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ASX RELEASE

25 January 2018

Activity Report for the Quarter ended December 2017

Lithium Power International Limited (ASX: LPI) ("LPI" or "the Company") is pleased to submit this Quarterly Activity Report for the period ended 31 December 2017.

HIGHLIGHTS

- Outstanding economic outcomes announced from the Preliminary Economic Assessment (PEA) for the Maricunga Lithium Brine project in northern Chile. These included an ungeared IRR of 23.4% and a project NPV of US$1.05 billion before tax, at an 8% discount rate and based on a project life of 20 years.
- Forecast project operating costs would place Maricunga among the most efficient global lithium producers, with lithium carbonate production costs of US$2,938 per tonne FOB, reducing to US$2,635/t with credits from a potassium chloride fertiliser (KCl) by-product.
- Process test work for Maricunga continues, with final results of the first LCE production pending, using expert equipment suppliers Veolia and GEA to optimise the lithium extraction process.
- Site visits to Maricunga were conducted with several groups of investment analysts. Canaccord, Sprott Asset Management and other analysts now cover LPI as progress is made towards completing a feasibility study due in Q3 2018.
- A non-binding MOU with Chinese motor vehicle manufacturer Sichuan Fulin Industrial Group Co Ltd (Fulin) has been executed for potential project equity participation and off-take agreement. A technical and legal due diligence process has been conducted by Fulin which was completed in January 2018. Further discussions are to be held in February 2018.
- LPI's and MSB's boards have approved advancing the project to a Definitive Feasibility Study.
- The company successfully raised A$35.6 million. This comprised a heavily over-subscribed A$15m offering to new institutional, existing and sophisticated investors fully underwritten by Canaccord Genuity (Australia) Limited, in conjunction with a fully underwritten placement of approximately A$20.6m via the exercise and underwriting of the listed LPIO options which had an exercise price of A$0.55 each.
- A contract was finalised with Centenario Lithium Limited to buy the Centenario lithium project in Argentina for A$4 million in cash. The sale included a 1.5% gross royalty on future production to LPI. An initial A$1 million has been received, with the balance to be paid at completion of the transaction on or before 30 April 2018. The purchaser may elect to pay the balance in a combination of cash and shares, which will attract a A$250,000 premium on the total purchase price to total A$4.25 million.

MARICUNGA
CHILE JOINT VENTURE COMPANY MINERA SALAR BLANCO (MSB)

Preliminary Economic Assessment released for the Maricunga Lithium Brine Resource

A Preliminary Economic Assessment has confirmed that the Maricunga project is highly attractive from an investment point of view, with an IRR of 23.4% and a project NPV, at an 8% discount rate, of US$1.049 billion, both on an un-geared basis (Table 1). The project is expected to produce at a very competitive lower quartile cost of US$2,635/t of lithium carbonate, net of potassium chloride (KCl) fertiliser credits. Prior to the potassium chloride production commencing in approximately year three of operations, the operating cost will initially be US$2,938/t lithium carbonate (Table 2).

Table 1: Financial model summary information (%)

NPV discount rate	**Before tax** US$m	**After tax** US$m
NPV 6%	1,425	1,013
NPV 8%	1,049	731
NPV 10%	770	521
IRR	23.4	20.4
Project payback	2 year 11 months	3 years 3 months

Table 2: Maricunga summary of operating costs per tonne (excluding KCl)

Operating Cost	**Li_2CO_3** US$/tonne	**KCl** US$/tonne	**Total** US$ '000
Direct Costs			
Chemical Reactives and Reagents	925	17	19,757
Salt Harvest and Transport	93	1	1,947
Energy	860	17	18,438
Manpower	353	19	8,471
Catering and Camp Services	84	4	1,984
Maintenance	288	9	6,407
Transport	207	76	9,764
Direct Cost Subtotal	**2,809**	**143**	**66,769**
Indirect Costs			
General and Administration	129	2	2,716
Indirect Cost Subtotal	**129**	**2**	**2,716**
Total Operating Cost	**2,938**	**145**	**69,485**

Project development cost is estimated to be US$366 million (LPI's 50% shareholding equates to a US$183 million future development cost contribution) excluding the cost of the KCl Plant (US$23m), plus indirect costs of 14.2% (US$55m) and 18.6% (US$83 million) contingency (Table 3). Production is expected to be 20,000 tonnes per annum (t/a) of lithium carbonate and 74,000t/a of potassium chloride (KCl). All costs are on a proportion basis between the Joint Venture partners, with LPI's share equating to 50% of the total. The PEA uses an average of US$13,584/t for the lithium carbonate price and US$219/t for the potassium chloride price going forward.

Table 3: Summary of capital cost items (all-inclusive with potash)

Area	Description	Projected Budget US$
Direct Costs		
1000	Brine Extraction Wells	25,637
2000	Evaporation Ponds	134,065
2500	Massive Soil Movements	6,246
3000	KCl Plant	23,396
5000	Salt Removal Plant	29,928
6000	Lithium Carbonate Plant	77,396
8000	General Services	29,898
9000	Infrastructure	62,816
Total Direct Costs		**389,382**
Total Indirect Costs – 14.2%		55,216
Contingencies – 18.6%		82,708
Total Projected Budget		**527,305**

The Maricunga project is located in northern Chile in a region that is home to the largest and highest-grade lithium brine mines in an area known as the "Lithium Triangle" (Figure 1). It is also the source of the world's lowest cost lithium production. The Maricunga resource owned by MSB is regarded as one of the highest quality pre-production lithium brine projects globally.

To ensure appropriate disclosure of information and assumptions used in the PEA full access to the PEA document prepared by WorleyParsons is available from the LPI website http://lithiumpowerinternational.com/

For further Cautionary Statements in regard to the PEA, refer to Appendix 1 of this document.

Figure 1: Maricunga project location in the Lithium Triangle in Chile

The study was based on extraction of an average 222 litres per second (l/s) of brine throughout the project life of 20 years. The brine commences approximately 10cm below the salt lake surface and extends below the base of the proposed bore field at 200m below the surface. Brine will be extracted from a minimum of 13 individual wells, pumping via a central collection pond to the evaporation ponds. (Figure 2).

In the evaporation ponds, the brine would be concentrated through evaporation and chemical saturation, with precipitation of different salts, such as halite, sylvinite and carnallite. All salts that precipitate would be periodically harvested from the ponds, and stored in designated stockpiles. The sylvinite and carnallite salts would be sent directly to the KCl processing plant, where through processes of size reduction and classification, flotation, leaching, drying and packaging, KCl fertilizer is obtained.

Concentrated lithium brine from the evaporation ponds would be pumped to the reservoir ponds, from which a Salt Removal Plant would be fed. This plant would remove calcium impurities as calcium chloride and tachyhydrite from the brine. This would be achieved through consecutive evaporation and crystallization steps. This process allows a higher concentration of lithium in the brine.

The concentrated lithium brine obtained from the Salt Removal Plant would then be fed to the lithium carbonate plant, where purification, solvent extraction and filtration remove remaining impurities including calcium, magnesium and boron. The concentrated lithium brine would then be fed to a carbonation stage, where through the addition of soda ash, the lithium carbonate precipitates. This precipitated lithium carbonate would then be fed to a centrifuge for water removal, and final drying, size reduction and packaging.

The lithium carbonate exports can be made through the port of Angamos and the sodium carbonate (soda ash) imports can be made through the port of Antofagasta. Existing public roads for heavy haulage to and from the coast are available close by for the Maricunga project's needs.

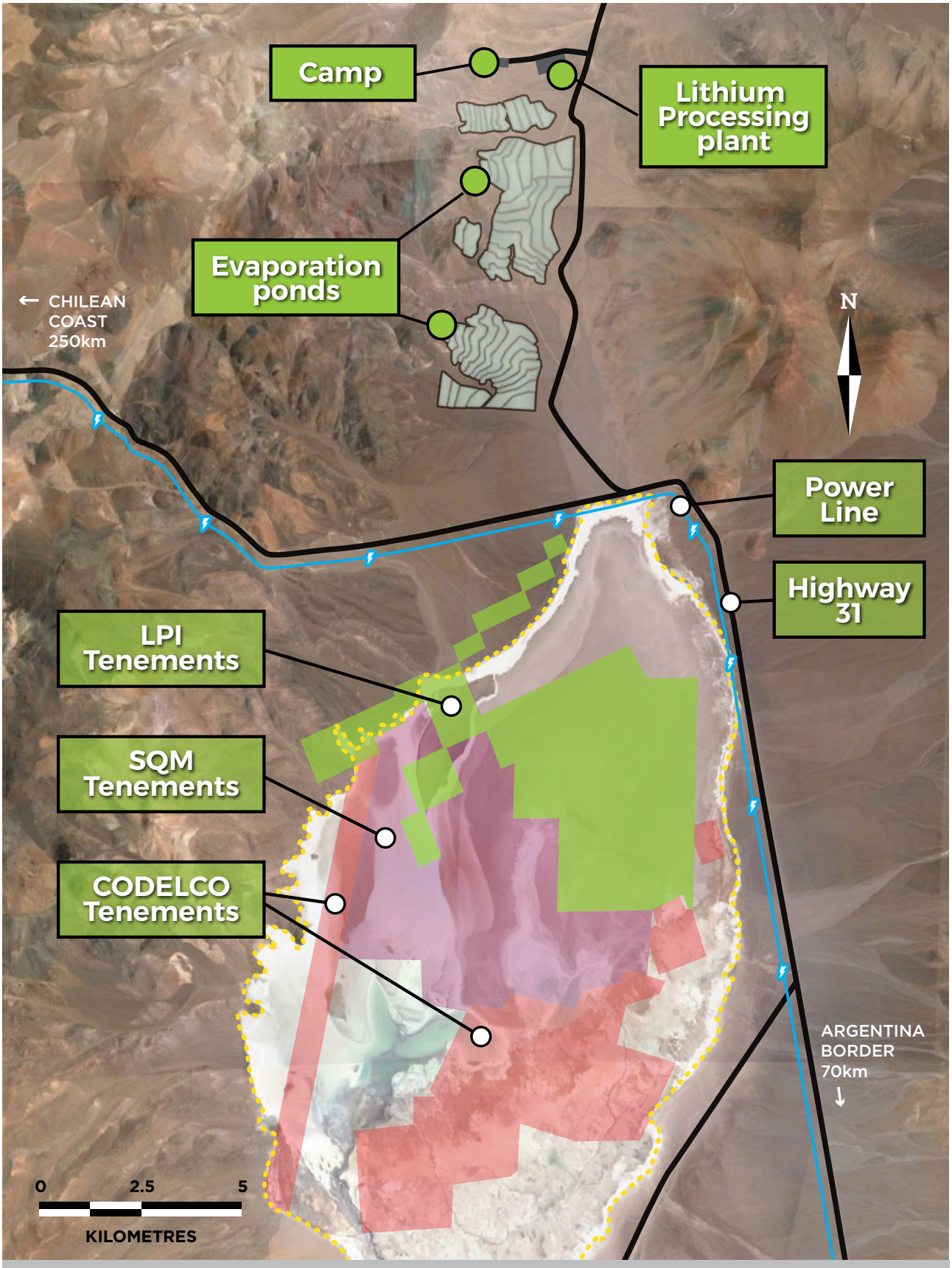

Figure 2: Maricunga JV properties and infrastructure

CAPITAL COSTS

Capital expenditures are based on an annual operating production of 20,000t of LCE, and 74,000t of KCl. Capital equipment costs have been obtained from WorleyParsons (WP) in-house data and solicited budget price information.

The estimates are expressed in US dollars as of November 2017. No provision has been included to offset future cost escalation since expenses, as well as revenue, are expressed in constant dollars. Accuracy of the estimate is expected to be within a +/- 25% range.

The capital costs include direct and indirect costs for:

- Brine production bore fields and the pipeline delivery system;
- Evaporation ponds, platforms, cutting and filling;
- Salt removal plant;
- Lithium carbonate and the potash plant;
- General services; and
- Infrastructure.

The capital investment for the project, including equipment, materials, indirect costs and contingencies during the construction period is estimated to be US$504m. Out of this total Direct Project Costs represent US$366m, excluding the US$23.4m KCl plant; Indirect Project Costs represent US$55m (14.2%) and the provision for Contingencies is US$83m (18.6%). Total capital expenditures are summarized in Table 3 at the beginning of the document. These are on a project basis, with LPI's share 50% of this, therefore LPI's share of the Direct Project Costs is US$183m.

OPERATING COSTS

The operating cost estimate for 20,000t/a LCE and a 74,000t/a KCl facilities is based upon process definition, laboratory work, tests at equipment suppliers and reagents consumption rates all provided or determined by MSB. This work is currently at a relatively preliminary stage. Informative vendor quotations have been used for reagents costs. Expense estimates, as well as manpower levels are based on WP experience and information delivered by MSB.

Chemicals and reagents are the major operating cost of the project, followed by energy costs. Over 80% of the chemical costs correspond to soda ash, of which 42,000t/a are required to produce 20,000t/a of LCE. Other important expense items are manpower and maintenance. If KCl income and expenses are netted, unit LCE production costs are reduced from US$2,938/t to US$2,635/t. The LCE production costs are summarized in Table 2 at the beginning of this report.

FINANCIAL ANALYSIS

To carry out the project's economic evaluation, a pre-tax and after-tax cash flow model was developed. Inputs for this model were the capital and operating costs estimates, as well as an assumed production program and the pricing forecast included in the PEA.

Model results include the project's NPV at different rates, IRR and payback period. These parameters were calculated for different scenarios; in addition, a sensitivity analysis on the most important revenue/cost variables was performed.

For economic evaluation purposes, it has been assumed that 100% of capital expenditures, including pre-production expenses and working capital are financed solely with owner's equity. Given the level of rates of return obtained, considering leverage would further improve these rates of return.

The income tax rate for corporations such as MSB has been set at 27%. In the case of long lead projects, such as the Maricunga project, Chilean VAT law allows for direct recovery from the government of VAT paid during the construction period. Additionally, in the case of companies that export all or nearly all of their production, they can recover directly from the government VAT paid on all supplies.

PROJECT LOGISTICS

MSB is well advanced regarding securing access to key infrastructure for the project, including existing grid electricity infrastructure and project water supply options. The project is very well supported with existing infrastructure, being located beside a well maintained international road crossing to Argentina and having cellular phone coverage. The project is three hours from the mining support centre of Copiapo, where a wide range of support services to the mining industry are available.

BRINE SUPPLY

Groundwater modelling of future lithium brine extraction from the project properties is advancing and results are expected in the first quarter of 2018, as a key input to the environmental impact assessment, which will be submitted with information from the groundwater model. The groundwater modelling will allow the definition of a mineral reserve from the recently upgraded project brine resource.

ON-SITE BRINE EVAPORATION TESTING

Field evaporation test work continues in ponds at the Maricunga project site, providing valuable information regarding brine evolution under site environmental conditions. The project weather station continues to provide important information on local evaporation conditions, with a complete year of information now available from the weather station.

OFF-SITE BRINE PROCESS TEST WORK

Process test work with world-class equipment suppliers Veolia and GEA continues to optimise the lithium extraction process with production of the first samples of lithium carbonate imminent.

Brine concentration in the evaporation ponds and optimisation of chemical reagent use are important to minimize the project operating costs. The process will used proven technology and processing methods to minimise uncertainties over future production results, operational costs, or capital costs. Potash (KCl) tests on salar brine have also been successfully completed by experienced consultancy Andritz, who have extensive experience with potash brine projects.

Lithium brine has been extracted from salars in Chile and Argentina for over 34 years for production of lithium chemicals and the technology is well understood, although some differences in process are required for each project reflecting the unique brine chemistry of each salar.

EVAPORATION POND DESIGN

The project will use the well-established method of evaporation from ponds to precipitate salts (predominantly NaCl – common salt) and to concentrate the brine, before final processing to produce lithium carbonate for sale.

Engineering consultancy WorleyParsons has designed the evaporation ponds, working with brine process expert Peter Ehren, who is engaged as an independent consultant to MSB. The ponds are to be located ~5km to the north of the salar, where they can be constructed taking advantage of the modest natural slopes, and gravel and sand that can be easily shaped into pond embankments prior to lining with an impermeable HDP membrane. The membrane specification will ensure resistance to impacts and punctures for long term operation as non-harvestable and harvestable evaporation ponds.

SALT REMOVAL PLANT

The brine that comes from the ponds is in a first instance fed to the Salt Removal Plant, which, through the processes of evaporation and crystallization, allows the concentration of the lithium contained in the brine, and at the same time enables the elimination of excess calcium and other impurities from the brine in the form of tachyhydrite and calcium chloride. This stage allows feeding of more concentrated brine to the rest of the process stages, improving their efficiency and producing salts that may have market potential. It additionally generates water recovery that is used in the process.

LITHIUM PROCESSING

MSB is working with experienced suppliers Veolia, GEA, Andritz and FLSmidth and their laboratories, who are undertaking pilot plant test work using Maricunga brine. Stage 1 is now complete, reaching a 5% lithium concentration. Stage 2 is underway with first lithium carbonate and potash (KCl) production samples expected in early 2018. Test work aims to optimise lithium extraction and potassium production and develop the lowest cost process, with highest possible lithium recovery. Test work is well advanced and in the coming months final adjustments will be made to optimise the brine polishing sequence. The simplified process flow sheet diagram (Figure 3) is subject to ongoing optimisation. More detailed flow diagrams are provided on pages 200–208 in the recently released PEA document.

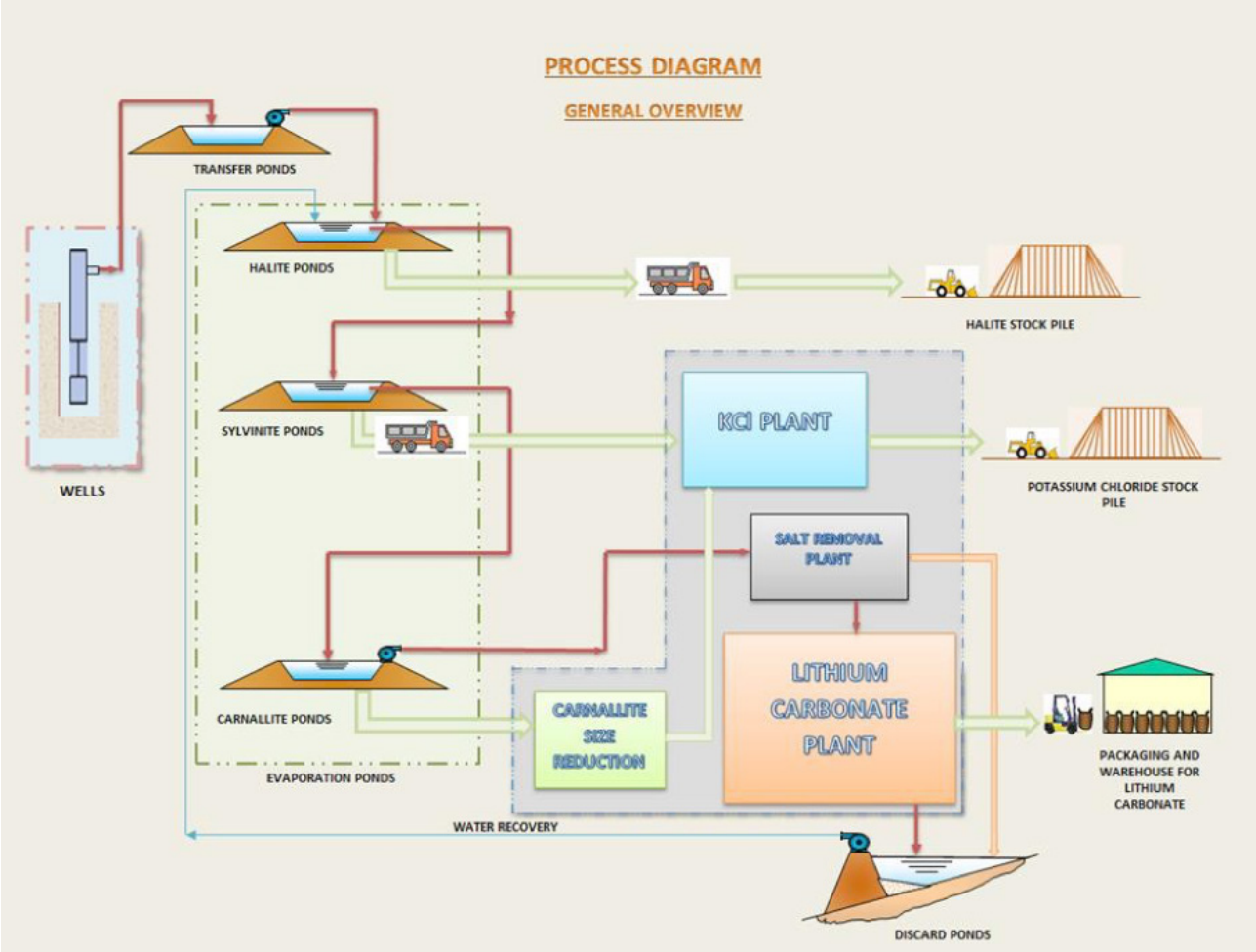

Figure 3: Overview simplified process diagram

INFRASTRUCTURE DESIGN

Preliminary designs have been received from Worley Parsons for the project camp for the construction and long-term operating periods, in addition to advances with the design for the processing plant and associated infrastructure. The brine extraction wellfield will be designed by FloSolutions, the groundwater consultancy working on the project since 2011.

ENVIRONMENTAL STUDIES

Environmental baseline studies have now been completed on site and information is being documented for inclusion in the Environmental Impact Assessment. This adds to the substantial volume of environmental data previously collected for the project. The environmental base line study includes two types of monitoring campaigns:

- Seasonal campaigns, which are conducted during each of the four seasons of the year; and
- Individual campaigns that need to be done just once (i.e. archeological evaluations of the plant and pond area).

Further studies into the impact of the project on the environment will be completed and updated as the project design is continually refined.

COMMUNITY RELATIONS

MSB has identified the local community groups in the vicinity of the project and has been working with them throughout 2017. The MJV is also working with the local municipalities to make them aware of possible outcomes of the project in their areas.

PLANNED ACTIVITIES

The PEA has demonstrated a highly positive outcome for the project at this stage of evaluation, and both the MSB and LPI boards have approved the advancement to a definitive feasibility study, with more detailed engineering and infrastructure evaluations to improve estimation of costs for the project. It is planned this would be completed during 2018.

Optimisation of the lithium production process will be carried out in parallel with other activities such as completing final arrangements with the power and water supplies, community relations at both the indigenous and local level, and submission of the project EIA.

THIRD PARTY INTERESTS IN THE MARICUNGA PROJECT

During the quarter, a number of very successful visits were conducted to the project with a number of industry analysts which has increased the understanding in the project. This has led to coverage by Canaccord Genuity and Sprott Capital Partners amongst other groups.

A site visit was also conducted with the Chinese motor vehicle manufacturer Sichuan Fulin Industrial Group Co Ltd ("Fulin"), which is a measure of the interest in the project by potential end users.

A non-binding MOU for possible project equity participation and an off-take agreement has been signed between Fulin and MSB. A technical and legal due diligence process has been conducted by Fulin which was completed in January 2018. Further discussions are to be held in February 2018.

WESTERN AUSTRALIA

GREENBUSHES – SOUTH WESTERN WESTERN AUSTRALIA

Exploration is continuing at the Greenbushes project properties E70/4774 and E70/4763 (Figure 4), adjacent to the Talison Greenbushes lithium mine, the world's largest lithium producer.

During the quarter several programs of rock and soil sampling were undertaken and the Company has revised the exploration plan to focus work in areas within the northern and southern properties over the coming months. Landowner permission has been sought to allow greater access to these areas with potential to host lithium pegmatites.

The Greenbushes tenements contain large strike lengths of the same rock suite that hosts the Talison Greenbushes lithium mine and the Company is taking a systemic exploration approach to identify prospective areas to explore in more detail. There are very few outcropping pegmatites within the tenements so a different approach to identifying the potential host rocks for pegmatites has been developed.

PILGANGOORA – PILBARA

There was limited activity during the quarter on this project, to focus on the Greenbushes project. Further exploration is planned in 2018 after the wet season.

TABBA TABBA & STRELLEY PROJECTS – PILBARA

The Tabba Tabba tenement is located 5km north-northeast along strike from the (now inactive) Pilbara Minerals Tabba Tabba Tantalum Mine. Analysis based on the field sampling program on the Tabba Tabba tenement identified pegmatitic intrusive on the eastern side of the range of hills that extends for several kilometres through the tenement. Further exploration is planned in 2018 after the wet season.

Figure 4: Location of the Lithium Power projects in Western Australia

ARGENTINA

CENTENARIO – SALTA

The Company has finalised the agreement to sell the Centenario project in Salta province, Northern Argentina, to Centenario Lithium Limited for a total of A$4m and a 1.5% gross production royalty.

Following a successful due diligence process, LPI is pleased to advise that it has entered into binding contracts with Centenario Lithium Limited (the "Purchaser"), the nominee of Albertson Resources Pty Ltd, to effect the transaction.

The Purchaser has advanced a total of A$1m to LPI to complete its initial payment obligations under the transaction documentation.

The transaction is scheduled for completion on or before 30 April 2018. At completion, the Purchaser will be required to pay an additional A$3m in cash to the Company.

In certain circumstances (involving a successful fundraising by the Purchaser), the Purchaser may elect to make the completion payment via paying LPI A$1.75m in cash and A$1.5m in shares of the Purchaser (at the price implied by the successful fundraising), which could result in a $250,000 premium for LPI, to have a total transaction value of A$4.25m.

A success fee of A$375k is payable on finalization of a maiden JORC resource estimate on the property of above 250,000 tonnes of contained lithium carbonate equivalent.

A royalty of 1.5% is payable on gross production revenue from Centenario for a period of 20 years from completion of a definitive feasibility study.

CORPORATE UPDATE

Appendix 5B

The Appendix 5B quarterly cashflow report for the quarter ended 31 December 2017, is submitted separately.

During the quarter LPI completed a heavily oversubscribed A$15m underwritten share placement and an underwritten ~A$20.6m exercise of the publicly traded LPIO $0.55 options for proceeds of approximately A$35.6m (before costs). The Company currently has a cash balance of A$34.15m as at 31 December 2017, with a further A$4.06m in the Chile Joint Venture Company bank accounts.

This amount is currently held in Company bank accounts in Australia and Chile, in Australian Dollars, or US dollars. The Australia dollar equivalents for these foreign currencies are converted at the closing foreign exchange spot rate on 31 December 2017.

Completion of Underwritten Placement

The Company completed an Underwritten Placement, on 22 November 2017, raising A$15m before costs. The Placement was undertaken at an issue price of A$0.55 per share, representing:

- a 15.4% discount to the last closing share price of LPI shares on Friday, 17 November 2017 of $0.65; and
- a 9.7% discount to the 10 day volume weighted average price of LPI shares trading on ASX up to and including 17 November 2017.

The placement resulted in the issue of approximately 27.27 million new LPI shares and was conducted using the Company's available capacity under ASX Listing Rule 7.1.

The placement, underwritten by Canaccord, was heavily oversubscribed with funds allocated to high-quality domestic and international investors, the majority of whom will be new shareholders of the Company. The significant enhancement of LPI's share register is an important milestone for the Company ahead of pre-construction development work at Maricunga.

Underwriting of LPIO Options

In conjunction with the fully underwritten placement, on 22 November 2017, LPI and Canaccord entered into an underwriting agreement with regard to the exercise of all of the listed LPIO options (Options).

The Options had an exercise price of A$0.55 per share, being the same issue price as the placement, and were to expire on Friday, 24 November 2017.

There are approximately 37.53 million Options on issue and accordingly a total of approximately A$20.6m (before costs) has been raised through the exercise and underwriting of the Options. This has resulted in the issue of 37.53 million new shares.

In consideration for agreeing to underwrite the exercise of all the Options, LPI will pay to Canaccord:

- a management and selling fee of 1.5% of the gross proceeds of the exercise of the Options, where the gross proceeds is calculated by multiplying the total number of Options on issue by the Option exercise price of $0.55; and
- an underwriting fee of 3.5% of the shortfall proceeds of the underwriting of the Options, where the shortfall proceeds is calculated by multiplying the number of Options which were not validly exercised by the Option holders by the Option expiry date (ie: the shortfall) by the Option exercise price of $0.55.

On completion of the Placement and underwriting of the Options, LPI now have approximately 260.7 million fully paid ordinary shares on issue.

Funding through to Final investment Decision

The Company is now fully funded through to the Maricunga project final investment decision.

Specifically, funds raised through the equity placement and the exercise and underwriting of the Options will be applied to:

- Expedite payments of the remaining US$7.5m earn-in which will finalise LPI's 50% ownership in the Maricunga Joint Venture. The payments are due in three instalments up to September 2018 and are being used to carry out all related feasibility studies of the Maricunga project;
- Contribute to pre-construction programs within the Maricunga Joint Venture;
- Other strategic initiatives associated with the Maricunga Joint Venture;
- Exploration activities at LPI's Western Australia tenements; and
- Provide general working capital.

Annual General Meeting (AGM)

The AGM was held on 15 November 2017, with a satisfactory turnout by Shareholders attending the meeting.

Four Resolutions were put to the meeting, as per below. All four Resolutions were unanimously passed by way of show of hands with complemented the very strong voting patterns of the valid proxy votes received prior to the AGM.

Resolution 1. To Adopt the Remuneration Report

Resolution 2. Approval of 10% Placement Facility

Resolution 3. Re-election of Reccared (Ricky) Fertig as Director

Resolution 4. Re-election of Dr Luis Ignacio Silva as Director

APPENDIX 1

Preliminary Economic Assessment Parameters – Cautionary Statement

In response to the November 2016 ASX interim guidance: Reporting scoping studies the Company provides the following information.

The Study's results, production target and the financial information referred to in this ASX Release are based on initial technical and economic assessments (expected to be within a +/- 25% range of accuracy) that are to a much higher level of accuracy than typically developed in a scoping study or Preliminary Economic Assessment (PEA). This assessment would conform to requirements for a Preliminary Feasibility Study, except that the MSB has not yet finalised a mineral reserve for the project.

The PEA referred to in this announcement has been undertaken to evaluate the initial economics of the Maricunga Lithium Brine Project. It is a preliminary technical and economic study of the potential viability of the project. It is based on relatively low level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further exploration and evaluation work and appropriate studies are required before MSB will be in a position to estimate any ore reserves or to provide any assurance of an economic development case.

The PEA is based on the material assumptions outlined below. These include assumptions about the availability of funding. While LPI considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Scoping Study will be achieved.

To achieve the range of outcomes indicated in the Scoping Study, funding of in the order of US$250 million will likely be required for LPI's 50% of the project. Investors should note that there is no certainty that LPI will be able to raise that amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of LPI's existing shares. It is also possible that LPI could pursue other 'value realisation' strategies such as a sale, partial sale or joint venture of the project. If it does, this could materially reduce LPI's proportionate ownership of the project. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the PEA.

The hydrogeological model which is being developed to define brine reserves for the project is expected to be completed in early 1Q18 and hence this study constitutes a PEA, rather than the PFS which was originally proposed by LPI.

The Mineral Resources subject to the Preliminary Economic Assessment consist of 80% in the Indicated and measured Mineral Resource categories with 20% of the resource classified as Inferred Mineral Resources. There is a lower level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration will result in the upgrading to Indicated or measured Mineral Resources or the conversion to Ore Reserves or that the production target itself will be realised. The estimated mineral resources used in the scoping study have been prepared by competent persons in accordance with requirements in the JORC code.

The reader is advised that the project has an exploration target defined below the resource which further exploration may result in conversion to additional resources. It must be stressed that an Exploration Target is not a Mineral Resource. The potential quantity and grade of an exploration target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realised. However, there is a considerable amount of geological knowledge available to MSB from the drilling, seismic, AMT and gravity geophysics, which gives the company a fair amount of confidence with respect to the exploration target.

APPENDIX 1 continued

As a mineral reserve has not yet been defined for the project it is not certain what portion (if any) of the proposed production (the "production target") would be sourced from what is currently defined as the exploration target, which is defined from the base of the resource at 200 m to a depth of 400 m. The proposed production is based on the defined resource and the knowledge there is the likelihood of defining sufficient additional resources based on new and deeper drilling beneath the existing resource in what is currently defined as an exploration target.

The resource extraction sequence would commence with the measured and indicated resources, followed by inferred resources and as required from the exploration target. If the exploration target is not converted into resources and reserves, then the proposed production would result in a shorter mine life than the 20 years used for this PEA. Based on general information from feasibility studies completed by lithium brine developers it is considered reasonable to expect that 10 or more years of production would be supplied by the current resource, with additional supply from what is currently the exploration target immediately underlying the resource.

The consideration of JORC modifying factors is sufficiently advanced to support this Preliminary Economic Assessment. This includes hydrogeological and process modelling (with the hydrogeological model to be completed, to allow the definition of reserves), completion of engineering studies which support capital and operating cost estimates, discussions with contractors and third-party infrastructure providers, no identified social, legal or environment obstacles to development.

Government approvals are awaited with respect to the licence for lithium production (CCHEN licence). As with all mining projects in Chile acceptance of the project environmental assessment is required to obtain operating licences for the project, as the properties held are already granted mining licences. With regards to the timeframe to production, it is envisaged that construction would begin in 2019, with first production in the second half of 2021.

The PEA referred to in this report is based on relatively low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised. However, the Company believes there is a reasonable basis to expect it will be able to fund project development, considering the quality of the project and very strong lithium market fundamentals. This is supported by the recent capital raising by the Company in which the Company raised A$35.6m from institutional and sophisticated investors. Details related to these themes are addressed in this ASX Release. The details of the updated Mineral Resource defined at the project were announced on the ASX on 12 July 2017.