

## QUARTERLY ACTIVITIES REPORT

For the quarter ended 31 December 2018

31 JANUARY 2019

### CORPORATE DIRECTORY

**Non-Executive Chairman**  
Geoff McNamara

**Managing Director**  
Mark Calderwood

**Executive Director - Operations**  
Mark Turner

**Non-Executive Directors**  
Robert Vassie  
Wei (Vicki) Xie  
Joshua Ong  
Arnold Chan

**Joint Company Secretaries**  
Alexei Fedotov  
Joanna Kiernan

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*Alliance Mineral Assets Limited (ASX: A40; SGX: 40F, **Alliance** or the **Company**) is pleased to report to shareholders its activities for the quarter ended 31 December 2018.*

### Highlights

#### Bald Hill Mine, Western Australia, Operations

##### Production

- Production of 22,724wmt of lithium concentrate, down 20% from the September 2018 quarter; impacted by low feed grade in October and November 2018.
- Grade and recovery increased significantly during December resulting in increased lithium concentrate production.
- Improved water management, lower strip ratio and improved grade in the pit seen during December 2018 has continued to date for January 2019.
- Shipments of 22,370dmt lithium concentrate achieved during the quarter.
- Stockpiles of 18,795wmt lithium concentrate at quarter end and ~32,000wmt as at 29 January 2019
- 23,000dmt lithium concentrate committed to be shipped early February 2019.
- Recovery of 32,700lbs of saleable Ta<sub>2</sub>O<sub>5</sub>, down 9.4% from the September 2018 quarter.
- Parcels containing approximately 51,000 Lbs Ta<sub>2</sub>O<sub>5</sub> shipped during the quarter.
- Bald Hill currently produces high quality lithium (+6% Li<sub>2</sub>O, <0.5% Fe, <0.5% mica) and tantalum (+30% Ta<sub>2</sub>O<sub>5</sub>) concentrates.
- Production Cash Costs<sup>1</sup> for the Quarter were approximately A\$1,152 (US\$824) per tonne of lithium concentrate produced.

##### Stage 2 Plant Upgrade – Fines Circuit

- Work continuing to schedule with commissioning of Fines Circuit expected to commence during the September 2019 Quarter.
- Detailed design progressing, ordering of long lead items commenced.
- Targeting increased combined throughput to 300tph and recovery of 72-80%.

##### March 2019 Quarter Outlook

- Concentrate production to 29 January 2019 approximately 13,266wmt grading 6.16% Li<sub>2</sub>O.
- Production guidance of 65,000 to 80,000 tonnes of lithium concentrate for the six months between January and July 2019.
- Offtake negotiations for the remaining 50% of long-term production expected to be substantively completed during the March 2019 Quarter.

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<sup>1</sup> Cash costs per wmt of spodumene concentrate produced is a non-IFRS measure of the direct costs incurred net of tantalum by-product credit value produced, net of waste deferral costs and excluding royalties.

## Corporate

### Merger with Tawana Resources NL (“Tawana”)

- AMAL Admitted to the Official List of the ASX on 5 December 2018.
- Merger with Tawana implemented on 14 December 2018 following Tawana Shareholder and Federal Court of Australia approval (“**Merger**”).
- Following implementation of the Merger, Alliance board restructured with Pauline Gately, Shaun Menezes, Mahtani Bhagwandas and Chan Chiu Eddy resigning as Directors.
- Robert Vassie, Vicki Xie, Geoffrey McNamara and Chan Ming Fai (Arnold) were appointed to the Board as Non-Executive Directors.
- Experienced mining executives Mark Calderwood and Mark Turner appointed as Managing Director and Executive Director – Operations respectively.

### Changes to Long Term Offtake Agreements

- The Company’s Lithium Offtake Agreements were amended effective 14 January 2019 to, amongst other things, provide for a market linked pricing mechanism, removal of the exclusivity and pre-emptive right, allowing Alliance to diversify its customer base and providing for a maximum and minimum tonnage commitment for 2019 – 2022.
- Repayments of outstanding interest free offtake prepayments (US\$8.8m)<sup>2</sup> frozen until 2021.
- Offtake prepayments remain interest free and repaid at the rate of 15% of the value of each lithium concentrate shipment from 1 January 2021 until repaid.

### Funding

- Tawana secured a A\$40 million funding package from a consortium of lenders led by Tribeca Investment Partners to strengthen the balance sheet. Comprised of:
  - A\$20 million secured debt facility, proceeds received in November 2018; and
  - Additional secured A\$20 million line of credit.

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<sup>2</sup> As at the date of the Amended Lithium Offtake Agreement

## Bald Hill Mine (Alliance 100%)

The Bald Hill Lithium and Tantalum Mine (**Bald Hill Mine**) is located 50km south east of Kambalda in the Eastern Goldfields region of Western Australia. The Project comprises mining tenure totalling 774km<sup>2</sup>.

### Safety and Environment

Safety management continued to be strengthened during the quarter with the implementation of control systems for incident and injury management. Workplace inspections and leadership walks were conducted in line with site schedules.

The 12-month moving average Total Recordable Injury Frequency Rate (**TRIFR**) for the mine is 0.77 (up 0.10 due to a recordable Medically Treated Injury that occurred in September).

### Mining

Mining during the December 2018 quarter occurred in Stages 1, 2 and 3 of the pit with ore supply coming from Stages 1 and 2. Mining continued at a rate of approximately 748kbcm per month for a total of 2.2mbcm of material including 309,024 tonnes of lithium ore at 0.78 % Li<sub>2</sub>O and 204 ppm Ta<sub>2</sub>O<sub>5</sub>. An additional 40,699wmt of low-grade tantalum ore grading 235 ppm Ta<sub>2</sub>O<sub>5</sub> was also mined.

Mining vertical advance rates continued to be less than targeted resulting in lower than expected ore volumes particularly during November 2018. The implementation of 10 metre blasting in the ore zones along with other improvements to the drill and blast and mine dewatering procedures during the December 2018 quarter will continue to improve mining rates. Mining in stage 1 has passed through a narrow portion of the ore zone where the strip ratio averaged 24:1 for October and November 2018. The strip ratio for the month of December 2018 and the first 23 days of January 2019 has dropped significantly averaging 6.4:1 with a total of 96,000 tonnes of lithium ore being mined averaging 0.8 % Li<sub>2</sub>O. Long term average strip ratios are planned to be 11.5:1 for 2019 and drop to 4.4:1 for 2020.

Source	Units	September 2018 Quarter	December 2018 Quarter	Movement
Waste BCM's	<i>bcm</i>	2,171,246	2,110,659	-3%
Total Mined BCM's	<i>bcm</i>	2,318,770	2,242,629	-3%
Strip Ratio	<i>W:O</i>	14.7	16.0	+9%
Ore Tonnes (Lithium)	<i>wmt</i>	292,428	309,024	+6%
Ore Tonnes (Tantalum)	<i>wmt</i>	98,510	40,699	-59%
Mined Lithium Grade	<i>%Li<sub>2</sub>O</i>	0.90%	0.78%	-13%
Ore Grade (Tantalum)	<i>ppm</i>	284	235	-17%

### Processing

Processing during the December 2018 quarter resulted in a total of 329,609 tonnes of lithium and tantalum ore at 0.74% Li<sub>2</sub>O and 203ppm Ta<sub>2</sub>O<sub>5</sub> being fed to the plant. From the plant feed, 68,302 tonnes of -1mm fines were stockpiled after removal of 78.5 tonnes of tantalum concentrate containing about 32,708lbs of saleable Ta<sub>2</sub>O<sub>5</sub>. The remaining 261,307 tonnes grading 0.79 % Li<sub>2</sub>O were processed through the DMS circuit for recovery of 22,724 wmt of spodumene concentrate. Lithium recovery was approximately 57% (net 66%, taking into account unprocessed fines). The lower feed grade and recovery was primarily due to a total of 56,380 tonnes of low grade tantalum ore being fed during October and November due to the lack of lithium ore. The lower grade tantalum ore was partially weathered and contained altered spodumene.

Grade and recovery increased significantly during the month of December with increased lithium concentrate production. The average feed grade for December was 0.84% Li<sub>2</sub>O (0.92% Li<sub>2</sub>O excluding unprocessed fines) and lithium recovery was 65% (74% excluding fines).

	Units	September 2018 Quarter	December 2018 Quarter	Movement
Processed Tonnes (Gross) of Lithium and Tantalum ore	wmt	337,287	329,609	-2%
Lithium Grade	%Li <sub>2</sub> O	0.82	0.73	-11%
Processed Tonnes (Net of unprocessed stockpiled fines and middlings) of Lithium and Tantalum ore	wmt	239,253	261,385	+9%
Lithium DMS Feed Grade	%Li <sub>2</sub> O	0.94	0.79	-16%
Lithium Concentrate Produced	wmt	28,419	22,724	-20%
Recovery (gross) (including stockpiled fines)	%	62	57	-8%
Recovery (net) (excluding stockpiled fines)	%	74	66	-11%
Tantalite Produced	Lbs	36,100	32,708	-9%
Throughput (Gross)	tph	202	207	+2%

The Bald Hill Mine currently produces a high quality spodumene concentrate containing **+6% Li<sub>2</sub>O**, **<0.5% Fe**, **<0.5% mica**, **<3% H<sub>2</sub>O**, **<1% K<sub>2</sub>O** and >99% of concentrate greater than 1mm.

A total of 78.5 wmt of tantalum pre-concentrate containing 32,700 lbs of Ta<sub>2</sub>O<sub>5</sub> was recovered from fines through the spirals circuit. Commissioning of two tables to upgrade spiral concentrates resulted in the production of concentrates containing 15-40% Ta<sub>2</sub>O<sub>5</sub> on site. Work continued to be undertaken at Nagrom Mineral Laboratory in Perth to upgrade pre-concentrates. To date 2 shipments totalling 40dmt grading approximately 30% Ta<sub>2</sub>O<sub>5</sub> have been exported to H.C. Starck Tantalum and Niobium GmbH (**H.C. Starck**) in Germany.

### Stage 2 Plant Upgrade - Fines Circuit

Work on the Front End Engineering Design (**FEED**) works for Stage 2 of the plant upgrade, which involves lowering the Dense Media Separation (**DMS**) bottom size from 1mm to 0.5mm, is continuing to schedule. The overall effect of this expansion phase will be an increase in plant processing capacity from the current 220tph to 300tph.

The flowsheet and equipment selection for the new fines plant has been finalised, and ordering of long lead mechanical equipment items has commenced. It is expected that commissioning of the fines circuit will commence in the first half of the third quarter of 2019.

### Sales and Marketing

During the quarter, Tawana and Alliance sold a total of 22,370dmt of spodumene concentrate to offtake partner Burwill Lithium Company Limited.

As reported in Tawana's September 2018 quarterly, Tawana and Alliance completed the sale of low-grade tantalum concentrate produced by the Bald Hill Mine between April and July 2018 to Global Advanced Metals Greenbushes Pty Ltd

(GAM) under a one off sales contract during the December 2018 quarter. A total of 340dmt tonnes of tantalum concentrate at 3.13% Ta<sub>2</sub>O<sub>5</sub> was sold to GAM.

As reported in Tawana's September 2018 quarterly, Tawana and Alliance agreed to sell approximately 23 dmt (50% each) of high-grade tantalum concentrate (approximately 30% contained Ta<sub>2</sub>O<sub>5</sub>) to H.C. Starck. A total of 40dmt of high grade tantalum concentrate grading in excess of 30% contained Ta<sub>2</sub>O<sub>5</sub> was shipped during the quarter to H.C. Starck.

It is anticipated that sales of tantalum concentrate will continue to be sold to H.C. Stark on an ad hoc basis while discussions with H.C. Starck in relation to a long-term offtake for the high-grade tantalum concentrate production from Bald Hill Mine progress.

### Restructure of Offtake

As announced on 15 January 2019 Alliance and its subsidiary Lithco No.2 Pty Ltd (**Lithco**) have each agreed with Burwill Lithium Company Limited (**BLCL**) and its parent company Burwill Holdings Limited (**Burwill Holdings**) that BLCL will transfer its rights and obligations as the buyer under their respective long-term offtake agreements (**Lithium Offtake Agreements**) to Jiangxi Bao Jiang Lithium Industrial Limited (**JBIL**). JBIL is owned 50:50 by BLCL and Jiangte Special Electric Motor Co., Ltd (**Jiangte**).

The Lithium Offtake Agreements were also amended effective 14 January 2019 (**Amended Lithium Offtake Agreements**), Key changes were:

- Transferring the Lithium Offtake Agreements to JBIL indicates strong support for the Bald Hill Mine from Jiangte which is increasing its lithium concentrate conversion capacity as it moves towards becoming a significant player in the downstream processing market in China
- Amended Lithium Offtake Agreements provide for a market-linked pricing mechanism, with lower and upper limits of US\$680/tonne and US\$1080/tonne respectively (FOB 6% Li<sub>2</sub>O), for the remaining term ending on 31 December 2022.
- Remaining 18,000dmt from 2018 production will be purchased by JBIL at the 2018 fixed price of US\$880 per dmt FOB at 6% Li<sub>2</sub>O. ETA for shipping is end of January 2019.
- Exclusivity and pre-emptive right have been removed from the Lithium Offtake Agreements, allowing Alliance to diversify its customer base.
- Maximum commitment for concentrate supply under the Amended Lithium Offtake Agreements is 100,000 tonnes in 2019 (minimum 80,000 tonnes) and 140,000 tonnes for each year between 2020 and 2022 (minimum 100,000 tonnes).
- Alliance is seeking new offtake partners to purchase remaining Stage 1 lithium and Stage 2 lithium concentrate production. Offtake interest has been strong as there is limited uncommitted, high quality, spodumene available from producers for 2019.

- Repayments of outstanding interest free offtake prepayments (US\$8.8million)<sup>3</sup> frozen until 2021. Offtake prepayments remain interest free and repaid at the rate of 15% of the value of each lithium concentrate shipment from 1 January 2021 until repaid.

### Costs

Production Cash Costs<sup>4</sup> for the December 2018 quarter were approximately A\$1,152 (US\$824) per tonne of spodumene concentrate produced. Projected production cash costs are forecast to reduce significantly as the pit establishes and accesses higher grade ore at lower strip ratios as show in the table below.

Further information regarding costs and revenue will be included in the Company's Quarterly Financial Statements scheduled to be announced by 14 February 2019 in accordance with SGX Catalist Rule 705(2).

### Revised Mining Schedule for 2019 and 2020

A revised medium-term mining schedule for 2019 and 2020 has been completed to accommodate increased ore processing rates expected in the third quarter of 2019 as a result of the completion of the Stage 2 plant upgrade. The key metrics detailed below for 2019 and 2020 represent the current medium-term forecast based on the current mining and processing schedules, which may be subject to change during the period.

	2019	2020	Total/Avg
Waste Mined	27.5Mt	13.1Mt	40.6Mt
Strip Ratio W:O	11.5	4.4	7.5
Ore Mined	2.4Mt	3.0Mt	5.4Mt
Ore Processed	1.8Mt	2.1Mt	3.9Mt
SC6% Produced (6% Li <sub>2</sub> O), tonnes	180,000	240,000	420,000
Concentrate Produced (Ta <sub>2</sub> O <sub>5</sub> ), Lb	330,000	470,000	800,000
Operating cost/tonne SC6% AUD <sup>(1)</sup>	800	550	657
Operating cost/tonne SC6% USD <sup>(2)</sup>	585	400	480

- 1) Estimated total operating costs per tonne of spodumene concentrate (SC6%). All mining, processing, haulage, port and administrative costs after tantalum by-product credits. No allowances made for stockpiles or pre-strip capital adjustments. These are a non-IFRS measure of the direct costs incurred.
- 2) USD:AUD exchange rate of 0.73:1.0 assumed.
- 3) Sustaining capital expenditure not included, however this is estimated as a total of A\$8.3million over the two years.

Total Lithium Ore Reserves as stated at 6 June 2018 are 11.3Mt of lithium ore at 1.01% Li<sub>2</sub>O and 160ppm Ta<sub>2</sub>O<sub>5</sub>. Tantalum Ore Reserves stated at 6 June 2018 are 2.0Mt at 313ppm Ta<sub>2</sub>O<sub>5</sub>.

<sup>3</sup> As at the date of the Amended Lithium Offtake Agreement.

<sup>4</sup> Cash costs per wmt of spodumene concentrate produced is a non-IFRS measure of the direct costs incurred net of tantalum by-product credit value produced, net of waste deferral costs and excluding royalties.

## Exploration

Limited exploration work was undertaken during the quarter. Detailed infill and extensional drill programs have been designed and expressions of interest from drill contractors have been received.

## Corporate

### Merger with Tawana Resources NL (“Tawana”)

On 5 April 2018, Alliance announced a merger with Tawana by way of a Tawana members’ scheme of arrangement (**Scheme**) pursuant to which, Alliance would acquire all Tawana shares and Tawana shareholders would receive 1.1 new Alliance shares for every 1 Tawana share held at the Scheme record date (**Merger**). Tawana and Alliance entered into a Scheme Implementation Agreement (as amended on 9 July 2018) which documented the terms of the Merger.

The Merger was effected on 14 December 2018, following approval of the Scheme by members of Tawana on 27 November 2018 and by the Federal Court of Australia on 3 December 2018.

Following implementation of the Scheme, Pauline Gately, Shaun Menezes, Mahtani Bhagwantas and Chan Hun Chiu Eddy have resigned as Directors of the Company with immediate effect.

The Company subsequently appointed Geoff McNamara as Non-Executive Chairman, Mark Calderwood as Managing Director, Mark Turner as Executive Director – Operations and Non-Executive Directors Robert Vassie, Wei (Vicki) Xie, Joshua Ong and Arnold Chan.

### Listing on the Australian Securities Exchange (“ASX”)

Pursuant to the Merger with Tawana Resources NL, the Company sought admission to the official list of the ASX. In late November a prospectus was lodged with the Australian Securities and Investment Commission, and on 5 December 2018 the Company was admitted to the Official list of the ASX and its shares commenced trading.

### Debt Funding Package

In September 2018, Tawana secured a A\$40 million funding package from a consortium of lenders led by Tribeca Investment Partners to strengthen balance sheet liquidity and to facilitate the ASX listing of Alliance following the Merger. The funding package comprised the following:

- A\$20 million secured debt facility which was subsequently drawn down in November 2018; and
- Additional secured A\$20 million line of credit, now available for draw down<sup>5</sup> following Alliance’s ASX listing and implementation of the Merger.

### Cash Position and Movements

As at 31 December 2018, Alliance held \$13.1million in cash (Sep 2018: \$11.4million).

For further movements in cash during the December 2018 Quarter, refer to the Appendix 5B.

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<sup>5</sup> Subject to customary draw down conditions

## About the Bald Hill Mine

The Bald Hill Mine is in the southeast of the Goldfields-Esperance Region of Western Australia, approximately 105km south-southeast of Kalgoorlie. Kalgoorlie is the main hub in the region providing access to the Project which can be accessed from Perth by air, rail and road.

The principal road access to the Project is via the (sealed) Coolgardie-Esperance Highway (National Highway 94), and then the Binneringie Road from Widgiemooltha, a distance of 65km of unsealed shire road. The Project is approximately 350km by road from the Port of Esperance.

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

### Alliance Mineral Assets Limited Mining Tenements (as at 31 December 2018)

Tenement	Location	Registered Owner	Structure and Ownership*
<b>Bald Hill Mine</b>			
M15/400	Western Australia	Alliance Mineral Assets Limited	100%
M15/1470	Western Australia	Alliance Mineral Assets Limited	100%
M15/1305	Western Australia	Alliance Mineral Assets Limited	100%
M15/1308	Western Australia	Alliance Mineral Assets Limited	100%
M15/1840 (application)	Western Australia	Alliance Mineral Assets Limited	100%
M15/1851 (application)	Western Australia	Alliance Mineral Assets Limited	100%
G15/28	Western Australia	Alliance Mineral Assets Limited	100%
P15/5862	Western Australia	Alliance Mineral Assets Limited	100%
P15/5863	Western Australia	Alliance Mineral Assets Limited	100%
P15/5864	Western Australia	Alliance Mineral Assets Limited	100%
P15/5865	Western Australia	Alliance Mineral Assets Limited	100%
R15/1	Western Australia	Alliance Mineral Assets Limited	100%
E15/1058	Western Australia	Alliance Mineral Assets Limited	100%
E15/1212	Western Australia	Alliance Mineral Assets Limited	100%
E15/1161	Western Australia	Alliance Mineral Assets Limited	100%
E15/1162	Western Australia	Alliance Mineral Assets Limited	100%
E15/1166	Western Australia	Alliance Mineral Assets Limited	100%
E15/1353	Western Australia	Alliance Mineral Assets Limited	100%
E15/1066	Western Australia	Alliance Mineral Assets Limited	100%
E15/1067	Western Australia	Alliance Mineral Assets Limited	100%
E15/1492	Western Australia	Alliance Mineral Assets Limited	100%
E15/1493	Western Australia	Alliance Mineral Assets Limited	100%
E15/1555	Western Australia	Alliance Mineral Assets Limited	100%
E15/1556	Western Australia	Alliance Mineral Assets Limited	100%

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

Mining Tenements acquired: Nil

Mining Tenements disposed: Nil

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

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



### Competent Persons Statement

The Ore Reserves underpinning the Mine Schedule has been prepared by a Competent Person in accordance with the JORC Code (2012) edition and was released by the Company on SGX and by Tawana Resources NL on ASX on 6 June 2018 in an announcement titled “Lithium Ore Reserve Increase of 105% at Bald Hill” and further released in the Company’s Independent Qualified Person’s Report on SGX on 10 August 2018 and updated on 16 August 2018 and is available at [www.allianceminerals.com.au](http://www.allianceminerals.com.au) and [www.asx.com.au](http://www.asx.com.au) and <http://www.sgx.com>. Alliance confirms that it is not aware of any new information or data that materially affects the information included in the original announcements and, in the case of the Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

### Forward Looking Statements

This announcement contains certain forward-looking statements and projections including regarding estimated resources and reserves, production and operating costs profiles, capital requirements and strategies and corporate objectives. Such forward-looking statements/projections are estimates and should not be relied upon as a representation or warranty, express or implied, of Alliance. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of Alliance. The forward-looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

While the information contained in this announcement has been prepared in good faith, neither Alliance nor any of its directors, officers, agents, employees or advisors make any representation or given any warranty, express or implied as to the fairness, accuracy or completeness of the information or for any of the opinions contained in this presentation or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of the information in this announcement. Alliance disclaims any obligation to update or revise any forward-looking statements based on new information, future events or otherwise except to the extent required by applicable laws.

### Glossary

These definitions are provided to assist persons in understanding some of the expressions used in this announcement.

bcm	Bank cubic meters
DMS	Dense media separation
dmt	Dry metric tonnes
FOB	Free on Board
kbcm	Thousand bench cubic metres
Li <sub>2</sub> O	Lithium oxide
mbcm	Million bank cubic metres
Mt	Million tonnes
ppm	Parts per million
SC6%	6% Li <sub>2</sub> O spodumene concentrate
Sustaining Capital	Periodical investment of capital into the business to maintain current level of operations
Ta <sub>2</sub> O <sub>5</sub>	Tantalum pentoxide
tpa	Tonnes per annum
tpd	Tonnes per day
tph	Tonnes per hour
wmt	Wet metric tonnes
W:O	Waste to Ore ratio