



**Alita Resources Limited**  
**(Subject to Deed of Company Arrangement)**

ACN 147 393 735

**Addendum to Expert Report**

17 February 2020

## 1 Introduction

We refer to our Expert Report dated 14 January 2020.

We have prepared this addendum to the Expert Report ('Expert Report Addendum') to provide shareholders with:

- Revised and updated figures regarding the asset and Total Indebtedness position of the Group, given changes to the expected timetable
- Clarification regarding the previous treatment of, and updated analysis removing, the Early Repayment Fee

These updates and this Expert Report Addendum do not change our opinion as set out in the Expert Report.

This Addendum should be read in conjunction with the Administrators' report dated 9 December 2019 and the Expert Report.

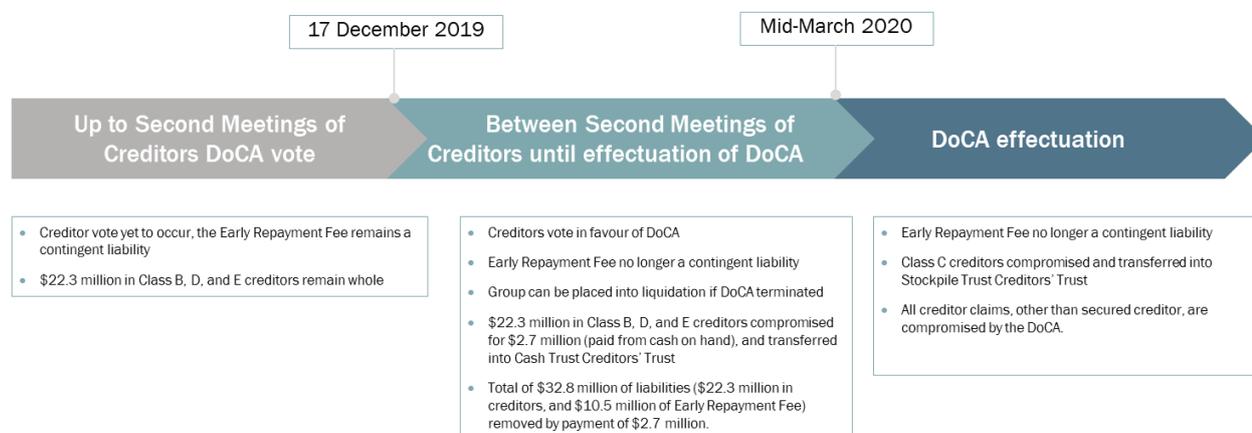
### 1.1 Context for current position

The Group is presently 'part-way' through the effectuation steps of the DoCA in that some but not all of the conditions have been satisfied. Accordingly, the Expert Report and this Expert Report Addendum show a potential liquidation outcome that was not available to creditors at the time of the Second Meetings of Creditors.

This position is driven by, critically:

- The Class B, Class D, and Class E creditor claims having already been compromised and transferred to the Cash Trust Creditors' Trust
- The Early Repayment Fee being likely no longer payable, having likely fallen away on the passing of the votes in favour of the CHEL/Liatam DoCA at the Second Meetings of Creditors (discussed further below).

A timeline of the changes is shown below:



The above two points in isolation have improved the net position of the Group by circa \$30.1 million from the liquidation scenario presented to creditors at the Second Meetings of Creditors and calculated as:

**Table 1 – Improvement to net position of the Group**

Item	Amount (\$ million)
Creditor claims already compromised by the DoCA (adjusted in Expert Report)	22.3
Payment to Cash Trust Creditors' Trust to compromise claims (adjusted in Expert Report)	(2.7)
Early Repayment Fee likely no longer applicable (adjusted in Expert Report Addendum)	10.5
<b>Net change</b>	<b>30.1</b>

## 1.2 Early Repayment Fee – clarification

In our report to creditors dated 9 December 2019 as well as in our Expert Report dated 14 January 2020, we discussed the Administrators' Loan and its key features, including the Early Repayment Fee of \$10.5 million.

The Early Repayment Fee was payable if the DoCA resolutions were not passed at the Second Meetings of Creditors. Accordingly, the inclusion of the Early Repayment Fee in our liquidation analysis for the purposes of our 439A Report was and remains correct, as creditors were required to decide between voting in favour of the DoCA or placing the Group into liquidation (which would trigger the Early Repayment Fee).

However, it is likely that since creditors voted in favour of the DoCA at the Second Meetings of Creditors, the Early Repayment Fee is no longer payable. As such, the Early Repayment Fee should have been excluded from the Total Indebtedness for the purposes of the analysis included in our Expert Report. We have updated this in the Total Indebtedness below.

Notwithstanding the inclusion of the Early Repayment Fee in the analysis in our Expert Report, our opinion remains the same and is discussed below.

## 1.3 Repayment date for Administrators' Loan

The Administrators' Loan was repayable on 13 February 2020, being a date by which we originally expected the DoCA to have effectuated. With changes to the timetable, we requested that CHEL extend the repayment period to 31 March 2020.

CHEL has informed us that:

- It is not prepared to extend the repayment period – meaning the loan is currently in default
- It is levying default interest (now at a rate of 7% per annum)
- It is nonetheless prepared to forbear from enforcing its rights under the loan agreement to:
  - appoint receivers and managers
  - take possession of the secured assets
  - declare the whole of the outstanding monies immediately due and payable, and demand immediate repayment, until 6 March 2020.

## 2 Opinion – with revised analysis

We have prepared the below revised analysis to:

- remove the Early Repayment Fee from the post-Second Meetings of Creditors liquidation analysis; and
- make immaterial adjustments to the accrued loan position and the cash balance given the extension of time.

While the Total Indebtedness of the Group has reduced by the amount of the Early Repayment Fee and associated interest charges, the Group's Total Indebtedness on a pooled basis remains in excess of the value range of its assets.

Consequently, our opinion remains the same that the Company's shares in a liquidation scenario have nil value.

### 2.1 Valuation summary

Set out in the below revised table (original table provided in section 2.1 of our Expert Report) is a summary of the valuation range of the Group's assets on a pooled basis. Items in red text indicate amended numbers. This analysis was discussed further at section 9.3 of our Expert Report.

**Table 2 – Summary of Group's assets**

Asset	Value		
	Low	High	Preferred
<b>Circulating assets</b>			
Cash	2.26	2.26	2.26
Receivables	-	-	-

Inventory	16.90	22.70	19.80
<b>Total circulating assets</b>	<b>19.16</b>	<b>24.96</b>	<b>22.06</b>
<b>Non-circulating assets</b>			
Bald Hill Project – includes Residual Resource	22.30	37.60	29.90
Bald Hill – Exploration Asset	1.10	4.80	2.90
Interest in Cowan Lithium	0.20	0.20	0.20
<b>Total non-circulating assets</b>	<b>23.60</b>	<b>42.60</b>	<b>33.00</b>
<b>Other assets</b>			
Antecedent transactions	-	1.00	0.50
<b>Total other assets</b>	<b>-</b>	<b>1.00</b>	<b>0.50</b>
<b>Total assets</b>	<b>42.76</b>	<b>68.56</b>	<b>55.56</b>

Total assets have decreased c. \$0.8 million from our Expert Report, as a result of the decrease in cash as the timeline to effectuate the DoCA has been extended. Again, and as set out in our Expert Report, the valuations set out above do not include a distressed sale discount which arguably should be applied for a liquidation sale and would further reduce the values set out above.

### 2.1.1 Receivables

The receivables included as collectable in the Expert Report have been received.

### 2.1.2 Cash

Set out in the below table is a summary of the estimated cash available, based on current cash at bank and estimated future cash outflows.

**Table 3 – Estimated cash available**

(\$ million)	Value		
	Low	High	Preferred
Cash at bank at 13 February 2020	4.97	4.97	4.97
Estimated future receipts from Receivers	0.04	0.04	0.04
<b>Total cash<sup>1</sup></b>	<b>5.02</b>	<b>5.02</b>	<b>5.02</b>
Less estimated future DoCA payments:			
DoCA trading costs <sup>2</sup>	(1.00)	(1.00)	(1.00)
Deed Administrators' fees <sup>3</sup>	(1.42)	(1.42)	(1.42)
Legal fees <sup>4</sup>	(0.33)	(0.33)	(0.33)
<b>Net cash available</b>	<b>2.26</b>	<b>2.26</b>	<b>2.26</b>

Notes:

- Total may not sum due to rounding.
- Future trading costs have been refined based on actual expenditure to date.
- Estimated Deed Administrators' remuneration has increased due to additional and expanded workstreams required in relation to the Section 444GA application, including meeting requirements of SGX and shareholders.
- Estimated legal fees have increased due to additional and expanded workstreams required in relation to the Section 444GA application, including meeting requirements of SGX and shareholders.

## 2.2 Total Indebtedness

To assist us determine whether the Company's shares have any value, the Group's Total Indebtedness in a liquidation scenario is required to be calculated. This calculation has been undertaken under a pooled scenario, given the deed of cross guarantee entered into by the Group companies. The calculation also includes contingent liabilities which have yet to crystallise including employee entitlements for employees who would be terminated in a liquidation scenario, plus liquidators' trading costs and liquidators' remuneration and disbursements.

For the avoidance of doubt, the Total Indebtedness excludes the Receivers' remuneration, disbursements, trading costs and legal costs as they have been set off against the cash at bank.

The key change to Total Indebtedness from the Expert Report is the exclusion of the Early Repayment Fee as the trigger for this contingent liability likely fell-away with creditors voting in favour of the DoCA at the Second Meetings of Creditors.

The Total Indebtedness on a pooled basis is provided in the below table, and the assumptions adopted to calculate the Total Indebtedness were listed at section 5.1 of our Expert Report. Items in red text are to highlight numbers that have changed from our Expert Report.

**Table 4 – Total Indebtedness**

Liability (\$ million)	Low	High	Preferred
Administrators' loan <sup>1</sup>	49.96	49.96	49.96
Liquidators' remuneration and disbursements	2.12	2.12	2.12
Liquidators' trading costs	1.59	1.59	1.59
Employee entitlements	0.43	0.43	0.43
Unsecured creditors <sup>2</sup>	46.50	22.70	32.00
<b>Total Indebtedness</b>	<b>100.60</b>	<b>76.80</b>	<b>86.10</b>

Notes:

1. Loan balance recalculated on default rates and translated at 0.67 USD:AUD. Interest calculated to 30 June 2020 in line with rationale set out in Section 5.1 of the Expert Report.
2. Unsecured creditors balance consists of only the uncompromised creditors, being the Class C Creditors.

Total Indebtedness has decreased by \$10.06 million since our Expert Report due largely to the exclusion of the Early Repayment Fee.

## 2.3 Opinion

In our opinion, the Group's Total Indebtedness range of \$76.80 million to \$100.60 million (preferred Total Indebtedness of \$86.10 million) on a pooled basis materially exceeds the value range of its assets, being \$42.76 million to \$68.56 million (preferred valuation \$55.56 million). It is important to note that at the time of the Second Meetings of Creditors, the Total Indebtedness was \$30.1 million higher than above (see calculation in Table 1) due to Class B, D, and E having not yet been compromised and therefore the level of Total Indebtedness would be even higher had the DoCA only compromised these claims on effectuation of the DoCA.

Therefore, our opinion remains unchanged from the Expert Report and the Company's shares in a liquidation scenario have nil value.

This deficiency is provided in the following table.

**Table 5 – Asset Deficiency on a pooled basis**

(\$ million)	Low	High	Preferred
Total Assets	42.76	68.56	55.56
Total Indebtedness	(100.60)	(76.80)	(86.10)
<b>(Deficiency)</b>	<b>(57.85)</b>	<b>(8.25)</b>	<b>(30.55)</b>

Dated: 17 February 2020



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