


6 February 2017

ASX ANNOUNCEMENT

Lithium Australia takeover bid for Lepidico



Leading lithium extraction technologist, Perth-based Lithium Australia NL (ASX: LIT) advises that it intends to make a conditional off-market scrip bid valued at A\$23.8 million¹, for all of the fully paid ordinary shares in fellow WA lithium explorer and developer, Lepidico Ltd (ASX: LPD) (LPD).

The basis of the offer will be one LIT fully paid ordinary share for every 13.25 fully paid ordinary shares in LPD (the **Bid**).

LIT notes that the Bid price is a significant premium to the current trading price and values LPD at a 13% premium to the prices of both companies at close of trading on ASX on Friday 3 February 2017² and is at a 9% premium based on the 10 day VWAP of both companies³.

The Bid provides LPD shareholders with the opportunity to participate in a combined group which would be the holder of one of the largest lithium exploration and development portfolios in the world, as well as holding multiple lithium processing technologies for treating both spodumene and mica mineralogies.

LIT has entered into agreements with LPD shareholders currently holding 17.87% of LPD who have agreed to accept the Bid on the terms set out in today's announcement, in the absence of a higher bid. The majority of LPD shareholders who have entered into pre-bid agreements are seed shareholders of Lepidico Pty Ltd. Full details of the pre-bid agreements will be included in the Form 603 initial substantial shareholder notice which will be sent to LPD and released to ASX shortly.

LIT's takeover Bid will be subject to certain conditions, which are summarised in the Annexure to this announcement. In the event that any of the defeating conditions occur prior to the lodgment of the Bidder's Statement LIT may choose not to proceed with the Bid.

LIT is making its Bid for LPD to secure ownership and control of LPD. The Bid is made in circumstances where LIT has been in negotiations to achieve a merger with LPD and is also seeking a declaration from the WA Supreme Court in relation to LIT's Sileach™ lithium treatment process.

¹ Based on LIT's closing price 3 February 2017 of \$0.18

² LIT closing price of \$0.18 and LPD closing price of \$0.012

³ LIT 10 day VWAP of \$0.1878 and LPD 10 day VWAP of \$0.013 for 10 ASX trading days up to and including 3 February 2017

LIT believes that combining the companies is in the interests of shareholders of both companies as it will bring LIT's Sileach™ process and LPD's L-Max process as well as each group's other intellectual property under common ownership.

Driven by rising demand from new era Li-ion battery manufacturers, the combined entities would be able to offer a wide range of lithium technology solutions to match specific lithium deposits. A combined group would be able to offer both Sileach™ and L-Max in the world's most active jurisdiction for lithium, Western Australia, and be able to optimise emerging commercial opportunities for lithium projects worldwide.

It is LIT's intention upon successful closure of the Bid to refocus the combined group's activities on the current buoyant market for lithium domestically and internationally.

A Bidder's Statement will be served on LPD and dispatched to LPD shareholders as soon as practicable.

Lithium Australia Managing Director, Mr Adrian Griffin:

"Lithium Australia and Lepidico have a similar business strategy, and both have excellent exploration projects and development prospects. The litigation relating to processing technology is distracting and expensive and although Lithium Australia is confident of a positive outcome, the time and resources currently dedicated to the legal processes would be better employed in advancing our projects and technologies in concert, and for the benefit of the shareholders of both companies. It is the synergies in aspirations and assets that make combining the two companies the perfect opportunity for all shareholders. The combined entity is likely to be significantly more attractive for investors and financiers as well as a global leader in lithium processing at a time of unprecedented lithium demand."

Adrian Griffin

Managing Director

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About Lithium Australia NL

LIT is a dedicated developer of disruptive lithium extraction technologies. LIT has strategic alliances with a number of companies, potentially providing access to a diversified lithium mineral inventory. LIT aspires to create the union between resources and the best available technology and to establish a global lithium processing business.

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ANNEXURE

BID CONDITIONS

The Bid will be subject to the following conditions:

- (1) LIT's share price on ASX not falling by 20% or greater after the date of bid.
- (2) LPD's share price on ASX not falling by 40% or greater after the date of the bid.
- (3) That between the announcement of the Bid and the end of the bid period, there is no material adverse change (or no event or circumstance likely to result in a material adverse change) in relation to LPD or any of its assets or any controlled entity of LPD or any of their assets.
- (4) None of the events referred to in section 652C (1) or (2) of the Corporations Act 2001 (Cth) (formerly known as "prescribed occurrences") occur in relation to LPD or any subsidiary of LPD between the date of this announcement and 3 business days after the end of the bid period.