

The first day of trading subsequent to the announcement of the Scheme was 9 April 2018, on which 5,808,700 shares were traded. This represents approximately 0.9% of the Company's total issued capital.

The table below details the VWAP of Alliance's shares for 10, 30 and 60 day periods to 10 October 2018.

Share Price per unit	10-Oct-18	10 Days	30 Days	60 Days
Closing price	S\$0.260			
Volume weighted average price		S\$0.289	S\$0.276	S\$0.292

Source: Bloomberg

Following the announcement of the Scheme, Alliance's share price trended upwards, reaching S\$0.390 on 9 May 2018, before steadily declining to reach S\$0.335 on 15 June 2018. The share price then trended upwards, before steadily declining again to close at S\$0.260 on 10 October 2018.

14.6 Taxation implications

The Australian income tax consequences for Shareholders of implementing the Scheme will depend upon whether their shares are held on capital account, on revenue account or as trading stock. A distinguishing feature of shares held on capital account and shares held either on revenue account or as trading stock is the purpose for which they were acquired:

- shares held on revenue account, or as trading stock, are acquired for resale at a profit in the short term; whereas
- shares held on capital account are acquired for the purposes of deriving dividend income and long term appreciation of value.

The implementation of the Scheme should not crystallise Australian Capital Gains Tax for Shareholders who hold their shares on capital account. This is due to the availability of scrip-for-scrip roll-over relief in Australia. However, the availability of scrip-for-scrip roll-over relief has not been confirmed by a ruling and it is possible that the Australian Taxation Office will take a different view. On the basis that scrip-for-scrip roll over relief is available, Shareholders who are Australian tax residents can choose to disregard any capital gain arising upon the exchange of Tawana shares for shares in the Proposed Merged Entity.

Shareholders who hold their shares on revenue account will be subject to income tax on any gains arising from the exchange of Tawana shares for share in the Proposed Merged Entity. Non-resident Shareholders whose revenue gains are sourced in Australia may be protected by an applicable tax treaty.

The impact of these taxation implication will vary for different Shareholders.

Section 24 of the Scheme Booklet provides a detailed summary of the general tax implications of participating in the Scheme. However, the tax implications of the Scheme will affect Shareholders differently subject to their own respective circumstances, and as such, if necessary, Shareholders should seek their own individual tax advice.

15. Conclusion

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that the Scheme is fair and reasonable to the Shareholders of Tawana. Therefore, in the absence of a superior proposal, we conclude that the Scheme is in the best interests of Shareholders.

16. Sources of information

This report has been based on the following information:

- Draft Supplementary Scheme Booklet on or about the date of this report;
- Audited financial statements of Alliance for the years ended 30 June 2015, 30 June 2016, 30 June 2017 and 30 June 2018;
- Audited financial statements of Tawana for the years ended 31 December 2015, 31 December 2016 and 31 December 2017;
- Reviewed financial statements of Tawana for the half year ended 30 June 2018;
- Independent Technical Report of the Bald Hill Project performed by SRK;
- Scheme Implementation Agreement;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Tawana and Alliance.

17. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$145,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future

use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Tawana in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Tawana, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Tawana, Alliance and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Tawana and Alliance and their respective associates.

A draft of this report was provided to Tawana and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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18. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Global Natural Resources Leader for BDO.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

19. Disclaimers and consents

This report has been prepared at the request of Tawana for inclusion in the Scheme Booklet which will be sent to all Tawana Shareholders. Tawana engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed acquisition of all the ordinary issued shares of Tawana by Alliance, by way of a scheme of arrangement.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Scheme Booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Scheme Booklet other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Alliance. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Tawana, Alliance and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Scheme, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Tawana, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Tawana and Alliance.

The valuer engaged for the mineral asset valuation, SRK, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

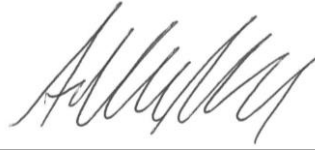
Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', written in a cursive style.

Sherif Andrawes

Director

A handwritten signature in black ink, appearing to read 'Adam Myers', written in a cursive style.

Adam Myers

Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 (Cth)
Additional PME Funding Required	The funds required to fund the capital expenditure and working capital requirements of the Bald Hill Project and the broader business of the Proposed Merged Entity, being approximately \$10.24 million
Additional Tawana Funding Required	The funds required to fund the capital expenditure and working capital requirements of the Bald Hill Project and the broader business of Tawana being approximately \$13.18 million
Adjusted Model	The BDO adjusted model
Alliance	Alliance Mineral Assets Limited
Alliance Conditional Placement	A non-underwritten placement of 23,875,115 Alliance shares to Burwill Commodity Ltd, an existing substantial shareholder of Alliance, to raise up to an additional S\$7.9 million (approximately \$7.8 million)
Alliance Underwritten Placement	A fully underwritten placement of 76,522,804 Alliance shares to raise gross proceeds of S\$25.3 million (approximately \$25.0 million) from sophisticated and institutional investors
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD or A\$	Australian Dollars
AVZ Minerals	AVZ Minerals Limited
Bald Hill Exploration Assets	The residual resources (mineral resources and exploration assets) of the Bald Hill Project not included in the DCF valuation
Bald Hill Project	The Bald Hill lithium and tantalum mine located in Western Australia
BDO	BDO Corporate Finance (WA) Pty Ltd
Burwill	Burwill Commodity Ltd

Reference	Definition
CAPM	Capital Asset Pricing Model
The Company	Tawana Resources NL
Compensation Shares	Alliance shares issued to Directors and key management staff as part of its human resource retention strategy
Corporations Act	The Corporations Act 2001 Cth
Cowan Project	The Cowan lithium project located in Western Australia
DCF	Discounted Future Cash Flows
Debt Arrangements	Tawana Facility and MergeCo Facility together
DRC	Democratic Republic of Congo
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDR	Economic Demonstrated Resource
EY	Ernst & Young
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
Former Executives	Mr Tjandra Pramoko and Ms Suen Sze Man in their capacity as directors of Alliance
Funding Package	A \$25 million funding package with German company, Weier Atriebe und Energietechnik GmbH for the continued development of the Bald Hill Project, secured by Tawana
Galaxy	Galaxy Resources Limited
GDP	Gross Domestic Product
H.C. Starck	H.C. Starck GmbH
Independent Technical Report	SRK's Independent Technical Report dated 20 October 2018
Ineligible Foreign Shareholders	Shareholders whose address is recorded in Tawana's share registry as being outside Australia, New Zealand, Hong Kong and Singapore

Reference	Definition
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
JSE	Johannesburg Stock Exchange
Lithco	Lithco No.2 Pty Ltd, a wholly owned subsidiary of Tawana
Lithium Offtake Agreement	A binding lithium concentrate offtake agreement, with a subsidiary of Burwill, covering a period of approximately five years
Living Waters Mining	Living Waters Mining (Australia) Pty Ltd
MergeCo Facility	A secured \$20 million stand-by line of credit that is to be made available to Lithco (as part of the Proposed Merged Entity), conditional on the Scheme being implemented and Alliance receiving conditional ASX listing approval, among other customary draw down conditions
Merger of Equals	A merger of entities of equivalent value when control of the merged entity will be shared equally between the bidder and the target
Mineral Resources	Mineral Resources Limited
The Model	Detailed cash flow model for the Bald Hill Project prepared by the management of Tawana and Alliance
Mofe Creek Project	Mofe Creek iron ore project located in Liberia
NAV	Net Asset Value
Neometals	Neometals Limited
Optionholders	Tawana optionholders
Orocobre	Orocobre Limited
Pilbara Minerals	Pilbara Minerals Limited
Pilgangoora	The Pilgangoora Lithium Tantalum Project, 100% owned by Pilbara Minerals
Post Announcement Trading Period	9 April 2018 to 20 October 2018
PPE	Property, plant and equipment
The Proposed Merged Entity or PME	The combined entity of Tawana and Alliance following the Scheme

Reference	Definition
Proposed Merged Entity Options	The options outstanding in the Proposed Merged Entity, being Alliance's current outstanding options register totalling 27 million options
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Regulations 2001 (Cth)
Our Replacement Report	The replacement independent expert's report prepared by BDO
Our Report	The previous Independent Expert's Report prepared by BDO on 17 August 2018
The Restructure	The transfer of Tawana's Cowan, Yallari and Mofe Creek Projects to a wholly owned public company, Cowan Lithium Limited
RG 60	Schemes of arrangement (September 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Sale Agent	The shares in the Proposed Merged Entity, which would have been issued to the Ineligible Foreign Shareholders, will be issued to a sale facility agent or nominee of the sale facility agent
The Scheme	The proposed acquisition of all of the issued capital of Tawana by Alliance, by way of a scheme of arrangement
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
SGD	Singaporean Dollars
SGX	Singapore Exchange
Shareholders	Shareholders of Tawana
SIA	Scheme Implementation Agreement
SQM	Sociedad Quimica y Minera de Chile S.A.
SRK	SRK Consulting (Australasia) Pty Ltd

Reference	Definition
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Tantalum Offtake Agreement	A non-binding in principle term sheet for the offtake of tantalum concentrate from the Bald Hill Project, executed with subsidiaries of H.C. Starck GmbH
Tawana	Tawana Resources NL
Tawana Facility	A secured \$20 million term facility to be provided by way of loan notes that is to be made available to Lithco No. 2 Pty Ltd
Tawana Underwritten Placement	An underwritten placement, undertaken by Tawana, for 48,780,488 new ordinary shares at \$0.41 per share, to raise gross proceeds of \$20 million
USA	United States of America
USD or US\$	United States Dollars
USGS	United States Geological Survey
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WA	Western Australia
WACC	Weighted Average Cost of Capital
Weier	Weier Atriebe und Energietechnik GmbH
Yallari Project	The Yallari lithium project located in Western Australia
ZAr	South African cents

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The Directors

BDO Corporate Finance (WA) Pty Ltd

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SUBIACO, WA 6008

Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 - Discount rates

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be required before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model ('CAPM') is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business' weighted average cost of capital ('WACC'), the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

CAPM	
K_e	$= R_f + \beta \times (R_m - R_f)$
Where:	
K_e	= expected equity investment return or cost of equity in nominal terms
R_f	= risk free rate of return
R_m	= expected market return
$R_m - R_f$	= market risk premium
β	= equity beta

The individual components of CAPM are discussed below.

Risk Free Rate (R_f)

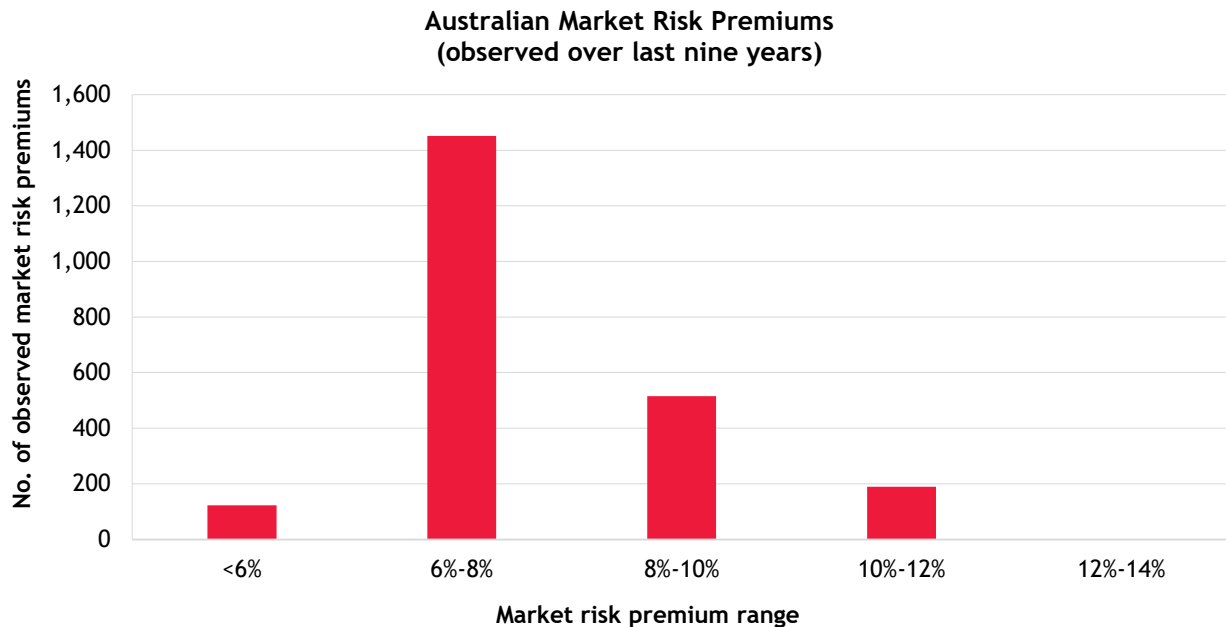
The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received.

We have considered current and implied forward yields for the 10-year Australian Government Bond yield. Based on our analysis, we have adopted a long term estimate of the 10-year Australian Government Bond yield of 3.0%.

Market Risk Premium ($R_m - R_f$)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice. In order to determine an appropriate market risk premium in Australia, we analysed historical data. Our sample of data included the daily historical market risk premiums in Australia over the last nine years, from 6 July 2009 to 6 July 2018. Our research indicated the market risk premium in Australia has ranged from a low of 4.01% to a high of 11.78%.

The market risk premium is derived on the basis of capital weighted average return of all members of the S&P 200 Index minus the risk free rate, which is dependent on the 10-year Australian Government Bond rate.



Source: Bloomberg and BDO analysis

The graph above illustrates the frequency of observations of the Australian market risk premium over the past ten years. The graph indicates that a high proportion of the sample data for Australian market risk premiums lie in the range of 6% to 8%. This is supported by the long term historical average market risk premium of between 6% and 8%, which is commonly used in practice. For the purpose of our report we have adopted a market risk premium of between 6% and 8%.

Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole; a beta greater than one implies that an investment's return will outperform the market's average return in a bullish market and underperform the market's average return in a bearish market. On the other hand, a beta less than one implies that the business' will underperform the market's average return in a bullish market and outperform the market's average return in a bearish market.

Equity betas are normally estimated using either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and is hence derived from historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors, which make the operating risk of the company greater or less risky than comparable listed companies.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. It is generally accepted that a more valid analysis of betas can be achieved by ‘ungearing’ the equity beta to derive an asset beta (β_a) by applying the following formula:

$$\beta_a = \beta / (1 + (D/E \times (1 - t)))$$

In order to assess the appropriate equity beta for Tawana and the Proposed Merged Entity, we have had regard to the equity beta of Tawana and Alliance, as well as other ASX-listed companies predominantly involved in the production of lithium. We consider it appropriate to include Tawana in our data set, as our analysis in Section 11.2 indicates the existence of a liquid and active market for Tawana shares due to 60.08% of the Company’s current issued capital being traded on the ASX in the 90-day period prior to the announcement of the Scheme.

The betas below have been assessed over a two-year daily period over the S&P All Ordinaries Index, from 10 October 2016 to 10 October 2018.

Company	Market Capitalisation 10-Oct-18 (A\$m)	Gear Beta (B)	Gross Debt/Equity (%)	Ungear Beta (Ba)	R ²
Tawana Resources NL	164.75	1.32	8.1%	1.25	0.03
Alliance Mineral Assets Limited	171.46	1.29	18.4%	1.15	0.03
Pilbara Minerals Limited	1,430.50	1.58	38.2%	1.25	0.09
Altura Mining Limited	427.67	1.47	156.3%	0.70	0.07
Mineral Resources Limited	2,909.38	1.66	18.3%	1.47	0.19
Orocobre Limited	1,024.73	1.36	0.1%	1.36	0.08
AVZ Minerals Limited	169.96	1.00	0.0%	1.00	0.01
Galaxy Resources Limited	1,014.73	1.70	0.0%	1.70	0.11
Neometals Limited	135.99	0.96	0.0%	0.96	0.03
Mean	910.55	1.38	28.9%	1.20	0.08
Median	721.20	1.42	9.2%	1.20	0.07

Source: Bloomberg and BDO analysis

Descriptions of the comparable companies are provided in Appendix 4.

In selecting an appropriate beta for Tawana and the Proposed Merged Entity, we have considered the similarities and differences between Tawana, Alliance and the companies set out above. The comparable similarities and differences noted are:

- Alliance’s principal project is the Bald Hill lithium and tantalum mine. Tawana and Alliance each have 50% ownership of the Bald Hill Project. As such, we consider Alliance’s operations to be highly comparable to those of Tawana;
- Galaxy Resources Limited (‘Galaxy’) and Orocobre Limited (‘Orocobre’) are both lithium producers. Specifically, Galaxy engages in the sale of spodumene concentrate from its Mt Cattlin Project in WA, with Orocobre has lithium operations focussed in Argentina and produces lithium chemicals. As such, we consider it appropriate to include Galaxy and Orocobre in our final data set;
- Neometals Limited (‘Neometals’) is focussed on the exploration and development of its lithium, titanium, vanadium and other base mineral properties. Neometals has interests in a number of projects and technologies, however is primarily focussed on development of Mt Marion, of which it

owns a 13.8% interest (Mineral Resources; 43.1%, Ganfeng Lithium Co., Ltd; 43.1%). Therefore, we consider it appropriate to include Neometals in our final data set; and

- AVZ Minerals Limited (**'AVZ Minerals'**) is a junior mineral exploration company focussed on development of the Manono Project (lithium and tantalum) located in the southern Democratic Republic of Congo in central Africa. As the Bald Hill Project is located in Australia, AVZ Minerals Limited's beta may reflect additional factors not relevant to Tawana such as sovereign and political risk. Therefore, we have excluded AVZ from our final data set.
- Mineral Resources Limited (**'Mineral Resources'**) operates on a significantly larger scale compared to that of Tawana and has more diverse operations. Mineral Resources produces lithium and iron ore, and offers mining services and infrastructure. In addition, the market capitalisation of Mineral Resources is significantly larger than that of Tawana (\$3.17 billion and \$226 million, respectively). As such, we have excluded Mineral Resources from our final data set.

In selecting an appropriate ungeared beta for Tawana and the Proposed Merged Entity, we have considered the ungeared betas of the companies listed above (including Tawana and Alliance), and the factors listed above. Based on our assessment above, we consider it appropriate to remove both Mineral Resources and AVZ Minerals from our final data set.

A summary of our final data set is summarised below.

Company	Geared Beta (B)	Gross Debt/Equity	Ungeared Beta (Ba)
<i>Tawana Resources NL</i>	1.32	8.1%	1.25
Alliance Mineral Assets Limited	1.29	18.4%	1.15
Pilbara Minerals Limited	1.58	38.2%	1.25
Altura Mining Limited	1.47	156.3%	0.70
Orocobre Limited	1.36	0.1%	1.36
Galaxy Resources Limited	1.70	0.0%	1.70
Neometals Limited	0.96	0.0%	0.96
Mean	1.39	35.5%	1.19
Median	1.42	9.3%	1.20

Source: Bloomberg and BDO analysis

As set out above, the average ungeared beta based on our data set is 1.19. This does not include Tawana, which has an ungeared beta of 1.25 and Alliance which has an ungeared beta of 1.15.

Pre-Scheme Analysis:

We note that the historical betas calculated in the table above, particularly Tawana and Alliance, broadly consist of entities that have undertaken significant change from exploration to mid tier production of lithium and tantalum, among other commodities, over approximately the last two years (being the period over which the betas have been calculated). This significant historical business activity and change in the comparables could be reasonably expected to result in a high beta, over the period of analysis, which may be expected to decrease into the future as each business stabilises as a mining production business.

Based on our analysis above, and giving greater weight to the betas of Tawana and Alliance, we consider an appropriate ungeared beta for Tawana to be 1.10 to 1.30.

Post-Scheme Analysis:

We consider the Proposed Merged Entity will mirror the operations of Tawana, however with a lower risk profile due to the following:

- The Proposed Merged Entity will be much larger than Tawana, with a stronger balance sheet, better ability to access funding and stronger share liquidity, which will enhance value and stability to shareholders; and
- The Proposed Merged Entity will own 100% of the Bald Hill Project and the Bald Hill Exploration Assets. This will reduce the current joint venture risks faced by Tawana, associated with holding a 50% interest in Bald Hill, including default risk of the joint venture party and operational and strategic disagreements with the joint venture party.

Based on our analysis above, and having consideration for the fact that the Proposed Merged Entity should have a lower risk profile to that of Tawana, we consider an appropriate ungeared beta for the Proposed Merged Entity to be 1.00 to 1.20.

Gearing

Before a discount rate can be determined, the proportion of funding provided by debt and equity (i.e. gearing ratio) over the forecast period must be determined. The gearing ratio adopted may represent the level of debt that the asset can reasonably sustain (i.e. the higher the expected volatility of cash flows, the lower the debt levels that can be supported) or the actual level of debt that is forecast. The optimum level of gearing will differentiate between assets and will include:

- the variability in earnings streams;
- working capital requirements;
- the level of investment in tangible assets; and
- the nature and risk profile of tangible assets.

Pre-Scheme Debt to Equity Ratio

In our calculation of Tawana's cost of equity, we have assumed an initial debt to equity ratio of approximately 25%, assuming inclusion of the Tawana Facility. However, it is forecast that the Bald Hill Project will repay outstanding debt commitments in 2020 and be debt free thereafter. Therefore we consider the use of an average debt to equity ratio over the life of mine of approximately 6% to be appropriate. We have regear Tawana's assessed ungeared beta to be between 1.15 and 1.35.

Post-Scheme Debt to Equity Ratio

In our calculation of the Proposed Merged Entity's cost of equity, we have assumed an initial debt to equity ratio of approximately 38%, assuming inclusion of the Debt Arrangements. However, it is forecast that the Bald Hill Project will repay outstanding debt commitments in 2020 and will be debt free thereafter. Therefore we consider the use of an average debt to equity ratio over the life of mine of approximately 10% to be appropriate. we have regear the Proposed Merged Entity's assessed ungeared beta to be between 1.07 and 1.28.

Cost of Equity

Pre-Scheme:

We have assessed the cost of equity in our assessment of Tawana prior to implementation of the Scheme to be in the range of 9.9% to 13.8% with rounded midpoint of 11.9%.

Input	Value adopted	
	Low	High
Risk free rate of return	3.00%	3.00%
Equity market risk premium	6.00%	8.00%
Beta (regeared)	1.15	1.35
Cost of Equity (rounded)	9.9%	13.8%

Source: Bloomberg and BDO analysis

Post-Scheme:

We have assessed the cost of equity in our assessment of the Proposed Merged Entity following the implementation of the Scheme to be in the range of 9.4% to 13.3% with a rounded midpoint of 11.4%.

Input	Value adopted	
	Low	High
Risk free rate of return	3.00%	3.00%
Equity market risk premium	6.00%	8.00%
Beta (regeared)	1.07	1.28
Cost of Equity (rounded)	9.4%	13.3%

Source: Bloomberg and BDO analysis

Cost of Debt

We consider the interest rate terms of the Debt Arrangements of approximately 15.4% to be influenced by the tight timing restrictions that Tawana and Alliance are under to fast track the ASX listing of the Proposed Merged Entity. Therefore, we have assessed the cost of debt in our assessment of Tawana prior to and following implementation of the Scheme based on terms of debt currently seen in the market for a range of comparable companies at similar stages of development.

Our analysis of comparable debt has provided us with comfort to consider an appropriate cost of debt in the range of 10% and 12% per annum.

Weighted average cost of capital

The WACC represents the market return required on the total assets of the undertaking by debt and equity providers. WACC is used to assess the appropriate commercial rate of return on the capital invested in the business, acknowledging that normally funds invested consist of a mixture of debt and equity funds. Accordingly, the discount rate should reflect the proportionate levels of debt and equity relative to the level of security and risk attributable to the investment.

The commonly used WACC formula is the post-tax WACC, without adjustment for dividend imputation, which is detailed in the below table:

WACC	
WACC	$= \frac{E}{E+D} K_e + \frac{D}{D+E} K_d (1 - t)$
Where:	
K_e	= expected return or discount rate on equity
K_d	= interest rate on debt (pre-tax)
T	= corporate tax rate
E	= market value of equity
D	= market value of debt
$(1 - t)$	= tax adjustment

Gearing

Before WACC can be determined, the proportion of funding provided by debt and equity (i.e., gearing ratio) over the forecast period must be determined. The gearing ratio adopted may represent the level of debt that the asset can reasonably sustain (i.e., the higher the expected volatility of cash flows, the lower the debt levels which can be supported) or the actual level of debt that is forecast. The optimum level of gearing will differentiate between assets and will include:

- the variability in earnings streams;
- working capital requirements;
- the level of investment in tangible assets; and
- the nature and risk profile of the tangible assets.

As described earlier, we have regearred the beta having regard to the capital structure of Tawana and the Proposed Merged Entity, being an average debt to equity ratio of 5% over the life of mine.

Calculation of WACC

Pre-Scheme:

We have calculated the WACC of Tawana to be as follows:

Input	Value adopted	
	Low	High
Cost of Equity	9.88%	13.84%
Cost of Debt ($K_d (1 - t)$)	7.00%	8.40%
Proportion of Equity ($E/(E+D)$)	94.34%	94.34%
Proportion of Debt ($D/(D+E)$)	5.66%	5.66%
WACC	9.71%	13.53%

Source: BDO analysis

Based on the above inputs, we have determined the post-tax WACC for Tawana to be between approximately 9.7% and 13.5%, with a midpoint of 11.6%. We have adopted the rounded midpoint of 12% as our preferred discount rate.

Post-Scheme:

We have calculated the WACC of the Proposed Merged Entity to be as follows:

Input	Value adopted	
	Low	High
Cost of Equity	9.42%	13.27%
Cost of Debt ($K_d (1 - t)$)	7.00%	8.40%
Proportion of Equity ($E/(E+D)$)	90.91	90.91
Proportion of Debt ($D/(D+E)$)	9.09	9.09
WACC	9.20	12.83

Source: BDO analysis

Based on the above inputs, we have determined the post-tax WACC for the Proposed Merged Entity to be between approximately 9.2% and 12.8%, with a midpoint of 11.0%. We have adopted the rounded midpoint of 11% as our preferred discount rate.

Appendix 4 - Comparable Company Descriptions

Comparable Companies - Discount Rate

Company name	Company description
Alliance Mineral Assets Limited	Alliance Mineral Assets Limited engages in exploring and developing tantalum and lithium mineral resources in Australia. It owns 50% interest in the Bald Hill project located to the southeast of Kalgoorlie in the Eastern Goldfields of Western Australia. The company was formerly known as HRM Resources Australia Limited and changed its name to Alliance Mineral Assets Limited in March 2014. Alliance Mineral Assets Limited was incorporated in 2010 and is headquartered in Osborne Park, Australia.
Pilbara Minerals Limited	Pilbara Minerals Limited engages in the exploration, evaluation, and development of mineral resources in Australia. It focuses on the development of Pilgangoora Lithium-Tantalum Project located in the Pilbara region of Western Australia. Pilbara Minerals Limited has a strategic relationship with POSCO Cements. The company is headquartered in West Perth, Australia.
Altura Mining Limited	Altura Mining Limited engages in the exploration and development of mineral properties in Australia, Indonesia, and internationally. The company operates through Coal Mining, Lithium Mining, Exploration Services, and Mineral Exploration segments. It primarily supplies lithium raw materials. The company focuses on the development of its 100% owned Pilgangoora Lithium project located in the Pilbara region of Western Australia. It also provides drilling services to mining and exploration companies. The company is based in Perth, Australia.
Mineral Resources Limited	Mineral Resources Limited operates as a mining services and processing company in Australia, China, Singapore, and internationally. It operates through three segments: Mining Services & Processing, Mining, and Central. The company offers contract crushing, screening, and processing services on build-own-operate or build-operate basis for mining companies; mine services, such as materials handling, plant and equipment hire and maintenance, tails recovery, and aggregate crushing; and design, engineering, and construction services in the resources sector. It also manages the processing, production, logistics, ship loading, marketing, and export of the resources on behalf of tenement owners. In addition, the company has a portfolio of iron ore assets in the Yilgarn and Pilbara regions of Western Australia; produces manganese from its Sunday Hill and Ant Hill tenements within the Pilbara region; and owns 43.1% interest in the Mt Marion lithium project located to the south west of Kalgoorlie, Western Australia. Further, it offers project management and delivery services for pipeline engineering and construction, mine dewatering systems and hydrocarbon management, HDPE lined steel, polyethylene pipe fittings and components, rock trenching and terrain levelling, underground cable installation, and plant and equipment hire. Mineral Resources Limited was founded in 1993 and is headquartered in Applecross, Australia.
Orocobre Limited	Orocobre Limited explores for and develops lithium and potash deposits in Argentina. Its flagship project is the Salar de Olaroz lithium project located in north-west province of Jujuy. The company also produces boron minerals and refined chemicals. Orocobre Limited is based in Milton, Australia.
AVZ Minerals	AVZ Minerals Limited explores for mineral properties in central Africa. The company holds a 100% interest in the Manono Extension lithium, tin, and tantalum project that comprises two exploration permits covering an area of 242.25 square kilometers; and a 60% interest in the Tanganyika regional project, a lithium, rare earth, and base metal project that include seven exploration licenses covering an area of approximately 1,172 square kilometers in the south of the Democratic Republic of the Congo (DRC). In addition, it holds a 60% interest in the Manono lithium and tantalum project that covers an area of approximately 188 square kilometers in southern DRC. The company was formerly known as Avonlea Minerals Limited. AVZ Minerals Limited is based in Mount Hawthorn, Australia.
Galaxy Resources Limited	Galaxy Resources Limited engages in the production of lithium concentrate, and exploration of minerals in Australia, Canada, and Argentina. The company holds interests in the Sal de Vida brine project in Argentina; the Mt Cattlin spodumene mine in Western Australia; and the James Bay spodumene project in Quebec, Canada. Galaxy Resources Limited is based in Applecross, Australia.

Company name	Company description
Neometals Limited	Neometals Ltd explores and evaluates mineral properties in Australia. It operates through three segments: Lithium, Titanium, and Other. The company explores for lithium, titanium, and vanadium. Its principal assets include the Mt Marion Lithium and Barrambie Titanium projects located in Western Australia. It also provides various processes to extract valuable metals for a range of base, light, and precious metal oxides, as well as for sulphides, intermediates, and waste feeds. The company was formerly known as Reed Resources Ltd. and changed its name to Neometals Ltd in December 2014. Neometals Ltd is based in West Perth, Australia.

Source: S&P Capital IQ

Appendix 5 - Control Premium

We have reviewed the control premiums on completed transactions, paid by acquirers of both general mining companies and all ASX-listed companies, since 2010. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium).

We have summarised our findings below. We have summarised our findings below:

General mining companies

Year	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium (%)
2018	5	31.09	59.04
2017	3	20.76	32.90
2016	13	59.54	74.92
2015	9	340.82	57.86
2014	15	118.46	47.88
2013	17	117.99	63.99
2012	18	207.01	52.45
2011	21	811.55	37.42
2010	21	555.11	50.61

Source: Bloomberg

All ASX listed companies

Year	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium (%)
2018	15	2,264.13	38.84
2017	26	1,089.67	45.10
2016	42	718.51	49.58
2015	33	850.04	33.23
2014	45	518.59	40.00
2013	41	128.21	50.99
2012	52	472.10	51.68
2011	68	891.85	44.43
2010	53	574.61	44.37

Source: Bloomberg

The mean and median of the entire data set, comprising control transactions from 2010 onwards for general mining companies and all ASX listed companies, respectively, is set out below.

Entire Data Set Metrics	General mining companies		All ASX listed companies	
	Average Deal Value (A\$m)	Average Control Premium (%)	Average Deal Value (A\$m)	Average Control Premium (%)
Mean	332.62	53.18	706.56	45.03
Median	44.4	41.57	107.72	35.44

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre transaction or proceeded to hold a controlling interest post transaction in the target company.

The table above indicates that the long term average control premium paid by acquirers of general mining companies and all ASX listed companies, is approximately 53.18% and 45.03%, respectively. However, in assessing the transactions included in the table, we noted transactions that appear to be extreme outliers. These outliers included 14 general mining transactions and 25 all ASX listed company transactions, in which the announced premium was in excess of 100.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the last eight years was approximately 41.57% for general mining companies and 35.44% for all ASX listed companies.

Based on the above analysis, we consider an appropriate premium for control to be applied is between 30% and 40%, with a midpoint of 35%.

Appendix 6 - Independent Technical Report

Independent Specialist Report – Bald Hill Lithium and Tantalum Mine, Western Australia

Report Prepared for

**Tawana Resources NL and BDO Corporate
Finance (WA) Pty Ltd**



Report Prepared by



SRK Consulting (Australasia) Pty Ltd

BDO011

November 2018

Independent Specialist Report – Bald Hill Lithium and Tantalum Mine, Western Australia

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Executive Summary

Tawana Resources NL (Tawana) has a 50% interest in the Bald Hill Lithium and Tantalum Project (Project or Joint Venture) in the Kambalda district of Western Australia.

Tawana has entered into a Scheme Implementation Agreement with its Singapore-listed joint venture partner, Alliance Mineral Assets Limited (Proposed Transaction), pursuant to which Tawana will propose a scheme of arrangement to its shareholders under which Alliance Mineral Assets Limited (Alliance) will acquire all of the issued share capital in Tawana (the Scheme).

BDO Corporate Finance (WA) Pty Ltd (BDO) has been appointed by Tawana to provide an Independent Expert Report (IER) for inclusion with documentation associated with the Scheme. SRK Consulting (Australasia) Pty Ltd (SRK), as Technical Specialist, has been requested by BDO to provide an Independent Specialist Report (Report) in support of the IER, and SRK understands that its Report is to be included as an appendix to BDO's IER, which provides comment on the fairness and reasonableness of the Proposed Transaction.

Summary of principal objectives

The objective of this Report is to provide an independent assessment of the techno-economic assumptions that would likely be considered by the market as part of a potential investment or transaction process involving the Project and the Project's related tenure.

This Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets – VALMIN Code (2015), which incorporates the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – JORC Code (2012).

Outline of work program

The following aspects were considered by SRK in the preparation of this Report:

- Access to key personnel from the Joint Venture for discussion and enquiry
- High-level review of technical reports and supporting documentation prepared by and/ or on behalf of the Joint Venture
- Compilation of comparable sales and joint venture transactions
- Valuation of the mineral assets.

For the purposes of this Report, SRK has completed a high-level review of recent technical work conducted at the Project to determine its validity from a valuation perspective. SRK has not carried out any Mineral Resource estimation activities for the purposes of its Report. When valuing the Project and the Project's related tenure, SRK has considered methods commonly used to value mineral assets at a similar stage of project maturity.

All monetary figures used in this Report are expressed in Australian dollar (A\$) terms. The final valuation is presented in Australian dollars. This Report has adopted an effective valuation date of 20 October 2018.

Overview

SRK has completed a high-level review of the stated Mineral Resource and Ore Reserve estimates for the Project to determine their validity from a valuation perspective. SRK has not performed, nor does it accept the responsibilities of a Competent Person as defined by the JORC Code (2012) in respect of the Mineral Resources and Ore Reserve estimates presented in this Report.

In SRK's opinion, the Mineral Resource and Ore Reserve estimates for the Project are acceptable as a reasonable representation of global grades and tonnages and are suitable for valuation purposes.

SRK's representative, Karen Lloyd, undertook a one-day site inspection at the Project on 11 May 2018.

In addition, SRK has reviewed the proposed mine plan and associated assumptions with respect to mining, processing and cost estimation contained within the Bald Hill financial model (Model) as supplied to SRK by BDO.

Where warranted, SRK has modified production and capital and operating cost projections for use by BDO. These modifications are considered reasonable, based on the available technical data and SRK's experience with similar assets at the same development stage.

When valuing the exploration assets associated with the Project, SRK has considered methods commonly used to value mineral assets at these stages of development. These methods are outlined in this Report.

SRK's recommended valuation ranges and preferred values are detailed in the Valuation section (Section 7) of this Report and are summarised below. SRK has produced a Market Value as defined by the VALMIN Code (2015).

SRK has recommended preferred values and value ranges for the Project and the Project's related tenure on the basis of their perceived potential. SRK has considered Market, Income and Cost based methods of assessment to arrive at a valuation range based on the Mineral Resources and Ore Reserves reported at the Project. SRK's preferred values are positioned at the 75th percentile, given the level of project maturity and executed material contracts.

SRK's recommended valuation ranges and preferred values for the Project are summarised in Table ES-1.

Table ES-1: Summary of SRK's valuation of the Project's resources and related tenure not considered in the cashflow model as at 20 October 2018 on a 100% equity basis

Stage	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Production: Resources not considered in the cashflow model	113.4	183.1	148.3
Advanced Exploration	0.18	0.43	0.31
Early Stage Exploration	1.8	6.0	6.0

Note: Any discrepancies between values in the table are due to rounding.

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Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Tawana Resources NL (Tawana) and BDO Corporate Finance (WA) Pty Ltd (BDO). The opinions in this Report are provided in response to a specific request from BDO to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

1 Introduction and Scope of Report

Tawana Resources NL (Tawana) has a 50% interest in the Bald Hill Lithium and Tantalum Project (Project or Joint Venture) in the Kambalda district of Western Australia.

Tawana has entered into a Scheme Implementation Agreement with its Singapore-listed joint venture partner, Alliance Mineral Assets Limited (Proposed Transaction), pursuant to which Tawana will propose a scheme of arrangement to its shareholders under which Alliance Mineral Assets Limited (Alliance) will acquire all of the Tawana shares (Scheme).

BDO Corporate Finance (WA) Pty Ltd (BDO) has been appointed by Tawana to provide an Independent Expert Report (IER) for inclusion with documentation associated with the Scheme. SRK Consulting (Australasia) Pty Ltd (SRK), as Technical Specialist, has been requested by BDO to provide an Independent Specialist Report (Report) in support of the IER, and SRK understands that its Report is to be included as an appendix to BDO's IER, which provides comment on the fairness and reasonableness of the Proposed Transaction.

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in relation to the exploration, development of and production from those tenures. This may include plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals relating to that tenure.

For this valuation, the Project and associated tenure was classified in accordance with the categories outlined in the VALMIN Code (2015), these being:

- **Early Stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a pre-feasibility study (PFS).
- **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants that have been commissioned and are in production.

SRK has classified the Bald Hill Project as a Production Project, with Advanced Exploration and Early Stage Exploration Projects classified on the Project's related tenure.

1.1 Nature of the brief and summary of principal objectives

This Report was initiated by BDO. The Report is to be included as an appendix to BDO's IER, which will provide an opinion on the fairness and reasonableness of the Proposed Transaction.

The objective of this Report is to provide an independent technical assessment and valuation of the Project and its associated tenure. SRK was engaged to review the project assumptions contained in the Bald Hill financial model and provide BDO with a technical assessment of the inputs to this cashflow model.

Key areas reviewed by SRK include:

- Mineral Resources and Ore Reserves incorporated into the Model
- Reasonableness of any timing assumptions incorporated in the Model
- Mining physicals (including tonnes of ore mined, ore grade mined and waste material)
- Processing physicals
- Operating costs
- Capital expenditure
- Any other relevant technical assumptions not specified above.

In addition, SRK was requested to provide an independent valuation of exploration and identified resources outside of the life of mine (LOM) schedule components associated with the Project and its related tenure on an unfunded basis.

SRK has selected the most appropriate valuation technique for the Project, based on the maturity of the Project and the available information. This Report expresses an opinion regarding the value of the Project as directed in SRK's mandate from BDO. This Report does not comment on the 'fairness and reasonableness' of any transaction between the owners of these mineral interests and any other parties.

1.2 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). It should be noted that the authors of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both the VALMIN and JORC Codes. For the avoidance of doubt, this report has been prepared according to:

- The 2015 edition of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code)
- The 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

As per the VALMIN Code (2015), a first draft of the report was supplied to BDO and Tawana to check for material error, factual accuracy and omissions before the final report was issued. SRK's scope of work was limited to the second draft of the Report after a round of edits by BDO and Tawana. The final report was issued following review of any comments by Tawana.

For the purposes of this Report, value is defined as 'market value', being the amount of money (or the cash equivalent or some other consideration) for which a mineral asset should change hands on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing, wherein the parties each acted knowledgeably, prudently and without compulsion.

1.3 Work program

This assignment commenced in May 2018, with a review of publicly available data and other information sourced by SRK from literature, as well as subscription databases such as S&P Market Intelligence (formerly SNL) database services. Company information was uploaded to an online dataroom and SRK consultants worked through the datasets, the Model and completed research on comparable market transactions to assist with the valuation.

In accordance with Section 11.1 of the VALMIN Code (2015), a site visit to the Project was undertaken by SRK on 11 May 2018.

1.3.1 Legal matters

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

SRK has sighted documentation obtained by Tawana from DLA Piper Australia, an independent legal firm. The document, dated 20 July 2018, indicates that the Joint Venture has the legal rights to the minerals which are the subject of this Report. SRK has made all reasonable enquiries into this status as at 20 July 2018.

1.4 Key data sources

Data and information relating to the assets as used by SRK during the preparation of this Report are referenced throughout the Report.

1.5 Effective date

The effective date of this Report is 20 October 2018.

1.6 Project team

This Report has been prepared by a team of consultants from SRK's offices within Australia. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

Karen Lloyd, Associate Principal Consultant (Project Evaluation), BSc(Hons), MBA, FAusIMM

Karen has more than 20 years international resource industry experience gained with some of the major mining, consulting and investment houses globally. She specialises in independent reporting, mineral asset valuation, project due diligence, and corporate advisory services. Karen has worked in funds management and analysis for debt, mezzanine and equity financing and provides consulting and advisory in support of project finance. She has been responsible for multi-disciplinary teams covering precious metals, base metals, industrial minerals and bulk commodities in Australia, Asia, Africa, the Americas and Europe. Karen is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Scott McEwing, Principal Consultant (Mining), BE (Mining), FAusIMM(CP)

Scott has over 20 years' mining experience in both open pit and underground mining. Scott is a mining engineer who works in due diligence, project management and with technical mine planning arenas. Scott has been SRK's project manager for the delivery of a number of large multi-discipline feasibility studies. His technical skills include mine planning, optimisation and design. He is proficient in the use of computerised mining software packages – Whittle and MineSight, in particular. Scott has practical experience in both production and planning roles in Australia at Golden Grove and Boddington Gold Mine, and in New Zealand at the Martha Mine. Whilst being a consultant with SRK, Scott has been seconded to several mining operations across a number of commodities. Scott is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM). He has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Simon Walsh, Associate Principal Consultant (Process Engineering), BSc, MBA (Hons) GAICD, MAusIMM(CP)

Simon has extensive design and operational expertise across a range of mineral processing and hydrometallurgical processes, with particular experience in lithium processing. His broad range of experience covers both management, supervisory and technical roles in plant operations, commissioning, process simulation, project studies, detailed engineering design, metallurgical testwork management and competent person reporting. Simon is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). He has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Jeames McKibben, Principal Consultant (Project Evaluation), BSc(Hons), MBA, MAusIMM(CP), MAIG, MRICS.

Jeames is an experienced international mining professional having operated in a variety of roles including consultant, project manager, geologist and analyst over more than 24 years. He has a strong record in mineral asset valuation, project due diligence, independent technical review and deposit evaluation. As a consultant, he specialises in mineral asset valuations and Independent Technical Reports for equity transactions and in support of project finance. Jeames has been responsible for multi-disciplinary teams covering precious metals, base metals, bulk commodities (ferrous and energy), industrial minerals and other minerals in Australia, Asia, Africa, North and South America and Europe. He has assisted numerous mineral companies, financial, accounting and legal institutions and has been actively involved in arbitration and litigation proceedings. Jeames has experience in the geological evaluation and valuation of mineral projects worldwide. He is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM), a Member of the Australian Institute of Geoscientists (MAIG), and a Member of the Royal Institution of Chartered Surveyors (MRICS). James has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

1.7 Limitations, reliance on information, declaration and consent

1.7.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by Tawana throughout the course of SRK's investigations as described in this Report, which in turn reflects various technical and economic conditions at the time of writing. Such technical information as provided by Tawana was taken in good faith by SRK. SRK has not independently verified Mineral Resources or Ore Reserve estimates by means of recalculation.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by Tawana was complete and not incorrect, misleading or irrelevant in any material aspect. Tawana has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of its knowledge and understanding, the information provided by Tawana was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.7.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, has any material present or contingent interest in the outcome of this Report, nor any pecuniary or other interest that could be reasonably regarded as capable of affecting their independence or that of SRK. SRK has no prior association with Tawana regarding the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment capable of affecting its independence.

1.7.3 Indemnities

As recommended by the VALMIN Code (2015), Tawana and BDO have provided SRK with an indemnity under which SRK is to be compensated for any liability and/ or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by either Tawana and BDO or these parties not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.7.4 Consent

SRK consents to this Report being included, in full, in BDO's documents in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessment expressed in the Summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete report.

1.7.5 Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A\$36,000. The payment of this professional fee is not contingent upon the outcome of this Report.

2 Project Overview

2.1 Location, access and climate

The Project is located approximately 105 km south-southeast of Kalgoorlie and about 56 km east of Widgiemooltha in the Goldfields-Esperance region of Western Australia.

Access to the Project is via National Highway 94 (Coolgardie to Esperance Highway), to Widgiemooltha and then via 65 km of the unsealed Binneringie Road from Widgiemooltha (Figure 2-1).

The region surrounding the Project experiences a semi-arid climate. The closest weather stations (Norseman, Balladonia, and Kalgoorlie-Boulder) record annual rainfall averages between 225 mm and 260 mm. Rainfall is most consistent during the winter months. However, isolated thunderstorms and remnants of tropical cyclones in the summer months provide sporadic and heavy downfalls that produce substantial runoff.

The site is accessible all year round except during those periods of high rainfall when the gravel road maybe closed by the shire council for short periods as a damage prevention measure.

Temperatures in the summer months commonly exceed 35 °C, and minimum temperatures during winter commonly drop below 5 °C with occasional frosts.

Relief in the area is typically low, with the dominantly granitic rocks forming an irregular terrain interspersed by sheet wash zones and deep regolith cover. Other minor sedimentary and mafic to ultramafic rocks are overlain by extensive sandplains.

SRK understands that there are no records of Priority or Threatened Ecological Communities within the Project area and that there are no Protected matters within the Project area.



Figure 2-1: Project location

Source: Tawana.

2.2 Ownership and tenements

During 2017, Tawana (through its wholly owned entity, Lithco No. 2 Pty Ltd), completed the expenditure requirements necessary to earn a 50% interest in the Project (tenements, processing plant and infrastructure), and entered a 50:50 Joint Venture with Alliance Mineral Assets Limited (Alliance).

The Project comprises four granted mining leases and two pending mining lease applications, 12 granted exploration licences, one granted general purpose lease, 10 granted miscellaneous licences and two pending miscellaneous licence applications, four granted prospecting licences and one granted retention licence (Table 2-1).

Table 2-1: Tenement schedule

Name	Type	Status	Granted	Expiry	Area (ha)
E15/1058	Exploration Licence	Live	12-Mar-09	11-Mar-19	2,520.00
E15/1066	Exploration Licence	Live	20-Aug-09	19-Aug-19	6,440.00
E15/1067	Exploration Licence	Live	20-Aug-09	19-Aug-19	6,440.00
E15/1161	Exploration Licence	Live	25-Jan-11	24-Jan-21	280.00
E15/1162	Exploration Licence	Live	10-Jan-11	9-Jan-21	840.00
E15/1166	Exploration Licence	Live	31-Aug-10	30-Aug-20	1,400.00
E15/1212	Exploration Licence	Live	2-May-11	1-May-21	2,800.00
E15/1353	Exploration Licence	Live	10-Oct-18	4-Aug-23	20,171
E15/1492	Exploration Licence	Live	23-Feb-17	22-Feb-22	14,280.00
E15/1493	Exploration Licence	Live	24-Feb-17	23-Feb-22	7,280.00
E15/1555	Exploration Licence	Live	16-Mar-17	15-Mar-22	5,600.00
E15/1556	Exploration Licence	Live	16-Mar-17	15-Mar-22	4,480.00
G15/28	General Purpose Lease	Live	25-May-17	24-May-38	1.43
L15/264	Miscellaneous Licence	Live	11-Oct-06	10-Oct-27	3.85
L15/265	Miscellaneous Licence	Live	11-Oct-06	10-Oct-27	2.33
L15/266	Miscellaneous Licence	Live	11-Oct-06	10-Oct-27	1.44
L15/267	Miscellaneous Licence	Live	11-Oct-06	10-Oct-27	3.56
L15/268	Miscellaneous Licence	Live	11-Oct-06	10-Oct-27	5.77
L15/269	Miscellaneous Licence	Live	11-Oct-06	10-Oct-27	7.19
L15/270	Miscellaneous Licence	Live	11-Oct-06	10-Oct-27	7.49
L15/348	Miscellaneous Licence	Live	5-Sep-14	4-Sep-35	3.16
L15/365	Miscellaneous Licence	Live	19-Jul-17	18-Jul-38	15.49
L15/366	Miscellaneous Licence	Live	19-Jul-17	18-Jul-38	61.52
L15/380	Miscellaneous Licence	Pending			104.00
L15/384	Miscellaneous Licence	Pending			234.35
M15/1305	Mining Lease	Live	29-Dec-00	28-Dec-21	97.89
M15/1308	Mining Lease	Live	29-Dec-00	28-Dec-21	92.53
M15/1470	Mining Lease	Live	13-May-10	12-May-31	400.00
M15/1840	Mining Lease	Pending			972.69
M15/1851	Mining Lease	Pending			570.30
M15/400	Mining Lease	Live	8-Sep-88	7-Sep-30	501.00
R15/1	Retention Licence	Live	9-Jun-10	8-Jun-19	973.00

SRK has sighted documentation obtained by Tawana from DLA Piper Australia, an independent legal firm. The document, dated 20 July 2018, indicates that the Joint Venture has the legal rights to the minerals which are the subject of this Report. SRK has made all reasonable enquiries into this status as at 20 October 2018.

2.3 Native Title

The Project area falls within the Native Title Claim Determination of the Ngadju people, who have traditional ownership of 102,000 km² of land surrounding the town of Norseman, including exclusive title over approximately 45,000 km².

The application M15/1840 over the Retention Licence R15/1 containing the known Creekside and Fenceline Prospects, is now subject to stakeholder consultations with the Ngadju people.

Regional Standard Heritage Agreements (RHSAs) and Heritage Agreements are in place for certain exploration licences and prospecting licences. The current Native Title status of the tenements is summarised in Table 2-2, which is an extract from the Tawana Bald Hill Lithium and Tantalum Mine Feasibility Study (Feasibility Study) dated July 2017, subsequently amended to incorporate additional information from DLA Piper Australia's report dated 20 July 2018

Table 2-2: Summary of Native Title and Aboriginal Heritage agreements

Name	Native Title Status
M15/1470	Deferred Production Agreement
P15/5862	RSHA between Alliance and the Ngadju people
P15/5863	RSHA between Alliance and the Ngadju people
P15/5864	RSHA between Alliance and the Ngadju people
P15/5865	RSHA between Alliance and the Ngadju people
E15/1058	RSHA between Alliance and the Ngadju people
E15/1066	RSHA between Alliance and the Ngadju people
E15/1067	RSHA between ABEH Pty Ltd and the Ngadju people (being replaced by RSHA between Alliance and the Ngadju people)
E15/1161	RSHA between Living Waters Mining (Australia) Pty Ltd and the Ngadju people
E15/1162	RSHA between Living Waters Mining (Australia) Pty Ltd and the Ngadju people
E15/1166	RSHA between Living Waters Mining (Australia) Pty Ltd and the Ngadju people
E15/1212	RSHA between Living Waters Mining (Australia) Pty Ltd and the Ngadju people
E15/1353	RSHA between Alliance and the Ngadju people
E15/1492	Heritage Agreement between Alliance and the Ngadju people
E15/1493	Heritage Agreement between Alliance and the Ngadju people
E15/1555	Heritage Agreement between Alliance and the Ngadju people
E15/1556	Heritage Agreement between Alliance and the Ngadju people

2.4 Royalties and material contracts

2.4.1 Royalties

Royalties will be distributed to the Western Australian government at the rate of 5.0% of the royalty value of the concentrate produced. This rate is the ad valorem rate which applies to concentrate material as defined under the Mining Regulations 1981 (Regulation 85).

SRK understands that the Joint Venture has assumed the obligation to pay to Maxwell Peter Strindberg and ABEH Pty Ltd (ACN 098 110 233), the previous holders of E15/1058, E15/1066 and E15/1067, a royalty in respect of those tenements and any future mining tenements in respect of the land the subject of those tenements (together Royalty Tenements) of the following:

- 1 2.5% of the gross proceeds of sale, net of GST, of all finished processed materials of tantalum and tin mined and extracted from the land the subject of the Royalty Tenements
- 2 5% of the gross proceeds of sale, net of GST, of all other finished processed materials mined and extracted from the land the subject of the Royalty Tenements.

SRK understands this royalty is currently payable in respect of E15/1058, E15/1066 and E15/1067.

In addition, John Walter Graham, Sonny Graham, Katie Ray and Jack Schultz for and on behalf of the Ngadju People and Maxwell Peter Strindberg have entered into the Deferred Production Agreement in respect of M15/1470. As at 20 October 2018, SRK understands that neither Tawana, Alliance, or the Joint Venture assumed nor been approached to assume Strindberg's obligations under the Deferred Production Agreement. There may be requirement or an election to do so in future.

The Deferred Production Agreement requires Strindberg to pay:

- 1 An amount equivalent to a designated percentage of a spot price, calculated with reference to the average LBMA London PM Fix in respect of the relevant quarter (converted to Australian dollars with reference to RBA rates), in respect of any gold produced from M15/1470, being:
 - a. 0.75% up to A\$600
 - b. 1.00% between A\$600 and A\$800
 - c. 1.25% between A\$801 and A\$1,000
 - d. 1.50% between A\$1,001 and A\$1,200
 - e. 1.75% over A\$1,201.
- 2 An amount equivalent to 30% of the royalty payable to the State of Western Australia in respect of any other mineral.

2.4.2 Material contracts

Lithium Concentrate Offtake Agreement

Each of the Joint Venture parties has a separate long-term exclusive lithium concentrate offtake contract in place at the Project. The contracts were executed in October by each Joint Venture party with Burwill Commodity Limited (now Burwill Lithium Company Limited), a wholly owned subsidiary of Burwill Holdings Limited (Burwill) and listed on the Stock Exchange of Hong Kong Limited (Stock Code 0024).

Under the terms of the agreements, Burwill will pay a fixed price for all production up to 31 December 2019 of US\$880/t (FOB Esperance) for 6% Li₂O.

From 2020 to 2023, the sales price and volumes are to be negotiated and will be agreed based upon prevailing market conditions at the time.

SRK has not undertaken a detailed review of the terms of the contracts and has assumed that for the purpose of the Report, the contracts are suitable to allow site operations to continue unimpeded by contractual constraints should the Transaction proceed.

Tantalum Concentrate Offtake Agreement

In January 2018, each of the Joint Venture parties signed a non-binding, in-principle term sheet for the offtake of tantalum concentrate with HC Starck Group, a Munich-based subsidiary of Bayer AG.

In-principle terms agreed include the purchase of a minimum of 600,000 lbs of tantalum concentrate in aggregate from April 2018 to 31 December 2020, or all of the standard grade tantalum concentrate produced at the Project until 31 December 2020 if the total is less than 600,000 lbs at a price to be agreed. The buyer may also purchase any other tantalum materials from the Project, including low-grade concentrate and off-specification material.

Service Agreements

There are various service agreements in place at the Project. SRK has not undertaken a detailed review of these contracts and has assumed that for the Report, the contracts are suitable to allow site operations to continue unimpeded by contractual constraints should the Transaction proceed. These agreements provide for the operation and maintenance (O&M) of the concentrate plant, mining and drill and blast operations, diesel fuel supply, catering and janitorial services, electrical power, crushing and screening services and concentrate haulage.

2.5 History

The Project area has a long history of exploration and production. During the 1970s, small amounts of tin and tantalum were periodically mined from multiple shallow oxide pits by private operators.

The Gwalia Group (Gwalia) undertook tantalum exploration around the Project during the 1980s, including geological mapping, costeaning, and several drilling campaigns, though low prices for tantalum precluded a development decision.

In 2001, further to sterilisation drilling for waste dumps and tailings dams, Haddington International Resources Limited (Haddington) announced a resource of 1,140,000 t at 472 ppm Ta₂O₅. In 2001, Haddington received approval from the Western Australian Department of Environmental Protection for the construction of a 200,000 tpa processing plant and associated infrastructure to support a 4-year mine life and deliver about 145,000 lbs of tantalite to the Sons of Gwalia Ltd's (SoG) Greenbushes treatment plant.

Haddington undertook larger-scale shallow open pit mining between July 2001 and March 2006. Mining was from several small pits. A total of 1.35 Mt of ore was processed through a gravity plant with a throughput rate of 340,000 tpa. A total 4,000 t of concentrate containing 364 t of tantalum pentoxide was sold.

The mine was placed on care and maintenance on 31 March 2006 after Haddington's licence agreement with SoG expired, and it stopped taking third party concentrates: Haddington continued its exploration efforts until 2009.

On 12 September 2009, Living Waters Mining (Australia) Pty Ltd acquired the Project's tenure, as well as tenure to the north of the main pit area where it continued exploration.

In 2011, ownership was transferred to HRM Resources Australia Limited (HRM). HRM continued with exploration, especially testing for extensions of the Boreline, North and South open pits.

In 2014, HRM was re-named Alliance Mineral Assets Limited and listed on the Catalist of the Singapore Exchange Securities Trading Limited on 25 July 2014.

On 4 February 2015, Alliance announced that it had commenced trial mining from the Boreline Pit. Alliance re-furbished and upgraded the processing plant previously operated by Haddington and commissioned the facilities during late 2015 and early 2016.

Although Haddington had noted that the pegmatite ore contained up to 30% to 50% spodumene, lithium was not assayed for or recovered until Alliance noted high levels of spodumene in tantalum concentrates during recommissioning of the Haddington plant in 2015.

On 3 June 2016, Alliance announced that it had executed a binding term sheet with Lithco No. 2 Pty Ltd (Lithco) for, inter alia, a Farm-In and Joint Venture arrangement regarding joint exploration and exploitation of lithium and other minerals at the Project.

On 24 October 2016, Tawana announced that it had entered into an option agreement to acquire all the shares in Lithco for an option fee of \$25,000 and 50,000,000 Tawana shares.

On 17 November 2016, Tawana announced that Lithco had intercepted multiple mineralised pegmatites over a large area, indicating significant resource potential. Lithco completed initial metallurgical testwork, and a concept study on a spodumene concentrator followed shortly thereafter.

On 16 January 2017, Tawana announced that its Board had approved the commencement of a Feasibility Study into the potential redevelopment of the Project.

In February 2017, the Farm-In agreement was finalised. Key terms were:

- 1 Expenditure Commitment: By 31 December 2017 (or a later date as agreed), to spend a minimum of A\$7,500,000 on exploration, evaluation and feasibility for 50% of all rights to lithium minerals from the tenements comprising the Project
- 2 Capital Expenditure: By 31 December 2019, a capital expenditure of A\$12,500,000 was required to upgrade and convert the plant for processing ore derived from the Project, infrastructure costs, pre-stripping activities and other expenditures including operating costs.

Completion of the Expenditure Commitment and Capital Expenditure entitled Lithco to a 50% interest in the Project (all minerals from the tenements and the processing plant and infrastructure at Bald Hill).

On 11 July 2017, Tawana released the results of a Pre-Feasibility Study. Key metrics announced were:

- 1 Forecast annual production of approximately 155,000 tpa of spodumene concentrate from the dense media separation (DMS) circuit, and 260,000 lbs pa of tantalum pentoxide from the existing Tantalum Processing Facility (TPF)
- 2 A maiden Lithium Ore Reserve of 4.3 Mt at 1.18% Li₂O and 208 ppm Ta₂O₅, representing approximately 90% conversion of existing Indicated Resources and an additional tantalum Ore Reserve of 1.4 Mt at 317 ppm Ta₂O₅
- 3 An initial starter pit life of 3.6 years, with further growth for the Project expected from infill and extensional drilling
- 4 An additional 8.2 Mt at 1.14% Li₂O Inferred Resources not included in the Pre-Feasibility Study, which indicate potential for a 10-year mine life prior to resource growth
- 5 Long-lead items have been ordered, and construction mobilisation has commenced under an early works contract; production scheduled for the 2018 March quarter
- 6 A Project Internal Rate of Return (IRR) of 185% and payback of approximately 12 months
- 7 A\$42M capital cost (excluding pre-production operating costs), with A\$37.5M already committed to the Project from Tawana earnings (A\$12.5M) and off-take contractual pre-payments (A\$25M)
- 8 Average EBITDA for the starter pit of approximately A\$83M per annum
- 9 Operating cash flow for the starter pit of approximately A\$223M
- 10 NPV_{10%} of the starter pit of A\$150M, with potential to increase further to conversion of the Inferred Resources and the inclusion of a low-cost lithium fines circuit
- 11 Estimated life-of-pit operating cash costs of A\$508/t (US\$381/t) of spodumene concentrate free-on-board (FOB) (including tantalum pentoxide by-product credits), resulting in a 100% pre-tax margin.

In August 2017, Tawana announced that construction of the lithium plant had commenced following the Engineering, Procurement and Construction (EPC) contract award to Primero Group Limited (Primero) to build a 1.2 Mtpa DMS circuit.

In February 2018, Tawana and Alliance announced that commissioning of the DMS circuit had commenced. In addition:

- 1 Power plant operations had commenced.
- 2 The Motor Control Centre/ Low Voltage (MCC/ LV) switch room was commissioned.
- 3 Dry commissioning had commenced.
- 4 Crushing and stockpiling of ore had commenced.
- 5 Mining daily movements averaged approximately 20,000 m³ per day.
- 6 Practical completion had been achieved.
- 7 Ferrosilicon media had been introduced to the plant and stabilised.
- 8 Crushing had commenced after commissioning, and 20,000 t of crushed ore was stockpiled.

On 14 March 2018, Tawana and Alliance announced that lithium production had commenced following commissioning of the DMS circuit.

On 6 June 2018, Tawana announced a production update as well as a resource and reserve upgrade.

Resource and reserve upgrade

- Total lithium Resources of 26.5 Mt at 1.0% Li₂O (using 0.3% Li₂O grade cut off)
- Lithium Indicated Resources of 14.4 Mt at 1.02% Li₂O (an increase of 55% in contained lithium from October 2017)
- Lithium Ore Reserve of 11.3 Mt at 1.0% Li₂O and 160 ppm Ta₂O₅ – representing an increase of 105% in contained lithium from the July 2017 reserve estimate and supporting a 9-year mine life at a processing rate of 1.2 Mtpa
- Tantalum Ore Reserve of 2.0 Mt at 313 ppm Ta₂O₅ – representing an increase of 43% from the July 2017 reserve estimate.

Production update

- Stage 1 DMS circuit achieved 50% of nameplate throughput for month 1 and 75% for month 2 of ramp-up, producing a premium high-quality lithium concentrate.
- Tantalum pre-concentrate recoveries from lithium circuit are exceeding initial expectations.
- Mining was averaging approximately 30,000 BCM per day.
- Logistics, including power, fuel management, concentrate haulage and ship loading were functioning as expected.
- Two shipments were completed in May and the next shipment was anticipated in late June/ early July 2018.

2.6 Project metrics

Summary Project metrics are:

- 1 The Project comprises four granted mining leases and two pending mining lease applications, 12 granted exploration licences, one granted general purpose lease, 10 granted miscellaneous licences and two pending miscellaneous licence applications, four granted prospecting licences and one granted retention licence, totalling 769 km².
- 2 Lithium Ore Reserve of 11.3 Mt at 1.0% Li₂O and 160 ppm Ta₂O₅ supporting a 9-year mine life at a processing rate of 1.2 Mtpa
- 3 Total lithium Resources of 26.5 Mt at 1.0% Li₂O (using 0.3% Li₂O grade cut off)

- 4 The mine currently consists of an open pit, a DMS circuit and spiral circuits, waste rock dumps, stores, a camp (including administrative and living quarters) and associated infrastructure. Lithium concentrate is hauled via Binneringie Road to the Port of Esperance. Tantalum concentrates will be packed into 205 L drums and/ or bulka bags and exported via Fremantle in standard shipping containers once the tantalum circuit has been commissioned (currently anticipated by year end 2018).
- 5 Each of the Joint Venture parties has a separate long-term exclusive lithium concentrate offtake contract in place at the Project. The contracts were executed in October 2017 by each Joint Venture party with Burwill Commodity Limited (now Burwill Lithium Company Limited), a wholly owned subsidiary of Burwill Holdings Limited (Burwill) and listed on the Stock Exchange of Hong Kong Limited (Stock Code 0024). Under the terms of the agreements, Burwill will pay a fixed price for all production up to 31 December 2019 of US\$880/t (FOB Esperance) for 6% Li₂O. From 2020 to 2023, the sales price and volumes are to be negotiated and will be agreed based upon prevailing market conditions at the time.
- 6 In-principle terms for the sale of tantalum concentrate have been agreed between each of the Joint Venture parties and the HC Starck Group. These include the purchase of a minimum of 600,000 lbs of tantalum concentrate in aggregate from April 2018 to 31 December 2020, or all of the standard grade tantalum concentrate produced at the Project until 31 December 2020 if the total is less than 600,000 lbs.
- 7 There are several service agreements in place at the Project. These agreements provide for the operation and maintenance of the concentrate plant, mining and drill and blast operations, diesel fuel supply, catering and janitorial services, electrical power, crushing and screening services and concentrate haulage.
- 8 Development drilling is underway to determine the grade and continuity of pegmatite-hosted lithium beyond the current Mineral Resource estimate area.

2.7 Site inspection

In accordance with Section 11.1 of the VALMIN Code (2015), a site visit to the Project was undertaken by SRK on 11 May 2018. The site visit included meetings with site personnel to discuss the operating performance to date, a pit and dam tour, and a fixed plant inspection. The site layout is presented in Figure 2-3. SRK is satisfied that the Project is operating under appropriate safety and management plans, and SRK has no reason to believe that the production and operating targets planned for the LOM cannot be achieved.

Of note, there were three key observations:

- Testwork to support the commissioning of the tantalum circuit is ongoing, with results expected by the end of 2018. As a result, the tantalum ore being recovered as a by-product through the lithium concentrator is currently being stored in bulka bags on site, awaiting processing.
- The recirculation of water via historical oxide pits, waterlines and sump-supplied water to the concentrating facilities and mining operation. This system will provide sufficient water for uninterrupted operations until the end of 2018. SRK understands that preliminary cost estimates for the establishment of a borefield and associated infrastructure have been developed and are subject to more detailed study.
- Tailings from the concentrating facilities are being discharged into an historical pit (Boreline). This pit has almost reached capacity, and capital expenditure to lift the pit crest will be required in the coming months. SRK understands that preliminary cost estimates for the establishment of a dedicated tailings storage facility and associated infrastructure have been developed and are awaiting final approval.



Tailings discharge into Boreline Pit



Water re-circulation via historical pits and lines



Mining excavations to provide additional sump capacity



Run of Mine stockpile fingers



Safety signage



Communications tower



Pit panorama



Blast hole drilling



Lithium concentrate stockpile

Figure 2-2: SRK's site visit photos

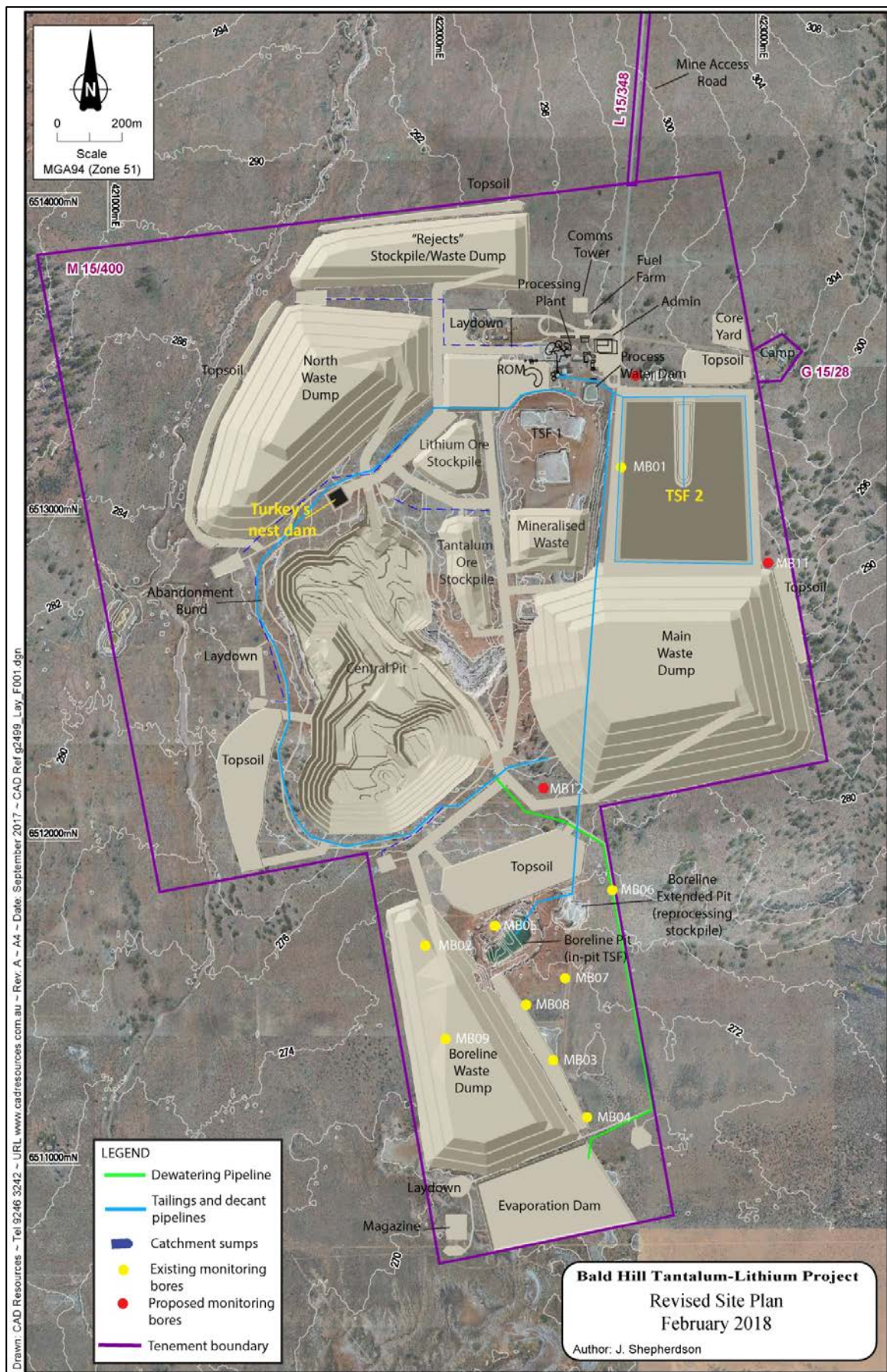


Figure 2-3: Site layout

2.8 Geological setting

2.8.1 Regional geology

The Bald Hill lithium and tantalum mine lies within the Kurnalpi Terrane of the Eastern Goldfields Province in the Yilgarn Craton of Western Australia. The Kurnalpi Terrane comprises the Archean-aged Mount Belches Formation, a metasedimentary sequence of rocks including interbedded wackes and mudstones (Painter & Groenewald, 2001). The Mount Belches Formation contains graded beds, sedimentary structures, Bouma Sequences and channels. Several granitic intrusions within the region are low-calcium and high-calcium monzogranites and granodiorites which have intruded this metasedimentary sequence (Hall & Jones, 2008). Pegmatite dykes intrude the metasedimentary rocks of the Mount Belches Formation. Pegmatites contain feldspar, muscovite, quartz, tantalite and spodumene at Bald Hill. Quartz veins commonly intrude the metasedimentary units as vein arrays and are typically milky white.

Regionally, the units have been metamorphosed to lower amphibolite grade. Local contact metamorphism with hornfels and metasomatism of the Mount Belches Formation is due to the intrusion of granitic plutons, dykes, quartz veins and the Binneringie Dyke (Painter & Groenewald, 2001).

The Proterozoic Widgiemooltha Dyke Suite with the Binneringie Dyke (a gabbroic dyke), cross-cuts the region for approximately 600 km in an east-northeasterly direction (Hall & Jones, 2008).

Cover sequences of the Eucla Basin overlie Archean basement rocks with recent sediments of calcrete and colluvium (Hall & Jones, 2008).

Deformation within the Bald Hill area has been recognised in the Archean basement and is summarised by Hall & Jones (2008) as D₁ to D₅:

- D₁: Recumbent folding and thrusting
- D₂: Tight upright folding from east–northeast to west–southwest crustal shortening
- D₃–D₄: Regional-scale faults and shear zones (only recognised on aeromagnetic images)
- D₅: Albany–Fraser Orogen-related warping and drag folds of D₂ structures.

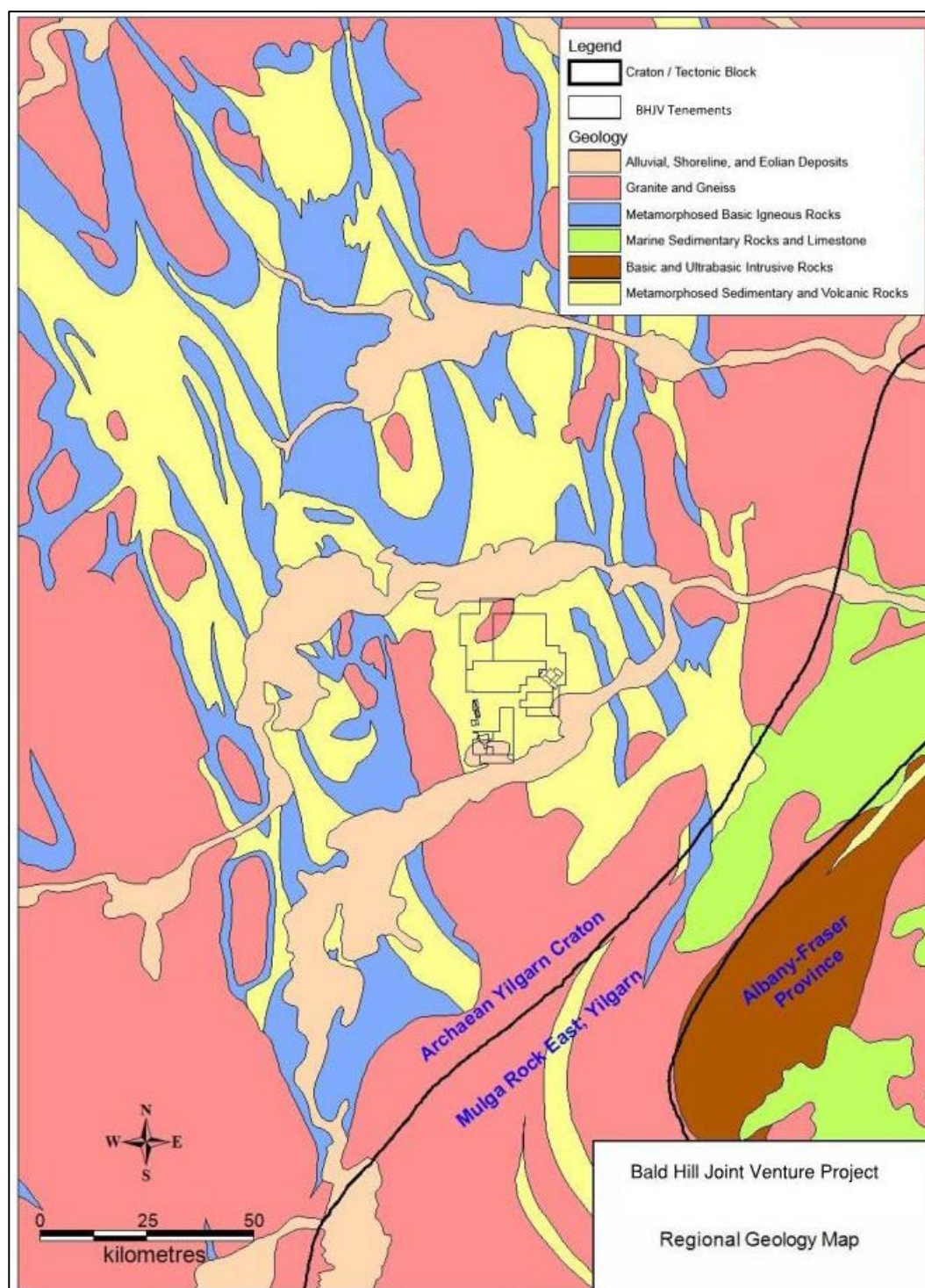


Figure 2-4: Regional geology with Bald Hill location

Source: Tawana.

2.8.2 Local geology and mineralisation

Fetherston (2004) notes that the Bald Hill pegmatites are in the order of 400–600 m in length, and form linear swarms orientated parallel to the regional foliation of about 350°. The pegmatites have intruded Archean metasedimentary rocks, mainly quartz–biotite schists and amphibolites, about 3–6 km east of the Binneringie Granite pluton. Pegmatites in the area are commonly covered by shallow colluvial material and are often deeply weathered to kaolinite in the near-surface environment.

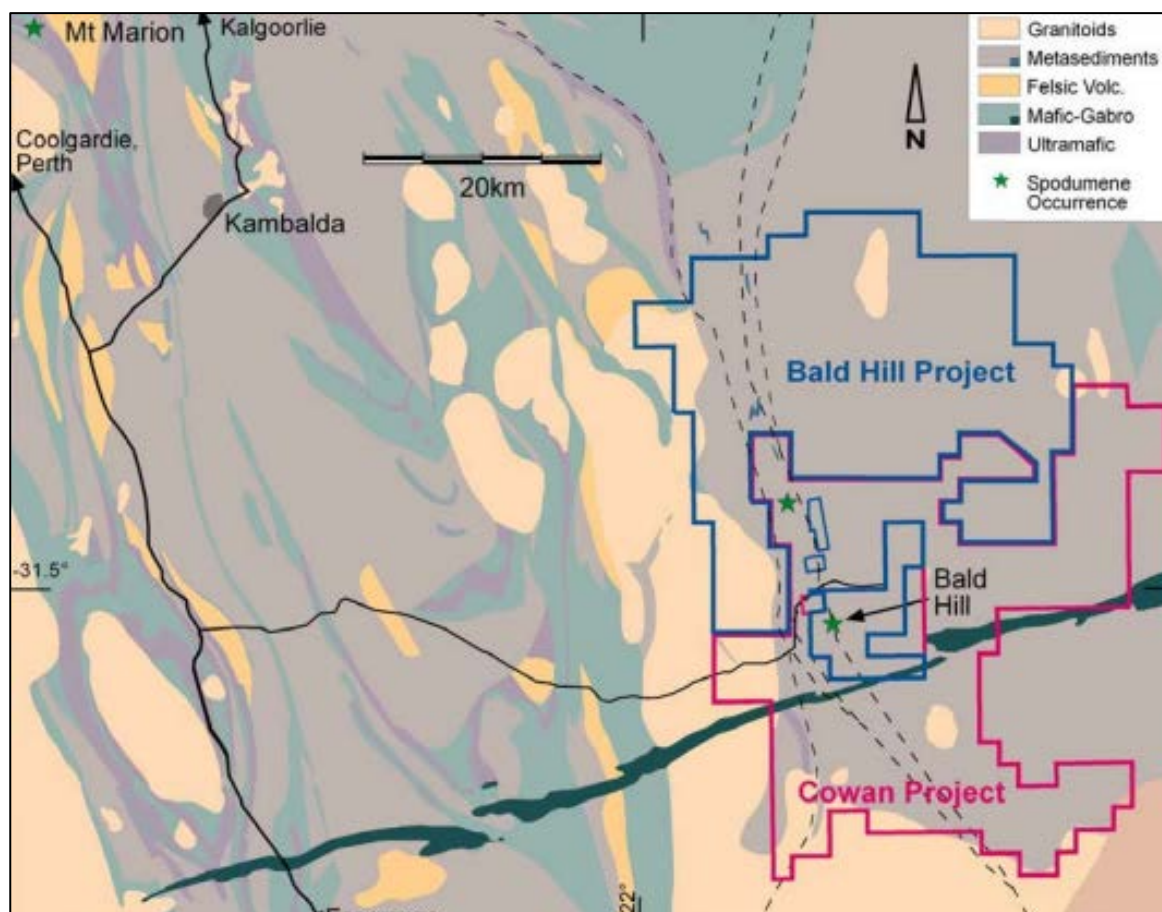


Figure 2-5: Local geology with mapped spodumene occurrences

Source: Tawana.

Two main belts of rare element Lithium-Caesium-Tantalum type (LCT) pegmatites are known in the Project area (Figure 2-6):

- 1 The Mount Belches–Bald Hill Belt. This pegmatite belt striking north to northwest extends for at least 15 km; however, the pegmatite belt likely extends for a further 10 km under transported cover. A large number of albite-rich and LCT-type albite-spodumene pegmatites occur over a width of about 4 km. Previous exploration and exploitation has been focused on tantalum and tin mineralisation in the region.
- 2 The Claypan Dam–Madoonia Belt. This less explored northeast-southwest oriented LCT pegmatite belt has a strike of at least 22 km and width of at least 7 km. The belt is known to contain LCT-type albite pegmatites with tantalite and tin and potentially hosts LCT-type albite-spodumene pegmatites.

The pegmatites at the Project fall into five categories

- 1 Tantalum – generally narrow, high in tantalum, low in spodumene, which was the main focus of prior mining
- 2 Zoned lithium-tantalum – generally wider pegmatites with simple zoning, with spodumene richest in the central zone, and tantalum typically richer on the margins
- 3 Lithium-tantalum – pegmatites with no apparent zonation
- 4 Lithium – unzoned and simply zoned pegmatites containing abundant spodumene but low tantalum
- 5 Barren – the least common and often narrow pegmatites, containing <0.1% Li₂O and <100 ppm Ta₂O₅.

The pegmatites can generally be classified as unzoned albite spodumene pegmatites and occur as gently dipping sheets and as steeply dipping veins striking parallel to the north-south regional foliation. They range in thickness from a few metres up to 30 m, and also occur as multiple, parallel dykes or swarms separated by sheared metasediments. Outcrop is limited to those areas not covered by alluvium or colluvium.

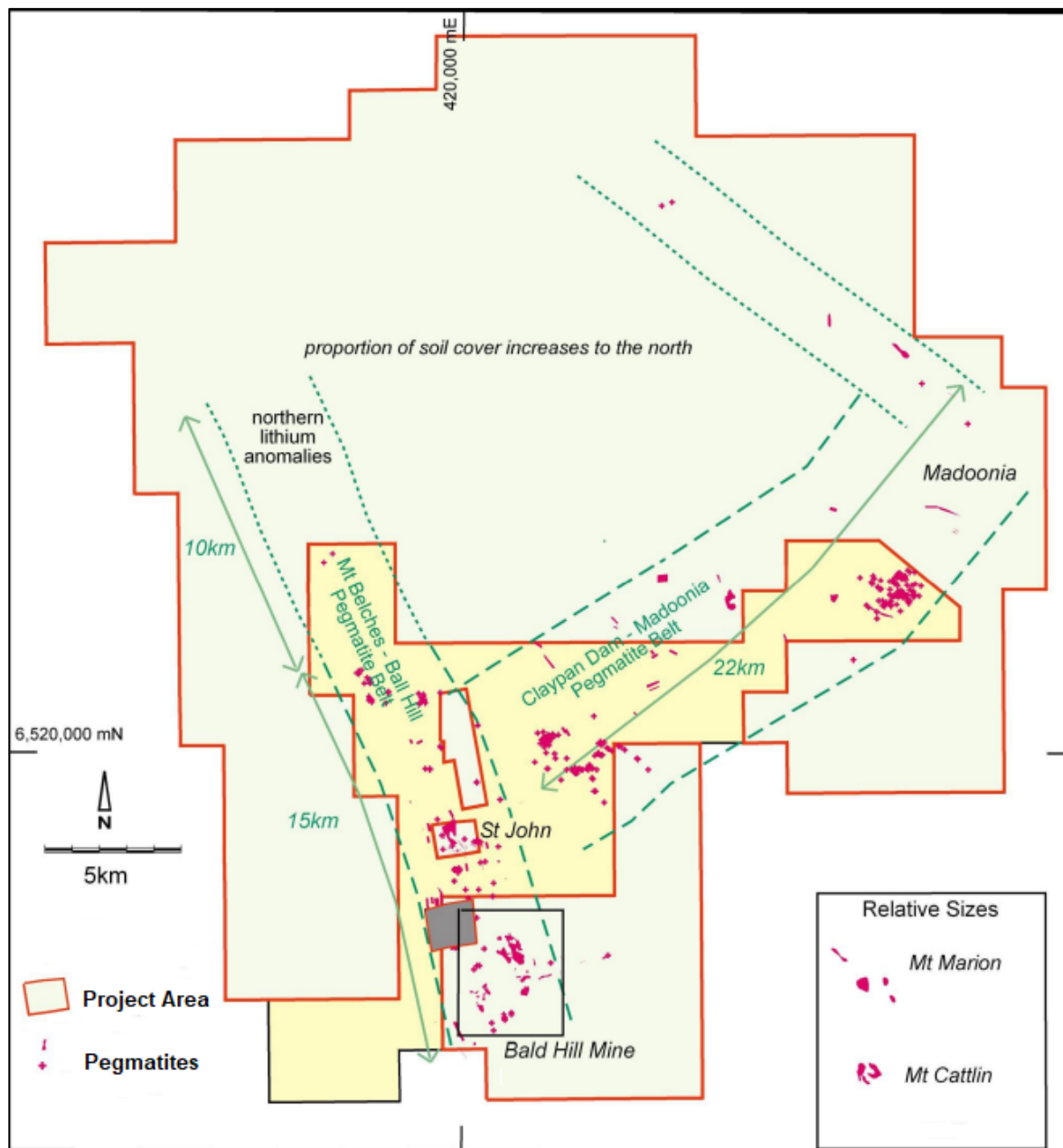


Figure 2-6: Interpreted pegmatite distribution in the Project area

Source: Modified from Tawana.

2.9 Mineral Resources

2.9.1 Historical Resources – tantalum

The focus of exploration and mining at the Project prior to 2017 was on tantalum mineralisation. Prior to 2017, there were no Mineral Resources estimated at the Project for lithium minerals.

Between 2001 and 2005, Haddington, under a sales purchase agreement with Sons of Gwalia Limited, mined tantalite from a number of small oxide pits at the Project.

In 2014, Alliance announced a tantalite Mineral Resource estimate of 2.58 Mt at 352 ppm Ta₂O₅, using a 100 ppm Ta₂O₅ cut-off, which was reported under JORC Code (2012) guidelines and included the Creekside, Boreline and Central Mine Areas.

In 2015, further to additional drilling on the Boreline deposit, Alliance announced an updated Mineral Resource estimate of 2.67 Mt @ 341 ppm Ta₂O₅ using a 100 ppm Ta₂O₅ cut-off.

These estimates have all been superseded by the current estimate which is discussed below.

2.9.2 Current Mineral Resource estimate

CSA Global Pty Ltd (CSA) was commissioned by Tawana in 2017 to compile a maiden lithium Mineral Resource estimate for the Project and to update the historical tantalum Mineral Resource estimate. Tawana reported high grade lithium resources of 18.9 Mt at 1.18% Li₂O and 149 ppm of Ta₂O₅ at a 0.5% cut-off; and additional tantalum resources of 6.4 Mt at 330 ppm of Ta₂O₅ at a 200 ppm Ta₂O₅ cut-off.

The Mineral Resource was classified as Indicated and Inferred in accordance with the JORC Code (2012) on a qualitative basis, taking into consideration numerous factors including drill hole spacing, estimation quality statistics (kriging slope of regression), the number of informing samples, average distance to informing samples in comparison to the semi-variogram model ranges, and overall coherence and continuity of the modelled mineralisation wireframes (Tawana ASX announcement dated 11 July 2017).

In an ASX announcement dated 6 June 2018, Tawana reported revised estimates based on the mine survey as at 30 April 2018. Geological confidence and sample support was increased as a result of infill drilling and a lower cut-off, given the plant's operating performance. The revised Mineral Resource estimate also included a low-grade component grading between 0.3% and 0.5% Li₂O.

Table 2-3: Mineral Resource estimate summary

Table 1: Bald Hill Project – Resources above 0.3% Li₂O cut-off

Resource Category	Tonnes (Mt)	Grade Li ₂ O (%)	Contained Li ₂ O (t)	Grade Ta ₂ O ₅ (ppm)	Contained Ta ₂ O ₅ (,000 lbs)
Indicated	14.4	1.02	147,200	168	5,300
Inferred	12.1	0.90	108,000	123	3,300
Total	26.5	0.96	255,200	149	8,600

Table 2: Bald Hill Project – Tantalum Resources below 0.3% Li₂O and above 200 ppm Ta₂O₅ cut-offs

Resource Category	Tonnes (Mt)	Grade Li ₂ O (%)	Contained Li ₂ O (t)	Grade Ta ₂ O ₅ (ppm)	Contained Ta ₂ O ₅ (,000 lbs)
Indicated	3.0	0.16	4,700	333	2,200
Inferred	1.4	0.15	2,200	339	1,100
Total	4.4	0.16	6,900	336	3,300

Note: The tantalum resources reported in Table 2 are additional to those reported in Table 1.

Source: SGX announcement 6 June 2018.

The Mineral Resource has a total strike length of 1,245 m and a width of up to 990 m. The main pegmatite body is sub-horizontal, strikes north–south, and is surrounded by a number of smaller, discrete pegmatites which are sub-parallel to the main body. The currently defined resource starts approximately 20 m below surface and extends to a total vertical depth of 990 m. The package plunges gently to the south along its strike length, as evident in Figure 2-7.

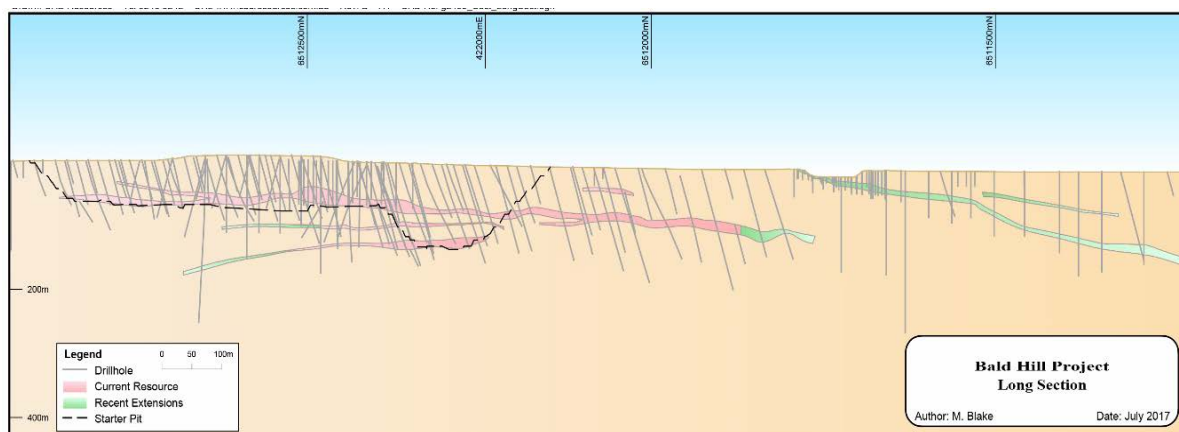


Figure 2-7: Project long section depicting the resource outline

Source: Tawana.

SRK has not independently verified the Mineral Resource estimate by means of recalculation.

2.9.3 Resource extension – target area

A drilling campaign is underway to target mineralisation beyond the current Mineral Resource area. The exploration team is focusing on two areas of initial interest (Figure 2-8 and ASX announcement dated 6 June 2018):

- 1 Northern Extension (including the Underground Target Area) drilling intercepts include:
 - 21 m at 1.50% Li₂O from a 169 m downhole depth, from a 22 m wide pegmatite in drill hole LRC0707, 600 m north of the current pit
 - 17 m wide pegmatite from a 128 m downhole depth, which included 9 m at 0.33% Li₂O in drill hole LRC0708, 400 m west of the current pit
 - 8 m wide pegmatite from a 43 m downhole depth, which included 6 m at 0.68% Li₂O from 24 m, and 4 m at 1.0% Li₂O from a 45 m downhole depth in drill hole LRC0706.
- 2 Eastern Extension drilling intercepts include:
 - 33 m at 1.33% Li₂O from a 228 m downhole depth, including 20 m at 1.78% Li₂O in drill hole LRC0729
 - 24 m at 1.51% Li₂O from a 200 m downhole depth in drill hole LRC0730
 - 29 m at 1.31% Li₂O from a 174 m downhole depth in drill hole LRC0755
 - 28 m at 1.28% Li₂O from a 179 m downhole depth, including 11 m at 1.73% Li₂O in drill hole LRCD0754.

Additionally, there is a conceptual target area designed to encompass a number of locally exposed pegmatites within the Mount Belches–Bald Hill pegmatite belt (Pegmatite Drilling Area).



2.10 Ore Reserve

CSA was commissioned by Tawana to update the Ore Reserve estimate based on the latest Mineral Resource estimate.

The Ore Reserve was estimated using the March 2018 pit surface.

Table 2-4: Ore Reserve estimate summary

Table 3: Bald Hill Mine – Reserves above 0.3% Li₂O

Reserve Category	Tonnes (Mt)	Grade Li ₂ O (%)	Contained Li ₂ O (t)	Grade Ta ₂ O ₅ (ppm)	Contained Ta ₂ O ₅ (,000 lbs)
Proven	–	–	–	–	–
Probable	11.3	1.01	114,100	160	4,000
Total	11.3	1.01	114,100	160	4,000

Notes: 1) Allows for mining ore loss of 7.5% and dilution of 7.5% at 0% Li₂O and 0 ppm Ta₂O₅
 2) Reserves have been cut to the April 2018 end of month mine survey

Table 4: Bald Hill Project – Reserves below 0.3% Li₂O and above 200 ppm Ta₂O₅ cut-offs, April 2018

Reserve Category	Tonnes (Mt)	Grade Ta ₂ O ₅ (ppm)	Contained Ta ₂ O ₅ (,000 lbs)
Proven	–	–	–
Probable	2.0	313	1,400
Total	2.0	313	1,400

Notes: 1) Allows for mining ore loss of 7.5% and dilution of 7.5%.
 2) Reserves contained in Table 4 are additional to those reported in Table 3.
 3) Reserves have been cut to the April 2018 end of month mine survey; ore stockpiles and concentrates are excluded.

Source: Tawana ASX announcement 6 June 2018.

SRK understands that CSA has undertaken sufficient study work to address all material Modifying Factors required for the conversion of the Mineral Resource estimate into an Ore Reserve estimate. SRK has not independently verified the Ore Reserve estimate by means of review or recalculation of the supporting files.

CSA classified the Ore Reserve in accordance with JORC Code (2012) guidelines and the underlying Mineral Resource classification. The Ore Reserves support a mine life of nine years at a processing rate of 1.2 Mtpa (Table 2-4).

To establish revised mineable quantities and grades, CSA ran a number of optimisations on the resource model using Whittle FourX pit optimisation software to identify a preferred pit shell on which to base a pit design. Inputs used for the optimisation were based on current information provided to CSA by Tawana. A detailed open pit mine design was developed from the initial optimised pit shells to confirm the mined volumes and inform a mining schedule.

The pit was designed using an optimal pit shell derived from Indicated material only. All Inferred Mineral Resources within the pit design were reported as waste during the Ore Reserve estimation. SRK understands that the pit shells created from Whittle optimisations (inclusive of Inferred Mineral Resources) were about 60% larger than those used for the pit design and are currently being used to inform infill drilling.

The mine schedule was completed using MineSched scheduling software using a cut-off grade of 0.30% Li₂O for Indicated material only, and iterations of the mining schedule were run based on the capabilities of the mining equipment on site and to meet a minimum ore mining rate of 110,000 t/month.

Table 2-5 presents a summary of the material inputs used by CSA as the basis for the optimisation.

Table 2-5: Ore Reserve – optimisation inputs

Item	Value
Cut-off	3,000 ppm for Li ₂ O and 200 ppm for Ta ₂ O ₅
Geotechnical	Domain-based criteria (Dempers & Seymour Consultants) catch berms every 20 vertical metres
Block size	10 m by 10 m by 5 m
Minimum mining width	30 m
Mining dilution	7.5% at 0% grade
Ore loss	7.5%
Mining recovery	92.5%
Inferred resources	Not included
Processing route	Assumes Phase 1 DMS processing only in Year 1; assumes the fines DMS circuit is added from Year 2
Processing recovery	65% for Year 1, then 80% from Year 2
Deleterious elements	Negligible
Prices	US\$880/t (FOB Esperance) for 6% Li ₂ O and US\$60/lb (FOB Esperance) for +25% Ta ₂ O ₅
Costs	Mining A\$360.7, Processing A\$127/t
Royalties	5% ad valorem (WA State Government)

Source: Tawana

2.11 Current mining operation

The operation utilises a conventional truck and shovel open pit mining method. SMS Innovative Mining Solutions Pty Ltd (SMS) is undertaking contract mining using three excavators (1 x 360 t, 1 x 200 t and 1 x 120 t), and a fleet of Cat 785/ 777 trucks and ancillary equipment including dozers, graders, loaders and water carts.

Drill and blast is being undertaken under sub-contract to SMS by JSW Pty Ltd Australia using a combination of top hammer and downhole hammer drill rigs.

Ore is being mined on a bench height of 2.5 m, with drill and blast limited to a 5 m depth in areas containing ore. Bulk waste is mined utilising 5 m to 10 m benches, with bulk waste drill and blast targeting 10 m benches.

2.12 Mineral processing

2.12.1 Metallurgical testwork

A metallurgical testwork program was undertaken to support feasibility studies between December 2016 and May 2017. Testing was undertaken on variability samples, a 150 kg composite sample and a 5 t bulk sample (for marketing purposes) of the Bald Hill ores. The tests undertaken were typical of those used for lithium ores and included comprehensive head grade and size by size analysis, mineralogy, wet tabling, heavy liquid separation (HLS), dense media separation (DMS) and impurity removal through upflow classification (using a reflux classifier). DMS and HLS separation was undertaken on coarse and fines fractions. Upgrading of lower grade ores was also undertaken using jigging, DMS and optical sorting, of which only DMS was effective in the preliminary testing. While lithium was the primary focus of the testwork, tantalum recoveries were also reported.

The testing was undertaken at Nagrom Metallurgical (Nagrom), a privately owned Western Australian-accredited metallurgical laboratory. The physical (comminution) testwork was undertaken at Bureau Veritas Pty Ltd's (Bureau Veritas) Perth laboratories.

The testwork successfully demonstrated that:

- Lithium was predominantly contained in spodumene.
- Comminution characteristics were typical of pegmatitic ores, i.e. hard and abrasive.
- A saleable Li_2O concentrate grade above 6% (and generally higher) could be achieved at acceptable Li_2O recoveries.
- Key impurities such as iron can be effectively removed to saleable concentrate levels.
- Lithium concentrate grade was relatively robust (i.e. to a lower) to feed grade.
- Mica (and other impurities) could be effectively removed through screening, DMS and upflow classification.
- Additional gravity separation and/or flotation of the -1 mm fraction is able to recover additional Li_2O at grades above 6% and was to be the subject of future testing.
- Upgrading of lower lithium grade samples was able to recover Li_2O into saleable grades (>6.0%), but the tantalum recovery into this fraction was high and further testwork was identified to optimise this.
- The three testwork campaigns were comparable, repeatable and all demonstrated favourable metallurgical behaviour.

The lithium testwork program was fast-tracked to align with the rapid implementation of the Project. As such, the focus was on the optimal processing of the coarse fraction of the feed. This was considered to have a low processing risk with maximised recovery of Li_2O . The intermediate DMS and fines stockpiles could be potentially reprocessed further to a Phase 2 plant upgrade. Additional testwork has since been undertaken (and is ongoing) to support the future processing of the fines and DMS middlings fractions to increase the overall Li_2O recovery at incremental additional operating cost.

This philosophy has allowed the rapid implementation schedule, lower initial capital cost and has de-risked the processing aspects of the Project.

Tantalum testwork has been extensive in the past, but this is superseded by the two previous operating periods on Bald Hill tantalum ores. This operating data is superior to testwork results for design purposes when processing similar ores. The tantalum ores can be processed through the existing tantalum plant; alternatively, there may be potential to process them through the lithium plant. Further assessment of the optimal tantalum processing flowsheet will be undertaken post start-up to identify the optimal processing route. Until then, spiral concentrates from the new lithium plant are being bagged and stored for further beneficiation. Options such as jigs are currently being considered.

SRK has not undertaken an independent audit of the testwork results.

2.12.2 Processing flowsheet

The process design (and subsequent construction on an EPC basis) has been undertaken by the Primero Group Pty Ltd (Primero), that has experience in the Western Australian lithium sector.

The Project is being developed in two phases:

- 1 The first phase produces a coarse (+1 mm) spodumene product of >6.0% Li_2O using DMS.
- 2 The second phase expands production through a possible replication of the DMS circuit or expansion of the existing DMS circuit, and re-processes the -1 mm stockpile as well as second-stage DMS middling stockpile, which are stored in former pits. This potentially requires

milling and either fine DMS processing or flotation of these stockpiles and considers the recovery of tantalum into a separate product. Testwork, flowsheet selection and feasibility studies to support an engineering design of the Phase 2 plant is ongoing.

The processing facilities comprise a new contract crushing operation producing a product < 10 mm. This is fed into a new two-stage DMS (cyclones) circuit using ferrosilicon (FeSi) to control density. It also incorporates mica removal through up-flow classification using reflux classifiers, with rolls-crushing and recycling of the coarse DMS middlings. Two size fractions are processed through the DMS plant, a -10 mm +5 mm fraction and a -5 mm +1 mm fraction. The -1 mm fraction is deslimed, passed over spirals to remove tantalum and then dewatered and stored for future processing. The second stage DMS overflow (middlings) is also dewatered and stored for future processing.

The selection of a flowsheet that stockpiles the -1 mm deslimed fines and second stage DMS middlings has allowed the rapid implementation of the Project and early market production.

The Phase 1 Project design processes 1.41% Li₂O feed at a rate of 161 tph (1.2 Mtpa) with a concentrate mass recovery of 153,417 t at 6.0% Li₂O. While this is approximately 55% Li₂O recovery, the rolls-crushing and recycling of the coarse DMS middlings have since been incorporated into the constructed plant and reflect the 65.8% Li₂O recovery used in cashflow modelling.

A metallurgical and engineering review to add a fines circuit to potentially increase throughput from the existing DMS plant was underway.

The preferred option is likely to be to modify the existing DMS circuit from a 2-stream circuit processing a 1–10 mm feed range to a 3-stream circuit processing a 0.5 mm–12 mm feed range through the addition of cyclones, screens and pumps to allow operational flexibility.

It is proposed that a +2mm feed would be processed through the existing DMS plant streams and the 'Fines' stream would treat an additional 20% of feed in the 2 mm–0.5mm size range.

The plant throughput rate with the addition of the fines stream is expected to increase from the current nominal 200 tph to 300 tph with increased total DMS recovery rates

The capital cost estimate for the fines circuit addition is still pending; however, Tawana expects it to be significantly less than a second full DMS plant.

Tantalum ores are processed through the existing gravity circuit and recovered from the spiral concentrates from the lithium plant. They are temporarily being bagged and transported to Nagrom in Perth for upgrading to final concentrate using screens, air tables, magnetic separation and electrostatic separation before sale to market.

SRK considers that the flowsheet selection is appropriately premised on the metallurgical testwork results. The flowsheet has been informed by the experience of metallurgical consultants using the experience of other lithium projects and operations in the flowsheet selection. SRK considers it to be a conventional lithium processing flowsheet, typical of other lithium plants. The process technology selected is well-proven and is technically low-risk for spodumene concentrate production.

2.12.3 Throughput and recovery

The processing facility was designed with a capacity of 1.2 Mtpa. This equates to a throughput of 161 tph with an overall uptime (utilisation) of 85%. The equipment sizings and design allowance were reasonable, and the utilisation assumption was appropriate for this flowsheet.

2.12.4 Product specification

A spodumene concentrate specification was established from the testwork. Key elements of the specification are a Li₂O grade above 6.0%, total iron below 0.8% (rejection limit) and moisture below

8.0% (rejection limit). These product specifications, which are at typical spodumene benchmarks, are well-supported by the testwork and are conservative based on the testwork results.

The recent start-up of operations has further demonstrated the capacity of the processing facility to meet and surpass these specifications, with Li₂O products reportedly well above specification, and iron and moisture well below, even when processing lower grade development ore. This has led to the plant operation being 'relaxed' to increase Li₂O recovery. It will also allow some flexibility when blending the -1 mm fines and the DMS middlings stockpiles into the main product.

Future consideration will be made whether to undertake a final rinse of the spodumene concentrate with fresh water to reduce the halide content of the ultra-saline water used for processing; however, it is not currently considered an issue. A potential clean water source has been identified if it is required.

2.12.5 Processing plant

A capital cost estimate in Australian dollars was developed by the Joint Venture and its contracted engineer Primero. Primero designed and constructed a new 1.2 Mtpa Stage 1 DMS processing plant, which included a spiral plant for recovering tantalum from -1 mm fines, and the refurbishment of the existing supporting infrastructure. It included owner's costs and working capital. A rapid implementation, fixed price EPC contracting strategy was adopted.

SRK understands that the EPC expenses for the processing plant were A\$34.7M.

The Joint Venture have suggested an allowance of A\$30M for the future Phase 2 plant expansion. SRK considers this to be a scoping level (+/-50% accuracy) estimate for asset valuation purposes, as this allowance has been informed only by the historical expenses on the Phase 1 plant EPC and not through any feasibility studies.

The Joint Venture has suggested an additional allowance of A\$10M for a -1 mm fines processing circuit. SRK considers this to be a Scoping level (+/-50% accuracy) estimate for asset valuation purposes, as this allowance has not been informed by any feasibility studies.

2.12.6 Operating costs

An operating cost estimate in Australian dollars was developed by the Joint Venture and Primero.

The operating cost estimate includes all key cost areas including mining, crushing (contract), processing (lithium and tantalum), product transport and storage, G&A and Corporate and State royalties. Operating costs are dependent on the production rate, feed grade and the proportion of fixed versus variable costs as should be expected.

The build-up of cost reflects a feasibility level of study and includes electrical power, labour, maintenance, reagents and other costs. Power demand is based on the electrical load list with the installed power modified with load and operating factors applied as per normal industry practice. Labour was estimated from a head count, salaries, and on-costs. Maintenance costs were factored based on the installed capital costs. Reagent usage was based on testwork consumptions, supplier quotes and industry standards.

2.13 Infrastructure

The Bald Hill Mine is located approximately 175 km by road, south east of Kalgoorlie in the Goldfields of Western Australia. The site is accessed via the sealed Coolgardie–Esperance Highway and is accessed from the regional mining hub of Kalgoorlie to the turn-off 5 km south of Widgiemooltha, followed by 68 km of unsealed clay and gravel-based roads to site. The unsealed public road is maintained by the Shire of Coolgardie; however, Bald Hill's contribution to road traffic, whilst not excessive, will necessitate a contribution to the upkeep of the road. An upgrade of the road and

intersection has been costed. Concentrate is trucked to the Port of Esperance to ship to overseas customers.

The Project uses the Kalgoorlie International Airport which has several daily flights to and from Perth. SRK understands that studies are underway to assess the feasibility of developing a Project-specific airstrip or utilises other local airstrips.

2.13.1 Water supply

Long-term water supply is a critical consideration and project risk. The current supply is from the Boreline and South pits. Future supply will be from the re-establishment of the historical borefield and will require the water yield testing and abstraction licences to be renewed. Currently the site is licensed to take 1.2 GL/year of groundwater for the purposes of dewatering, processing and dust suppression. This is sufficient for the 1.2 Mtpa operation. Additional water supply through existing borefield equipping, additional drilling and more raw water storage has been costed.

2.13.2 Power supply

Electrical power is provided through a build-own-operate (BOO) diesel-fired power station, as is common practice in off-grid mining operations. The potential for grid connection is also being considered in the medium to long term.

As a recently operating tantalum mine, there was infrastructure adequate to support the previous operation, including access and internal roads, borefield, accommodation village, site buildings, information technology (IT) and communications, sewage and waste water. Some areas need further upgrading even after the restart of operations including IT and communications, security and the accommodation village. Additional upgrading to reduce initial capital costs and help accelerate the Project schedule, including the initial rental of the 150-room Lanfranchi Camp from Panoramic Resources Limited approximately 40 km from Bald Hill, was well-suited to support the proposed rapid restart of operations. This is typical of Australian mineral processing facilities of this scale and did not present any significant risk to the Project restart.

2.13.3 Capital expenditure

SRK understands that a total of A\$51.5M capital has been expended on the Project to date, which includes the A\$34.7M expended on the processing plant EPC, and A\$16.73M expended on the supporting infrastructure and other minor capital items.

2.14 Environment

SRK has sighted documentation obtained by the Joint Venture from DLA Piper Australia, an independent legal firm. The document, dated 20 July 2018, indicates that that all environmental approvals and permits are either in place, under review or planned to allow production at the Project to continue unimpeded for the modelled life of the mine. SRK has made all reasonable enquiries into this status at 20 July 2018.

2.15 Other considerations

2.15.1 Commodity prices

Lithium

Like most specialised commodities, the lithium market is not transparent. Lithium concentrate is not traded on an exchange, and the prices are not set by independent bodies. Lithium concentrate prices

quoted by various market sources, such as IM and Roskill Information Services (Roskill), provide a guideline to the price.

Producers of lithium products negotiate prices with individual consumers and price information is rarely reported. Commercial payment terms are also negotiated between buyer and seller and can vary widely.

Spot prices for lithium products have become more widely quoted, although they are not thought to influence contract pricing; rather, they reflect material available off-contract in small volumes and are likely higher (when the market is good) or lower (when the market is poor) than contract prices.

The price profiles quoted by different journals or websites are usually similar over an extended term, although they might show a small, consistent offset. These sources publish prices on a weekly, twice-weekly or month-end basis. They quote the low price and the high price that represent what has been the general consensus of industry correspondents who have reported spot transactions for the period. Spot transactions, by definition, use the spot price to settle. The spot price itself is open to negotiation between buyer and seller according to the perceived supply/ demand conditions.

There are principally two types of lithium concentrate – technical-grade lithium concentrate and chemical-grade lithium concentrate, which can be produced from lithium ores. The technical-grade lithium concentrates, with 5.0% to 7.5% Li_2O and very low iron levels, are primarily used for manufacturing glasses and ceramics. The chemical-grade lithium concentrate, with 6.0% Li_2O and relatively higher iron levels, is further processed in lithium chemical plants to produce lithium chemicals (Figure 2-9).

Concentrates from the Project can be considered chemical grade.

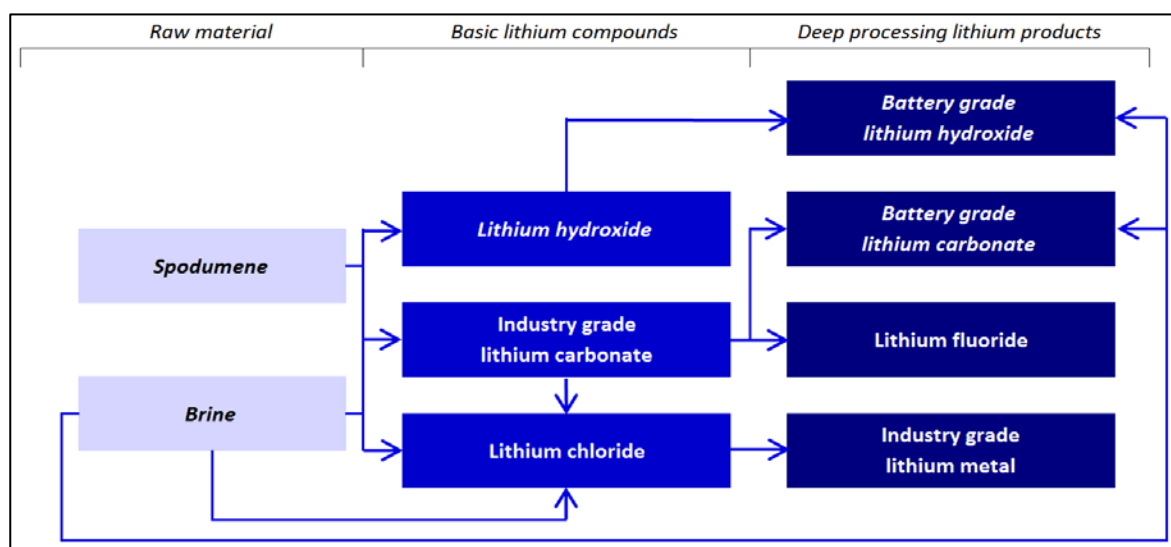


Figure 2-9: Lithium product processing paths

Source: www.deutschebank.com

Lithium prices have increased significantly over the past few years fuelled by demand for products that use lithium-ion batteries such as electric cars and mobile devices.

Roskill notes that battery-grade products formed 46% of the demand in 2017 and suggests that lithium demand is forecast to increase by 15% per year through to 2027 (9 April 2018 presentation, 'Bottlenecks in the lithium supply chain Avoidable or inevitable?'). Citi Australia suggests a 16% growth expectation to 2025, with a supply surplus building over the next few years and then tightening by 2025.

As noted in Section 2.4.2, there is a single, long-term exclusive lithium concentrate offtake contract in place at the Project. A fixed price of US\$880/t (FOB Esperance) for all production up to 31 December 2019 for 6% Li₂O has been negotiated. From 2020 to 2023, the sales price and volumes are to be negotiated and will be agreed based on prevailing market conditions at the time.

Tantalite

Roskill notes that tantalite as a by-product from lithium mining is set to grow from 7% of total new tantalum supply in 2017, to over 20% within a couple of years.

As noted in Section 2.4.2, a non-binding in-principle term sheet with contemplative pricing for the offtake of tantalum concentrate was signed in January 2018. The in-principle terms agreed include the purchase of a minimum of 600,000 lbs of tantalum concentrate in aggregate from April 2018 to 31 December 2020, or all the standard grade tantalum concentrate produced at the Project until 31 December 2020, if the total is less than 600,000 lbs. The buyer may also purchase any other tantalum materials from the Project, including low-grade concentrate and off-specification material. SRK suggests a long-term forecast price for tantalum concentrate of US\$70/lb based on recent confidential project experience.

2.15.2 Previous valuations

The VALMIN Code (2015) requires that an Independent Valuation Report should refer to other recent valuations or Expert Reports undertaken on the mineral properties being assessed.

Having asked the question of the Joint Venture, SRK is not aware of any previous Independent Valuation reports relating to the assets that are the subject of this IVR.

In May 2018, CSA prepared an Independent Valuation on the Cowan Project (CSA valuation), which comprises an area of approximately 174 km² immediately adjacent to the assets which are the subject of this IVR.

In preparing this IVR, SRK has considered CSA's valuation where applicable.

3 Valuation

The objective of this section is to provide Alliance with a valuation of the mineral assets of the Project, and the Project's related tenure. SRK has not valued either Tawana or Alliance, these being the corporate entities which are the beneficial owners of the mineral assets considered in this IVR. SRK understands that this IVR is intended for public release.

In assessing the technical aspects relevant to this Valuation, SRK has relied on information provided by the Joint Venture, as well as information sourced from the public domain.

In determining the appropriate parameters for valuation, SRK has considered the assessments that might be made by a willing, knowledgeable and prudent buyer in assessing the value of the Project and the Project's associated tenure.

3.1 Valuation approaches

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the Practitioner, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted Valuation approaches:

- 1 Market Approach
- 2 Income Approach
- 3 Cost Approach.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The mineral asset being valued is compared with the transaction value of similar mineral assets, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, metal transaction ratio (MTR) and option or farm-in agreement terms analysis.

The *Income Approach* is based on the principle of anticipation of economic benefits and includes all methods that are based on the income or cashflow generation potential of the mineral asset (CIMVAL, 2003). Valuation methods that follow this approach include Discounted Cashflow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the mineral asset.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the mineral asset, and hence the amount and quality of the information available on the mineral potential of the assets. Table 3-1 presents the various valuation approaches for the valuation of mineral assets at the various stages of exploration and development.

Table 3-1: Suggested valuation approaches according to development status

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015).

The market-based approach to valuation is generally accepted as the most suitable approach for valuation of a Production Project

An income-based method, such as a discounted cashflow (DCF) model is commonly adopted for assessing the Value of a Tenure containing a deposit where an Ore Reserve has been reported following an appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012). However, an income-based method is not considered an appropriate method for deposits that are less advanced, i.e. where there is no declared Ore Reserve and supporting mining and related technical studies.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties, i.e. prior to estimation of Mineral Resources. As current Mineral Resources have been declared for the Pre-development and Advanced Exploration projects, cost-based methods of valuation are considered less suitable than market-based methods of valuation for these properties.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market-derived data.

The “**Market Value**” is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the International Valuation Standards Committee’s (IVSC) term of the same name. This has the same meaning as Fair Value in Regulatory Guide (RG) 111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The “**Technical Value**” is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

Valuation methods are, in general, subsets of valuation approaches. For example, the income-based approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb that are considered suitable only to benchmark valuations completed using primary methods.

The methods traditionally used to value exploration and development properties include:

- Multiples of Exploration Expenditure (MEE)
- Joint Venture Terms (expenditure-based)
- Geoscience Ratings (e.g. Kilburn – area-based)
- Comparable Market Value (real estate based)
- Metal Transaction Ratio (MTR) Analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage - real estate based)
- Yardstick/ Rule of Thumb (e.g. \$/resource or production unit, percentage of an in-situ value)
- Geological Risk.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

3.2 Valuation basis

In estimating the value of the Project as at the Valuation Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015). SRK has considered the Mineral Resources and Ore Reserves associated with the Project, as well as the extent and exploration potential of the granted tenure associated with the Project.

The valuation method applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the project. In preparing its valuation of the Project, SRK has considered the three main approaches (income, market, and cost) as well as the available methodologies under each approach.

Table 3-2: Valuation basis

Development Stage	Description	Valuation basis
Production	Within the Life of Mine Plan	Income: Cashflow Model Market: Comparable Transactions
Advanced Exploration	Current focus of exploration efforts (973 ha)	Market: Comparable Transactions Cost: Geoscientific Rating
Early Stage Exploration	Associated tenure not currently the focus of exploration efforts (73,498ha)	Market: Comparable Transactions Cost: Geoscientific Rating

3.3 Valuation of production stage project

3.3.1 Income approach – discounted cashflow model

Tawana has undertaken a cashflow budget model (Model) to accommodate the first six years of the Project's Ore Reserve and has provided this to SRK (Master Budget 2018-2019 FY 280518.xlsx). SRK has reviewed the production and cost projections and, further to discussions with Tawana personnel to clarify some elements of the capital and operating estimates, has advised BDO that the technical assumptions and projections are reasonable for valuation purposes. SRK understands that BDO has tested the Model mechanics and has provided feedback to Tawana in this regard.

Mineral Resources and Ore Reserves

In SRK's opinion, the Mineral Resources and Ore Reserves considered in the Model are deemed to be reported to a sufficient quality standard under JORC Code (2012) guidelines. During SRK's review of the high-level documents provided, SRK has found no fatal flaws in the resource or reserve estimates and deems them reasonable for the purpose for which they have been estimated.

In SRK's opinion, the proposed mine plan and design is based on sound logic and methodology using appropriate Modifying Factors and is appropriate for valuation purposes.

Processing

SRK considers that the flowsheet selection is appropriately premised on the metallurgical testwork results. SRK considers it to be a conventional lithium processing flowsheet, typical of other lithium plants. The process technology selected is well proven and is technically low risk for spodumene concentrate production.

Lithium and tantalum concentrate production commenced at Bald Hill as announced on 14 March 2018. The Stage 1 DMS circuit achieved 50% of nameplate throughput for month 1 and 75% for month 2 of ramp-up, as expected.

The processing facility was designed with a capacity of 1.2 Mtpa with an overall utilisation of 85%. This is reflected in the Model, with a target of 100,000 t/month feed to the DMS plant.

The Model uses an initial mass recovery of 14.1% and Li₂O recovery of 65.8% including the re-crush of coarse DMS middlings but excluding the fine DMS middlings and the –1 mm fines. The Life of Mine mass yield is variable and can be expressed using the following formula:

$$\text{Mass Yield} = (\text{grade\%} / 0.06) \times 0.8.$$

These values reflect the testwork and the associated mass balance table reported in the feasibility study. This has allowed some recovery conservatism as the Model assumes a 6.0% Li₂O product. Using a feed grade of 1.26% Li₂O, product grades of 6.3% concentrate were achieved during the test work. This note is supported by early operations data where >6% concentrate grades are reported.

Capital and Sustaining Costs

Future capital requirements at the Project include upgrades to the tantalum plant, accommodation village, tailings storage facility, borefield refurbishment and development drilling, Binneringie Road and intersection upgrades, camp, IT and communications, and the Phase 2 DMS plant expansion including a –1 mm fines treatment circuit.

Tawana has suggested an allowance of A\$40M for the future Phase 2 plant expansion which includes the construction of a -1mm fines circuit. SRK considers this to be a Scoping level (+/- 50% accuracy) estimate for asset valuation purposes, as this allowance has been informed only by the historical expenses on the Phase 1 plant EPC and not through any feasibility studies. Whilst reasonable, SRK recommends a sensitivity analysis up to 50% to run on this estimate.

Specific sustaining project capital of A\$26.4M for defined development activities (tantalum plant upgrade, tailings storage facility, borefield refurbishment, communications upgrade and new accommodation village) and studies has been included in the Model and has been informed by detailed estimates, which seem reasonable.

An allowance of approximately A\$6.5M for rehabilitation costs has been included in the Model. In SRK's opinion, this is reasonable given the footprint area of the existing mine and infrastructure plan; however, SRK considers this to be a Scoping level estimate in the absence of a definitive cost estimate based on a bill of quantities.

Operating Costs

In SRK's opinion, the basis of the operating cost estimate meets the requirements of its purpose. SRK suggests a stress case of 15% be modelled to test the Project's sensitivities to a modest increase in the operating costs, particularly until operations are running at full name plate capacity and are stabilised and optimised.

The Model shows an overall LOM operating cost estimate which reflects the accuracy of the feasibility level estimate. The LOM operating cost estimates are commercial in confidence. There has been a modest rise in some areas which have been informed by more detailed information received by Tawana. The plant is currently in early ramp-up mode, a period of higher cost; therefore, the current actual operating costs are not reflective of the likely long-term costs and cannot be used as a true benchmark.

3.3.2 Market approach – comparable transactions

Using SRK's internal databases and the S&P Global Market Intelligence (formerly SNL Financial) subscription database, transactions involving lithium and tantalum were compiled and researched, with values normalised to the Benchmark Minerals Intelligence 2018 lithium price of US\$850/t for a 6% lithium concentrate and analysed to assess the comparability of the mineral assets relative to the Project. Tantalum credits were applied to each project on a lithium price equivalent basis. The mineral

assets incumbent within these transactions were assessed according to the project development categories outlined in the VALMIN Code (2015).

- Three (3) transactions were assessed to have been undertaken on pre-Development tenure (the unfunded comparable to the Production project). Of these, two (2) were considered truly comparable with respect to project maturity, jurisdiction, existing material contracts and the availability of infrastructure.

Details of the transactions considered by SRK are presented in Table 3-3 and Table 3-4.

SRK notes a fourth transaction which was undertaken on a Pre-Development stage Project, but which was fully funded, and which included a strategic option to develop a secondary processing facility. As such, SRK excluded this transaction from the analysis.

In December 2017, in consideration for the acquisition of a 50% joint venture interest in the Mount Holland Lithium Project, Sociedad Quimica y Minera de Chile S.A.(SQM) agreed to pay Kidman Resources Limited A\$146.67M, comprising a cash payment of A\$40M to Kidman, and a staged payment of A\$106.67M to fund the initial costs of the development of the Mount Holland Lithium Project. Under the agreement, Kidman has an option to participate for up to a 50% interest in a proposed refinery to produce lithium carbonate/ hydroxide from the Mount Holland ore.

Table 3-3: Market comparables per contained resource tonne

Project	Buyer	Location	Completion date	Normalised deal value (A\$) per contained resource tonne
Lynas Find project: Dakota Minerals Limited	Pilbara Minerals Limited (100%)	Australia	12/01/2016	Not comparable
Sirmac Lithium Property: Nemaska Lithium Inc.	ABE Resources Inc (100%)	Canada	31/01/2018	940.75
Moblan project: Shenzhen Zhongjin Lingnan Nonfemet Company Limited	Guo AO Lithium Ltd (60%)	Canada	16/10/2017	762.21

Using the multiples implied by the recent transactions involving comparable hard rock lithium projects, SRK considers the market would pay within the ranges in **Table 3-4** for a 100% interest in the Production project on an unfunded basis:

Table 3-4: Valuation ranges per contained resource tonne (no cut-off)

Stage	Low (A\$/t)	High (A\$/t)	Preferred (A\$/t)
Mineral Resource	762	941	852

On this basis, using the comparable transaction approach as applied to the Project's resources not considered in the cashflow model, valuation is estimated to lie between A\$114.3M and A\$141.1M, with a preferred estimate of A\$127.8M (Table 3-5).

Table 3-5: Valuation ranges of resources not considered in the cashflow model

Stage	Low (A\$/M)	High (A\$/M)	Preferred (A\$/M)
Mineral Resource	114.3	141.1	127.8

3.3.3 Yardstick estimates – resources not considered in the cashflow model

As a cross-check to the comparable transaction analysis, SRK has considered a yardstick value for its valuation of the defined resources at the Project which are not considered in the cashflow model.

Under the yardstick method of valuation, specified percentages of the spot prices are used to assess the likely value. SRK has considered typical yardstick ranges and has elected to apply a yardstick measure of 0.5%–1% of current prices to the Project.

Using the lithium concentrate price of \$US880/t (US\$1: A\$ 0.75), the yardstick assumptions are listed in Table 3-6.

Table 3-6: Yardstick assumptions – lithium

Percentage of spot price		A\$/concentrate tonne (6% Li ₂ O)	
Low	High	Low	High
0.5%	1%	5.5	11

Using the tantalum price of A\$70/lb, the yardstick assumptions are listed in Table 3-7.

Table 3-7: Yardstick assumptions – tantalum

Percentage of spot price		A\$/lb	
Low	High	Low	High
4%	5%	0.35	0.7

On this basis, using the Yardstick method as applied to the Project's resources not considered in the cashflow model, valuation is estimated to lie between A\$112.5M and A\$225.0M, with a preferred estimate of A\$168.7M (Table 3-8).

Table 3-8: Yardstick valuation range for the Project's resources not considered in the cashflow model

Commodity	Amount	Low (A\$M)	High (A\$M)	Preferred (A\$M)
6% Li ₂ O	20.45 Mt	112.5	225.0	168.7
Ta ₂ O ₅	4,713 t	0.001	0.003	0.002
Total		112.5	225.0	168.7

The valuation range derived using the yardstick method is approximately 35% lower than the range derived using the comparable transactions analysis, indicating a positive sentiment for producing lithium assets.

Table 3-9: Comparison between comparable transactions analysis and yardstick valuation of assets not considered in the cashflow model (unfunded resources)

Method	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Comparable transactions analysis	114.3	141.1	127.8
Yardstick evaluation	112.5	225.0	168.7

On this basis, the value of resources not considered in the cashflow model is estimated to lie between A\$113.4M and A\$183.1M, with a preferred estimate of A\$148.3M (Table 3-10).

Table 3-10: Valuation ranges of resources not considered in the cashflow model

Stage	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Production	113.4	183.1	148.3

3.4 Valuation of advanced exploration tenure

3.4.1 Market approach – comparable transactions

Transactions involving lithium and tantalum were compiled and researched, with values normalised to the Benchmark Minerals Intelligence 2018 lithium price of US\$850/t for a 6% lithium concentrate (A\$1,122/t) and analysed to assess the comparability of the Advanced Exploration tenure. Tantalum credits were applied to each project on a lithium price equivalent basis.

- Seven (7) transactions were assessed to have been undertaken on Advanced Exploration, which SRK considered to be truly comparable with respect to project maturity.

Details of the transactions considered by SRK are presented in Table 3-11.

Table 3-11: Market comparables per advanced exploration hectare

Project	Buyer	Location	Completion date	Normalised deal value (A\$) per Advanced Exploration hectare
Seven mining licenses: Liontown Resources Limited	Draig Resources Limited	Australia	12/12/2017	1.23 (Low Outlier)
Bynoe project: Liontown Resources Limited	Core Exploration Limited	Australia	11/07/2017	694.65
Four tenements: Undisclosed sellers	Tawana Resources NL	Australia	3/03/2017	130.68
Kathleen Valley project: Ramelius Resources Limited	Liontown Resources Limited	Australia	12/09/2016	84.72
Two tenements: Western Areas Limited	Kidman Resources Limited	Australia	2/28/2017	5,697.9 (High Outlier)
Lithium exploration portfolio: Fortescue Metals Group Limited	Metalicity Limited	Australia	1/17/2017	29.57
Cowan Project: Metalicity Limited	Tawana Resources NL	Australia	11/07/2017	7.08

SRK considers the Western Area Limited/ Kidman Resources Limited transaction to be a very high outlier given the strategic value of the transaction and excluded it from the analysis. SRK considers the Liontown Resources Limited/ Draig Resources Limited transaction to be a low outlier given the extensive nature of the tenement package and excluded it from the analysis.

Table 3-12: Statistics relating to Advanced Exploration stage projects*

Statistical analysis	Normalised deal value (A\$) per Advanced Exploration hectare
Statistics for All Projects (n=5) excluding outliers	
Minimum	7.1
Maximum	694.7
Median	84.7
Mean	189.3
Weighted Average	76.35

Using the multiples implied by the recent transactions involving comparable hard rock lithium projects, SRK considers the market would pay within the range in Table 3-13 for Advanced Exploration tenure.

Table 3-13: Valuation ranges per contained hectare

Stage	Hectares	Low (A\$/ha)	High (A\$/ha)	Preferred (A\$/ha)
Advanced Exploration	973	189.3	442	133

On this basis, using the comparable transactions approach as applied to the Project's Advanced Exploration, tenure is estimated to lie between A\$0.18M and A\$0.43M, with a preferred estimate of A\$0.31M (Table 3-14).

Table 3-14: Valuation ranges of Advanced Exploration tenure using comparable transactions

Stage	Low (A\$'000)	High (A\$'000)	Preferred (A\$'000)
Advanced Exploration	184	430	307

3.4.2 Cost approach – Geoscientific Rating

SRK has used the Geoscientific Rating method as its secondary method to estimate the market value of the Advanced Exploration and the Early Stage Exploration tenure. 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. The intrinsic value is referred to as the Base Acquisition Cost (BAC) and is critical because it forms the standard base from which to commence a valuation. It represents the 'average cost to identify, apply for and retain a base unit of area of title'.

Multipliers are considered for Off-property aspects, On-property aspects, Anomaly aspects, and Geology aspects. These multipliers are applied sequentially to the BAC to estimate the Technical Value for each tenement. A further market factor is then considered to derive a Market Value.

A BAC of A\$20/ha (average of exploration and prospecting leases) has been assumed in this valuation, which incorporates annual rental, and administration and application fees in addition to nominal indicative minimum expenditure on acquisition.

In converting its implied technical values to a market value, SRK considers that market participants would add a premium to technical value of the Advanced Exploration tenure given the current market sentiment. As such, SRK has allocated a market factor of 1.3 to the analysis.

The rating criteria use for assessing the modifying factors are provided in Table 3-15. These ratings criteria have been modified by SRK.

Table 3-15: Modified property rating criteria

Rating	Off-property factor	On-property factor	Geological factor	Anomaly factor
0.1			Unfavourable geological setting	No mineralisation identified – area sterilised
0.5	Unfavourable district/ basin	Unfavourable area	Poor geological setting	Extensive previous exploration provided poor results
0.9			Generally favourable geological setting, under cover or complexly deformed or metamorphosed	Poor results to date
1.0	No known mineralisation in district	No known mineralisation on lease	Generally favourable geological setting	No targets outlined
1.5	Minor workings	Minor workings or mineralised zones exposed		Target identified, initial indications positive
2.0	Several old workings in district	Several old workings or exploration targets identified	Multiple exploration models being applied simultaneously	Significant grade intercepts evident but not linked on cross or long sections
2.5			Well-defined exploration model applied to new areas	
3.0	Mine or abundant workings with significant previous production	Mine or abundant workings with significant previous production	Significant mineralised zones exposed in prospective host rock	
3.5				
4.0	Along strike from a major deposit	Major mine with significant historical production	Well-understood exploration model, with valid targets in structurally complex area, or under cover	
5.0	Along strike for a world class deposit		Well-understood exploration model, with valid targets in well understood stratigraphy	
6.0			Advanced exploration model constrained by known and well-understood mineralisation	
10.0		World class mine		

Source: Modified after Xstract, 2009 and Agricola Mining Consultants, 2011.

Table 3-16: Geoscientific approach – modified Kilburn rating

BAC/ha A\$20, Market Factor 1.3			Off-property		On-property		Anomaly		Geology		Technical value		Valuation (A\$)		
Tenement/ sub-block	Area (ha)	BAC	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Preferred
E15/1058	2,520	50,400	1.5	2	1	1.5	0.9	1	0.9	1	61,236	151,200	79,607	196,560	138,083
E15/1066	6,440	128,800	1.5	2.5	1.5	2.5	1	2	0.9	1	260,820	1,610,000	339,066	2,093,000	1,216,033
E15/1067	6,440	128,800	1.5	2.5	1.5	2.5	1	2	0.9	1	260,820	1,610,000	339,066	2,093,000	1,216,033
E15/1161	280	5,600	1.5	2.5	1.5	2.5	1	2	0.9	1	11,340	70,000	14,742	91,000	52,871
E15/1162	840	16,800	1.5	2.5	1.5	2.5	1	2	0.9	1	34,020	210,000	44,226	273,000	158,613
E15/1166	1,400	28,000	1.5	2.5	1.5	2.5	1	2	0.9	1	56,700	350,000	73,710	455,000	264,355
E15/1212	2,800	56,000	1.5	2.5	1.5	2.5	1	2	0.9	1	113,400	700,000	147,420	910,000	528,710
E15/1353	20,171	392,000	1.5	2	1	1.5	0.9	1	0.9	1	490,155	1,210,260	637,202	1,573,338	1,105,270
E15/1492	14,280	285,600	1.5	2	1	1.5	0.9	1	0.9	1	347,004	856,800	451,105	1,113,840	782,473
E15/1493	7,280	145,600	1.5	2	1	1.5	0.9	1	0.9	1	176,904	436,800	229,975	567,840	398,908
E15/1555	5,600	112,000	1.5	2	1	1.5	0.9	1	0.9	1	136,080	336,000	176,904	436,800	306,852
E15/1556	4,480	89,600	1.5	2	1	1.5	0.9	1	0.9	1	108,864	268,800	141,523	349,440	245,482
M15/1305	98	1,958	1.5	2	1	1.5	0.9	1	0.9	1	2,379	5,873	3,092	7,635	5,364
M15/1308	93	1,851	1.5	2	1	1.5	0.9	1	0.9	1	2,248	5,552	2,923	7,217	5,070
R15/1 (M15/1840)	973	19,460	2.5	3	1.5	2	1.5	2	1	1	109,463	233,520	142,301	303,576	222,939

Using the multiples implied by the geoscientific approach, SRK considers the market would pay within the range shown in **Table 3-17** for Advanced Exploration tenure.

Table 3-17: Valuation range for the Advanced Exploration Tenure using the geoscientific rating approach

Stage	Hectares	Low (A\$'000)	High (A\$'000)	Preferred (A\$'000)
Advanced Exploration	973	146	312	229

On this basis, using the geoscientific approach as applied to the Project's Advanced Exploration, tenure is estimated to lie between A\$0.15M and A\$0.30M, with a preferred estimate of A\$0.23M (Table 3-18).

Table 3-18: Comparison between comparable transactions analysis and geoscientific rating valuation of the Advanced Exploration tenure

Method	Low (A\$'000)	High (A\$'000)	Preferred (A\$'000)
Comparable transactions analysis	184	430	307
Geoscientific	146	312	229

SRK has elected to use the comparable transactions method as its primary valuation technique for the Advanced Exploration tenure, given the current market sentiment and availability of comparable transactions information.

On this basis, the estimated valuation as applied to the Project's Advanced Exploration tenure is estimated to lie in the range between A\$0.18M and A\$0.43M, with a preferred estimate of A\$0.31M (Table 3-19).

Table 3-19: Valuation range of Advanced Exploration tenure

Stage	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Advanced Exploration	0.18	0.43	0.31

3.5 Valuation of early stage exploration tenure

3.5.1 Market approach – comparable transactions

Transactions involving lithium and tantalum were compiled, researched, values normalised to the Benchmark Minerals Intelligence 2018 lithium price of US\$850/t for a 6% lithium concentrate, (A\$1,122/t), and analysed in order to assess the comparability of the Early Stage Exploration tenure. Tantalum credits were applied to each project on a lithium price equivalent basis.

Eighteen (18) transactions were assessed to have been undertaken on Early Stage Exploration which SRK considered to be truly comparable with respect to project maturity.

Details of the transactions considered by SRK are presented in Table 3-20.

Table 3-20: Market comparable transactions per Advanced Exploration hectare

Project	Buyer	Location	Completion date	Normalised deal value (A\$) per Advanced Exploration hectare
Moolyella project: Anova Metals Limited	Lithium Australia NL	Australia	4/19/2018	0.15
Nine tenements: Gempart (NT) Pty Ltd	Northern Cobalt Limited	Australia	2/08/2018	0.96
Bynoe project: Orema Pty Ltd	Liontown Resources Limited	Australia	8/03/2017	16.58
Bynoe project: Liontown Resources Limited	Core Exploration Limited	Australia	11/07/2017	692.58 (High Outlier)
Lithium Portfolio: Charge Lithium Pty Ltd	Cohiba Minerals Ltd	Australia	11/09/2016	26.11
Exploration Licence 31058: Excedo Group Pty Ltd.	Core Exploration Limited	Australia	12/19/2016	3.74
Greenbushes project: Undisclosed seller	Lithium Australia NL	Australia	11/11/2016	3.50
Mt Edwards lithium project: Undisclosed sellers	Estrella Resources Limited	Australia	12/28/2016	696.13 (High Outlier)
E59/2140 and E59/2077: Undisclosed seller	Macarthur Minerals Limited	Australia	10/12/2016	61.36
EL 29698 Licence: Au Exploration Pty Limited	Core Exploration Limited	Australia	8/15/2016	34.86
Lithium licence Portfolio: Charge Lithium Pty Ltd	Cohiba Minerals Limited	Australia	11/09/2016	20.45
Widgiemooltha project: Undisclosed seller	Investor group	Australia	7/11/2016	37.48
Lithium rights on E63/1722 & E63/1733: Lefroy Exploration Limited	Lithium Australia NL	Australia	10/16/2016	82.80
E59/2092 tenement: Private investor – Bruce Legendre	Sayona Mining Limited	Australia	6/30/2016	17.86
Wodgina East project: Undisclosed sellers	Mining Projects Group Limited	Australia	5/31/2016	248.68 (High Outlier)
Tenement E59/2055: Attgold Pty Ltd	Sayona Mining Limited	Australia	3/23/2016	4.71
Hang Gong property: A & SF Maddalozzo Pty Limited	Liontown Resources Limited	Australia	3/22/2016	488.45 (High Outlier)

SRK notes that four (4) of the transactions appear to be high outliers with respect to the price paid per Early Stage Exploration hectare (Figure 3-1). Interestingly, these four transactions all took place when market sentiment for lithium exploration tenure was at its peak. SRK has excluded these four transactions from its analysis.

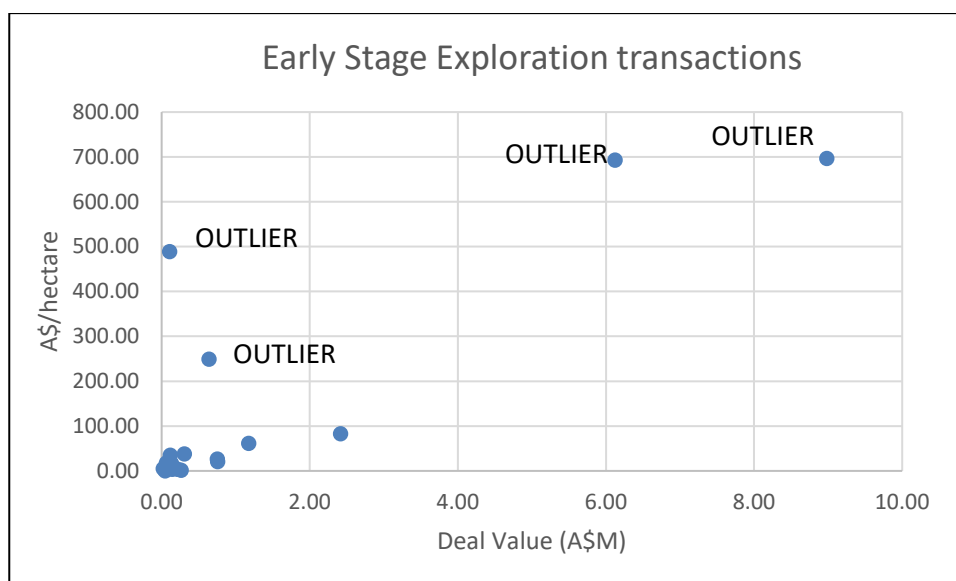


Figure 3-1: Early Stage Exploration transaction outliers

Table 3-21: Statistics relating to Early Stage Exploration stage projects*

Statistical analysis	Normalised deal value (A\$) per Early Stage Exploration hectare
Statistics for All Projects (n=14) excluding outliers	
Minimum	0.1
Maximum	82.8
Median	19.2
Mean	25.8
Weighted Average	51.23

Using the multiples implied by the recent transactions involving comparable hard rock lithium projects, SRK considers the market would pay at the high end of the valuation range for Early Stage Exploration tenure.

Table 3-22: Valuation ranges per hectare

Stage	Hectares	Low (A\$/ha)	High (A\$/ha)	Preferred (A\$/ha)
Early Stage Exploration	72,531	25.8	82.8	82.8

On this basis, using the comparable transactions approach as applied to the Project's Early Stage Exploration tenure, valuation is estimated to lie between A\$1.8M and A\$6.0M, with a preferred estimate of A\$6.0M (Table 3-23).

Table 3-23: Valuation ranges of Early Stage Exploration tenure using comparable transactions

Stage	Hectares	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Early Stage Exploration	72,531	1.8	6.0	6.0

3.5.2 Cost approach – Geoscientific rating

SRK has used the geoscientific rating method as its secondary method to estimate the market value of the Early Stage Exploration tenure.

A BAC of A\$20/ha (average of exploration and prospecting leases) has been assumed in this valuation, which incorporates annual rental, administration and application fees in addition to nominal indicative minimum expenditure on acquisition.

In converting its implied technical values to a market value, SRK considers that market participants would add a premium to technical value of the Early Stage Exploration tenure given the current market sentiment. As such, SRK has allocated a market factor of 1.3 to the analysis.

Using the multiples implied by the geoscientific approach, SRK considers the market would pay within the range in **Table 3-24** for Early Stage Exploration tenure.

Table 3-24: Valuation range for the Early Stage Exploration tenure using the geoscientific approach

Stage	Hectares	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Early Stage Exploration	72,531	2.69	10.19	6.44

On this basis, using the geoscientific approach as applied to the Project's Early Stage Exploration Tenure, valuation is estimated to lie between A\$2.69M and A\$10.19M, with a preferred estimate of A\$6.44M (Table 3-25).

Table 3-25: Comparison between comparable transactions analysis and geoscientific valuation of the Early Stage Exploration Tenure

Method	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Comparable transactions analysis	1.80	6.00	6.00
Geoscientific	2.67	10.16	6.42

SRK has elected to use the comparable transactions method as its primary valuation technique for the Early Stage Exploration tenure, given the current market sentiment and availability of comparable transactions information.

On this basis, the valuation as applied to the Project's Early Stage Exploration tenure is estimated to lie between A\$1.8M and A\$6.0M, with a preferred estimate of A\$6.0M (Table 3-26).

Table 3-26: Valuation range of Early Stage Exploration tenure

Stage	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Early Stage Exploration	1.8	6.0	6.0

4 Valuation Summary

Table 4-1 summarises the market value of a 100% interest in the Project's resources and tenure not considered in the cashflow model as at the effective valuation date based on Geoscientific Rating and Comparable Market Transactions.

Based on its review of the values implied by the various valuation methodologies, SRK considers the market would pay in the range A\$115M to A\$189M, with a preferred value of A\$155M for a 100% interest in the Project, as at the valuation date

Table 4-1: Valuation summary– resources and tenure not considered in the cashflow model

Stage	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Production: Resources not considered in the cashflow model	113.4	183.1	148.3
Advanced Exploration	0.18	0.43	0.31
Early Stage Exploration	1.8	6.0	6.0

4.1 Discussion on SRK's valuation range

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with early stage to advanced stage exploration assets.

The range in value is driven by the confidence limits placed around the size and grade of mineralised occurrences assumed to occur within each project area. Typically, this means that as exploration progresses and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Reserve status, there is greater confidence around the likely size and quality of the contained coal and its potential to be extracted profitably.

Table 4-2 presents a general guide of the confidence in targets, resource and reserve estimates, and hence value, referred to in the mining industry.

Table 4-2: General guide regarding confidence for target and Resource/ Reserve estimates

Classification	Estimate range (90% confidence limit)
Proven/ Probable Reserves	±5 to 10%
Measured Resources	±10 to 20%
Indicated Resources	±30 to 50%
Inferred Resources	±50 to 100%
Exploration target	+100%

This level of uncertainty with advancing project stages can be seen in Figure 4-1.

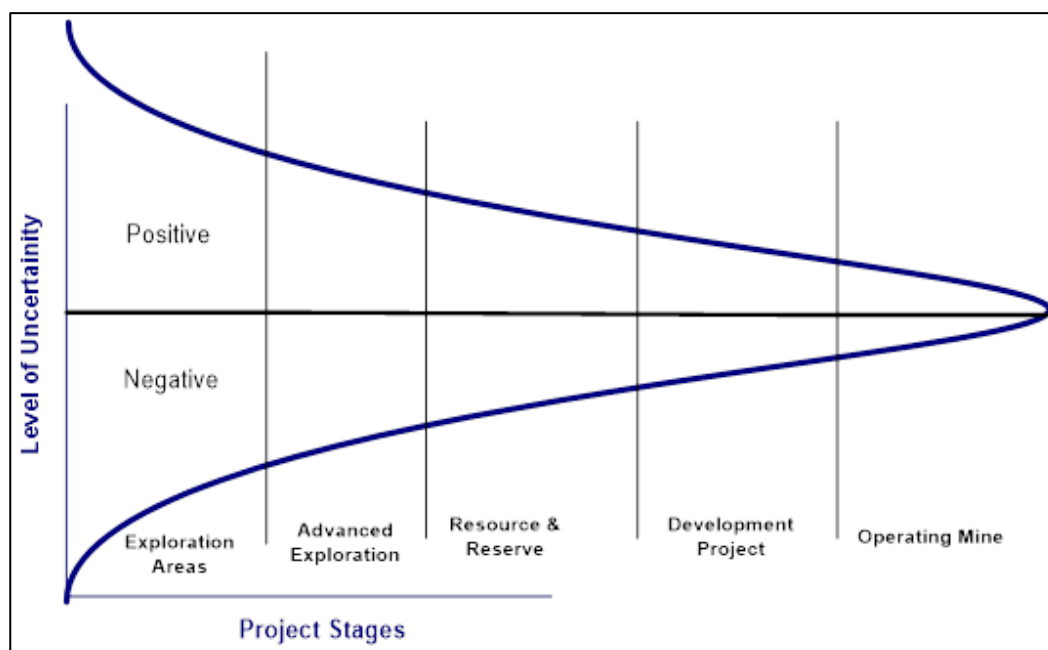


Figure 4-1: Uncertainty by advancing exploration stage

Estimated confidence of +/- 60% to 100% or more, are not uncommon for exploration areas and are within acceptable bounds, given the level of uncertainty associated with early stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality. Where possible, SRK has endeavoured to narrow its valuation range.

4.2 Valuation risks

SRK is conscious of the risks associated with valuing assets which can impact the valuation range. In defining its valuation range, SRK notes that there are always inherent risks involved when deriving any arm's length valuation. These factors can ultimately result in significant differences in valuations over time. The key risks include but are not limited to risks outlined in the following subsections.

4.2.1 Resources and Reserves

Mineral Resources and Ore Reserves prepared under the JORC Code (2012) are best estimates based on individual judgement and reliance upon knowledge and experience using industry standards and the available database. SRK deems the resource to reserve conversion to be low risk when considering the resources outside those considered in the cashflow model.

4.2.2 Mining and production risk

In SRK's opinion, the continuity of the new mining operation is dependent upon the provision of an adequate water supply and tailings storage facilities. Whilst SRK considers the risk associated with mining and processing to be very low, it considers the infrastructure risk to be moderate.

4.2.3 Environmental risk

SRK considers the environmental risk at the Project to be low, given the appropriate approvals and permits are in place.

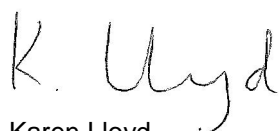
4.2.4 Land access

SRK considers the land access risk to be very low, given the status of the tenure at the valuation date.

Project Number: BDO011

Report Title: Independent Specialist Report on the Bald Hill Lithium and
Tantalum Mine, Western Australia


Compiled by



Karen Lloyd

Associate Principal Consultant

Peer Reviewed by



Jeames McKibben

Principal Consultant

SRK Report Client Distribution Record

Project Number: BDO011

Report Title: Independent Specialist Report on the Bald Hill Lithium and Tantalum Mine, Western Australia

Date Issued: 7 November 2018

Name/Title	Company
Sherif Andrawes	BDO Corporate Finance (WA) Pty Ltd
Michael Naylor	Tawana Resources NL

Rev No.	Date	Revised By	Revision Details
0	28/06/2018	David Slater / Karen Lloyd	Final Report
1	28/06/2018	Karen Lloyd	Final Report (revised)
2	24/07/2018	Karen Lloyd	Final Report (revised)
3	26/07/2018	Karen Lloyd	Final Report (revised)
4	01/08/2018	Karen Lloyd	Final Report (revised)
5	23/10/2018	Karen Lloyd	Final Report (revised)
6	07/11/2018	Karen Lloyd	Final Report (revised)

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8 November 2018

The Board of Directors
Tawana Resources NL
Level 3, 20 Parkland Road
Osborne Park WA 6017

The Board of Directors
Alliance Mineral Assets Limited
Unit 6, 24 Parkland Road
Osborne Park WA 6017

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON TAWANA HISTORICAL FINANCIAL INFORMATION, AMAL HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Tawana Resources NL (“Tawana” or the “Company”) and Alliance Mineral Assets Limited (“AMAL”) to report on the historical financial information of Tawana, the historical financial information of AMAL and pro forma historical financial information of Tawana and AMAL (the “Merged Group”) for inclusion in the supplementary scheme booklet to be dated on or about 8 November 2018 (“Supplementary Scheme Booklet”), and to be issued by Tawana, in relation to a proposal from AMAL to acquire all of the issued shares in Tawana (“the Proposed Transaction”).

This Independent Limited Assurance Report dated 8 November 2018 replaces the Independent Limited Assurance Report dated 17 August 2018 issued by Ernst & Young Transaction Advisory Services.

Expressions and terms defined in the Supplementary Scheme Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services”) holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Stephen Lomas is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Tawana Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following historical financial information:

- the historical consolidated statements of profit or loss and other comprehensive income for Tawana for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the six months ended 30 June 2018 as set out in Section 3.3 of the Supplementary Scheme Booklet;
- the historical consolidated statements of financial position for Tawana as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018 as set out in Section 3.4 of the Supplementary Scheme Booklet; and
- the historical consolidated statements of cash flows for Tawana for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the six months ended 30 June 2018 as set out in Section 3.5 of the Supplementary Scheme Booklet.

(Hereafter the “Tawana Historical Financial Information”).

The Tawana Historical Financial Information as at and for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 have been derived from the consolidated financial statements of Tawana for the respective years, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements which contained:

- an emphasis of matter on going concern on the financial statements for the year ended 31 December 2015; and
- a material uncertainty paragraph related to going concern on the financial statements for the years ended 31 December 2016 and 31 December 2017.

The Tawana Historical Financial Information as at and for the six months ended 30 June 2018 has been derived from its interim consolidated financial statements for the six months ended 30 June 2018 which were reviewed by Ernst & Young. Ernst & Young issued an unmodified limited assurance conclusion, which contained a material uncertainty paragraph related to going concern, on these financial statements.

The Tawana Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards (“AAS”).

AMAL Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following historical financial information:

- the historical consolidated statements of profit or loss and other comprehensive income for AMAL for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 as set out in Section 4.3 of the Supplementary Scheme Booklet;
- the historical consolidated statements of financial position for AMAL as at 30 June 2016, 30 June 2017 and 30 June 2018 as set out in Section 4.4 of the Supplementary Scheme Booklet; and
- the historical consolidated statements of cash flows for AMAL for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 as set out in Section 4.5 of the Supplementary Scheme Booklet.

(Hereafter the “AMAL Historical Financial Information”).

The AMAL Historical Financial Information as at and for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 have been derived from the consolidated financial statements of AMAL for the respective years, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion on the consolidated financial statements of AMAL for the year ended 30 June 2016. Ernst & Young issued unqualified audit opinions, which contained a material uncertainty paragraph related to going concern, on the consolidated financial statements of AMAL for the years ended 30 June 2017 and 30 June 2018.

The AMAL Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS.

Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the pro forma historical consolidated statement of financial position for the Merged Group as at 30 June 2018 as set out in Section 5.5 of the Supplementary Scheme Booklet.

(Hereafter the “Pro Forma Historical Financial Information”).

The Tawana Historical Financial Information, AMAL Historical Financial Information and the Pro Forma Historical Financial Information is collectively referred to as the “Financial Information”.

The Pro Forma Historical Financial Information has been derived from the historical consolidated statement of financial position of Tawana and historical consolidated statement of financial position of AMAL as at 30 June 2018 and adjusted for the effects of pro forma adjustments described in Sections 5.6 and 5.7 of the Supplementary Scheme Booklet.

The Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they occurred as at 30 June 2018.

Due to its nature, the Pro Forma Historical Financial Information does not represent the companies’ or the Merged Group’s actual or prospective financial position.

The Financial Information is presented in the Supplementary Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

The directors of Tawana are responsible for the preparation and presentation of the Tawana Historical Financial Information. The directors of AMAL are responsible for the preparation and presentation of the AMAL Historical Financial Information.

The directors of AMAL are also responsible for the preparation and presentation of the Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the historical consolidated statement of financial position of Tawana and historical consolidated statement of financial position of AMAL as at 30 June 2018 and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the respective directors determine are necessary to enable the preparation of the Tawana Historical Financial Information, AMAL Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Tawana Historical Financial Information, AMAL Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Tawana Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Tawana Historical Financial Information comprising:

- the historical consolidated statements of profit or loss and other comprehensive income for Tawana for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the six months ended 30 June 2018 as set out in Section 3.3 of the Supplementary Scheme Booklet;

- the historical consolidated statements of financial position for Tawana as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018 as set out in Section 3.4 of the Supplementary Scheme Booklet; and
- the historical consolidated statements of cash flows for Tawana for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the six months ended 30 June 2018 as set out in Section 3.5 of the Supplementary Scheme Booklet,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 3.2 of the Supplementary Scheme Booklet.

AMAL Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the AMAL Historical Financial Information comprising:

- the historical consolidated statements of profit or loss and other comprehensive income for AMAL for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 as set out in Section 4.3 of the Supplementary Scheme Booklet;
- the historical consolidated statements of financial position for AMAL as at 30 June 2016, 30 June 2017 and 30 June 2018 as set out in Section 4.4 of the Supplementary Scheme Booklet; and
- the historical consolidated statements of cash flows for AMAL for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 as set out in Section 4.5 of the Supplementary Scheme Booklet,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Supplementary Scheme Booklet.

Material Uncertainty Related to Going Concern

We draw attention to Sections 3.6 and 4.6 of the Supplementary Scheme Booklet which describes the principal conditions that raise doubt about Tawana's and AMAL's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about these entities' ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical consolidated statement of financial position for the Merged Group as at 30 June 2018, as set out in Section 5.5 of the Supplementary Scheme Booklet, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.2 of the Supplementary Scheme Booklet.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Sections 3.2, 4.2 and 5.2 of the Supplementary Scheme Booklet, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

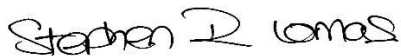
7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the Supplementary Scheme Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of the Proposed Transaction other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited



Stephen Lomas
Director and Representative

**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT
LIMITED ASSURANCE REPORT**

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$11,000 (inclusive of GST). Further amounts may be paid to Ernst & Young in accordance with its time-based charge-out rates.

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Ernst & Young undertook financial due diligence with respect to this engagement. The fee for professional services paid or payable to Ernst & Young for these services to the date of this Supplementary Scheme Booklet is approximately \$231,000 (inclusive of GST). Further amounts may be paid to Ernst & Young in accordance with its time-based charge-out rates.

Except for the fees and benefits disclosed above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the *Corporations Act 2001*.

Contacting Ernst & Young Transaction Advisory Services AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Contacting the Independent Dispute Resolution Scheme: Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08
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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

Tawana Resources NL
(ACN 085 166 721)
(Company)

NOTICE OF POSTPONED SCHEME MEETING

Notice is hereby given that by an order of the Federal Court of Australia made on 8 November 2018 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**) a meeting of the holders of ordinary shares of the Company will be held at King & Wood Mallesons, Level 30, QV1 Building, 250 St Georges Terrace, Perth, Western Australia on 27 November 2018 at 10:00am.

A copy of the Scheme was contained in the Scheme Booklet dated 20 August 2018, in which this notice is included.

A copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme is contained in the Scheme Booklet dated 20 August 2018, as supplemented by the Supplementary Scheme Booklet dated 8 November 2018.

BUSINESS OF THE MEETING

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act 2001 (Cth):

“That, in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth):

- a. the arrangement proposed between Tawana Resources NL (**Tawana**) and the holders of its ordinary shares (**Scheme**), as contained in the Scheme Booklet dated 20 August 2018 (and as more particularly described in the Scheme Booklet dated 20 August 2018 as supplemented by the Supplementary Scheme Booklet accompanying the notice convening this meeting), is agreed to; and
- b. the directors of Tawana are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the Scheme by the Court, the board of directors of Tawana is authorised to implement the Scheme with any such alterations or conditions.”

By order of the Court



Alexei Fedotov
Company Secretary

Date: 8 November 2018

EXPLANATORY NOTES:

These notes should be read in conjunction with this Notice of Postponed Scheme Meeting.

TERMINOLOGY

Capitalised terms which are defined in Section 11 of the Scheme Booklet have the same meaning when used in this Notice of Postponed Scheme Meeting (including these notes) unless the context requires otherwise.

CHAIRPERSON

The Court has directed that Mr Robert Benussi act as Chairperson of the Scheme Meeting or, failing him, Mr Mark Calderwood (unless the Tawana Shareholders at the Scheme Meeting elect some other person to act as Chairperson of the Scheme Meeting) and has directed the Chairperson to report the result of the Scheme Meeting to the Court.

MAJORITY REQUIRED

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution contained in this Notice of Postponed Scheme Meeting must be passed by:

- a. unless the Court orders otherwise, a majority in number (more than 50%) of Tawana Shareholders (other than Excluded Shareholders, if any) who are present and voting at the Scheme Meeting (either in person, by proxy, attorney or, in the case of Tawana Shareholders that are incorporated, by duly appointed corporate representative); and
- b. at least 75% of the total number of votes cast on the resolution contained in this Notice of Postponed Scheme Meeting.

The vote will be conducted by poll.

ENTITLEMENT TO VOTE

The Court has ordered that, for the purposes of the Scheme Meeting, Tawana Shares will be taken to be held by the persons who are registered as Tawana Shareholders at 10:00am on 25 November 2018. Accordingly, registrable transmission applications or transfers of Tawana Shares registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

WITHDRAWING OR REVOKING PREVIOUSLY SUBMITTED PROXY FORMS

Tawana Shareholders that have already voted are entitled to change their vote by submitting a new Proxy Form. Any Proxy Forms that have been validly lodged prior to the date of this Supplementary Scheme Booklet will be deemed valid for the Postponed Scheme Meeting unless withdrawn or revoked, provided that the Proxy Form is given by a Tawana Shareholder that continues to be a registered holder as at 10:00am on the new eligibility date of 25 November 2018. If a new Proxy Form is submitted it will be taken to revoke any previously submitted Proxy Form.

VOTING IN PERSON

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at 10:00am on 27 November 2018 at King & Wood Mallesons, Level 30, QV1 Building, 250 St Georges Terrace, Perth, Western Australia.

You will be admitted to the Scheme Meeting and given a voting card upon disclosure at the point of entry of your name and address.

If you plan to attend the Scheme Meeting, we ask that you arrive at the venue at least 30 minutes prior to the time designated for the Scheme Meeting so that we may check the number of your Tawana Shares and note your attendance.

VOTING BY PROXY

Proxy appointment – Tawana Shareholders other than SA Holders

- a. A member entitled to attend and vote may appoint a proxy.
- b. A member entitled to cast two or more votes may appoint not more than two proxies.
- c. A proxy can be an individual or a body corporate and need not be a member.
- d. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.
- e. At least 48 hours before the meeting, the Company must receive:
 - i. the proxy's appointment; and
 - ii. any authority under which the appointment was signed or a certified copy of the authority.
- f. The proxy appointment and any authority appointing an attorney can be lodged:

Online:

at www.investorvote.com.au, using the holding details as shown on the proxy form

Mail:

to Tawana Resources NL
C/- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By mobile:

by scanning the QR Code on your proxy form and follow the prompts

Custodian Voting:

for Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

Fax:

to 1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

Hand delivered:

to Tawana Resources NL
Level 3/20 Parkland Rd
Osborne Park WA 6017
Australia

VOTING BY PROXY – CERTIFICATED SA HOLDERS

Certificated SA Holders who wish to vote may complete and lodge their proxy form as follows:

Mail:

to Computershare Investor Services Proprietary Limited, P O Box 61051, Marshalltown, 2107, South Africa

Email:

to proxy@computershare.co.za

Fax:

to Computershare Investor Services Proprietary Limited on +27 11 688 5238

Hand delivered:

to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196.

Forms of proxy to be delivered or given by Certificated SA Holders must be delivered by no later than 48 hours prior to commencement of the Scheme Meeting. Forms of proxy delivered by Certificated SA Holders after this time will not be effective.

JOINTLY HELD SECURITIES

If Tawana Shares are jointly held, only one of the joint Tawana Shareholders is entitled to vote. If more than one joint Tawana Shareholder votes, only the vote of the Tawana Shareholder whose name appears first in the Register will be counted.

VOTING BY ATTORNEY

A Tawana Shareholder entitled to attend and vote at the Scheme Meeting may appoint an attorney to vote at the Scheme Meeting.

Persons who are attending as an attorney should bring the original or a certified copy of the power of attorney to the Scheme Meeting, unless it has already been noted by Tawana. A proxy will be admitted to the Scheme Meeting and given a voting card upon providing written evidence of their name and address at the point of entry to the Scheme Meeting.

The sending of a Proxy Form will not preclude a Tawana Shareholder from attending in person and voting at the Scheme Meeting. However, the Corporations Act specifies that the presence of a Tawana Shareholder at a meeting suspends his or her proxy's rights to speak and vote.

VOTING BY CORPORATE REPRESENTATIVE

To vote at the Scheme Meeting a corporation who is a Tawana Shareholder, or who has been appointed as a proxy by a Tawana Shareholder, may appoint a person to act as its representative.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment. The appointment must comply with section 250D of the Corporations Act. An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card upon providing, at the point of entry to the Scheme Meeting, written evidence of their appointment (including any authority under which it is signed), their name and address and the identity of their appointer.

COURT APPROVAL

If the resolution contained in this Notice of Postponed Scheme Meeting is approved at the Scheme Meeting by the Requisite Majority, the implementation of the Scheme (with or without modification) will be subject to, among other things, the subsequent approval of the Court.

DEMATERIALISED SA HOLDERS

Dematerialised SA Holders, including 'own name' holders, should provide their CSDP or broker with their voting instructions in the manner and subject to the cut-off time stipulated in the custody agreement governing their relationship with their CSDP or broker. If their CSDP or broker does not obtain instructions, it will be obliged to act in accordance with the instructions contained in the custody agreement governing such relationship.

Dematerialised SA Holders wishing to attend the Scheme Meeting in person should promptly contact their CSDP or broker to obtain a letter of representation to enable them to so attend. Although Dematerialised SA Holders may attend the Scheme Meeting they may not vote in person or by proxy at the Scheme Meeting. Dematerialised SA Holders should not complete the Proxy Form which accompanies this Supplementary Scheme Booklet.