

**ASX RELEASE**

31 October 2019

# Activity Report for the Quarter ended September 2019

Lithium Power International Limited (ASX: LPI) (LPI or the Company) is pleased to submit its quarterly Activity Report for the period ended 30 September 2019.

## HIGHLIGHTS

- During the quarter LPI announced a Memorandum of Understanding (MOU) with the Chilean Government mining company, CODELCO, which has been given the responsibility for advancing lithium joint ventures in Chile. CODELCO is the world's largest copper producer and has well established relationships with all Chilean Government agencies.
- The MOU sets out the basic terms of co-development of the Maricunga salar, with details of the agreement currently under negotiation.
- The Maricunga project's Environmental Impact Assessment (EIA) continues through the assessment process by Chilean government agencies, with a resolution expected in Q1 2020.
- The Company continues to hold discussions with a number of well-established companies regarding future product off-take agreements and project finance for the construction of the project.
- The EPC bidding process of the project continues and is expected to be finalised in Q1 2020.
- The approvals process for sampling and drilling activities on the Greenbushes project in south west Western Australia continues to advance. The Company's Greenbushes properties are adjacent to the world's largest hard rock lithium mines at Greenbushes, operated by Albemarle and Tianqui.
- Drilling was conducted on the Tabbatabba project in the Pilbara region of Western Australia during August. The program consisted of 31 holes for 3081 m, targeting mapped pegmatites in greenstone belts on the property. Drilling returned maximum values of 0.47% Li<sub>2</sub>O, with several areas within the project not drill tested in the program.

## MARICUNGA PROJECT - CHILE

### CHILE JOINT VENTURE COMPANY - MINERA SALAR BLANCO S.A.

The Maricunga Joint Venture project (the Project) is operated under the joint venture company, Minera Salar Blanco S.A. (MSB) with LPI currently owning 51% of MSB.

The Project has been confirmed as Chile's highest grade and most advanced lithium project outside the Salar de Atacama. The Project is the only lithium project on the Maricunga salar (salt lake) or in the rest of Chile, with a completed Definitive Feasibility Study (DFS) and is the most advanced in the EIA approval process. The Maricunga project also has the potential for future expansion or extended mine life, as the resource is open beyond 200 m depth.

### CODELCO MOU

LPI's majority owned joint venture company Minera Salar Blanco S.A. (MSB) entered into a non-binding MOU with the Chilean State-owned mining company CODELCO. The MOU defines the terms for the negotiation of a definitive agreement to form a new joint venture which would allow the development of an expanded property position.

Terms and details of the definitive agreement are yet to be finalised and are under negotiation. The agreement is subject to mutual due diligence, detailed documentation and the establishment of a "NewCo" under Chilean corporate law. The finalisation of a "NewCo" shareholders agreement forms part of the conditions of this agreement. The intention is to develop the project under a public-private alliance model to become the third significant lithium producer in Chile.

The joint venture would allow for an expanded, scalable and very robust project, to fast track development with the consolidation of the necessary permits. The permits would include CODELCO's key CEOL permit that allows for lithium production across the salar, providing certainty with regards to permitting. Obtaining this permit would complement the granting of the EIA for MSB on the Project.

The consolidation of the mining concessions under the joint venture, would also provide the opportunity to increase production capacity and/or extend the life of the mine beyond its expected 20-year span, therefore creating additional value for all shareholders. This is in addition to the likely added resource at depth on the MSB tenements yet to be assessed.



Figure 1: The Maricunga Project's location within the Lithium Triangle in Chile.

## PROJECT EIA

The Maricunga project's EIA study was submitted to the Chilean Government environmental assessment authorities in November 2018. Further information has been provided to the authorities for their review of the Project's EIA and positive responses have been received.

As previously advised, finalisation of the EIA process is expected to be completed in 4Q 2019. However, upon a further round of formal questions from the authorities received in mid-October, we expect the review to continue until the end of the year, with a final resolution expected in Q1 2020.

Continued engagement with the indigenous communities has been an important component of the authorities EIA review process. Agreements have been reached with the local Indigenous communities who have been intimately involved throughout the Indigenous Participation process.

## PROJECT FUNDING

Given the quality of the Project, the advanced status of the EIA, JV negotiations underway with CODELCO, the excellent relationship with the Chilean government departments, the solid mining jurisdiction and the global demand for lithium, the Company is confident that required development funding will be obtained.

A major focus for the Company is in the advancement of discussions with various institutions and major lithium users in relation to project funding and potential off-take partnerships. The Project capital expenditure required for the Project development, as per the DFS is ~US\$563 million. The raising of this amount is expected to be by a combination of debt and equity, with commercial forward supply agreements with off-take partners.

The Company expects further negotiations with these interested parties over the next quarter to ensure the best possible outcome is achieved.

Despite the current downturn in lithium prices, the Company is confident that the long-term outlook for lithium is positive. This is particularly the case for low cost lithium brine producers, of which Maricunga stands out from its competitors in terms of country jurisdiction, available infrastructure and high grade.

## ARGENTINA

### CENTENARIO PROJECT – SALTA PROVINCE, ARGENTINA

The Centenario project is a 70:30 joint venture between LPI and Marquee Resources Ltd. The project is located in the Centenario salar in Salta Province, one of the Argentine provinces most firmly supporting development of mining projects. The project is immediately north of the 24,000 t/a lithium carbonate plant being developed by the French company Eramet and is in the vicinity of both the Millennial Lithium and Pluspetrol Pastos Grandes projects presently under assessment. LPI is in the process of defining a work program for the project to be agreed with the joint venture partner.

A drilling program would target the large conductive zone identified in the TEM electrical geophysical survey undertaken previously by LPI. The geophysical target is believed to represent a significant body of brine, covering an area of approximately 48 sq.km, based on the compilation of all available geological data.

## WESTERN AUSTRALIA

The Company's Western Australia (WA) properties (Figure 2) were subject to little or no exploration for lithium in the past. All WA properties are 100% owned by LPI and are located a short distance from the ports of Port Hedland or Bunbury, with well-developed infrastructure for potential development.

During the quarter LPI concentrated on the Environmental Management permit requirements in the Greenbushes area, together with the exploration program in Tabba Tabba.

## GREENBUSHES – SOUTH-WEST WA

The Greenbushes project is located 250 km south of Perth and comprises two properties located immediately north and south of the block hosting the Greenbushes mine, which is owned by major lithium producers Tianqi Lithium and Albemarle.

LPI's properties are considered to be highly prospective for the discovery of lithium pegmatites along the same geological units and faults as the Greenbushes pegmatite. The properties E70/4763 and E70/4774 cover extensive areas of forestry land, and LPI is seeking access to these areas for surface geochemical sampling and subsequent drilling.

An Environmental Management Plan (the Plan) has been submitted to the WA Department of Conservation (the Department) in order to obtain access to forest areas and conduct exploration. Ministerial approval has been obtained from the Department with final ratification of the Plan currently being carried out by the Mining Department.

Agreement has been reached with the two separate native title holders that cover the area which will allow the plan of works to commence. Expectation of full approval to allow the initial surface sampling is expected prior to the end of Q4 2019.

## TABBA TABBA – PILBARA, WA

LPI's Tabba Tabba project is located along the Tabba Tabba shear zone (Figure 3), which hosts the historical Tabba Tabba tantalum mine, the Strelley pegmatites and a lithium discovery made by FMG directly adjacent to LPI's property. There is known spodumene mineralisation with lithium oxide concentrations of up to 1.2% Li within greenstone belts in which pegmatites have intruded along the Tabba Tabba shear zone.

A 31-hole drilling program was carried out targeting outcropping and subcropping pegmatites associated with the 4.3 km long zone of elevated lithium in soils directly along strike from the FMG project and extending directly from the property boundary with that company. The elevated lithium in soils was drilled in the three north-east trending greenstone belts, with the majority of drilling in the eastern belt, where soil results were most elevated ( $\text{Li}_2\text{O} > 200$  ppm).

Drilling intersected multiple pegmatite dykes, which trend north-northeast and dip steeply to the east and west. These dykes returned maximum values of 7 m @ 0.35%  $\text{Li}_2\text{O}$  (TTRC015) in the southern part of the property, closest to the adjacent FMG property, and 2 m @ 0.44%  $\text{Li}_2\text{O}$  (TTRC0019) along strike. Additional pegmatites in this southern area were not drill tested in this program. The drilling tested pegmatites in the upper 100 m of the target area demonstrated that there is a large system with elevated lithium – the pegmatite intercept in TTRC0015 returned 53 m @ 487 ppm Li from 46 m.

All tracks and pads constructed for this drilling program have been rehabilitated. Due to the heightened summer temperatures in the northern WA area, all work has been suspended with the intention of further field exploration in Q2 2020.

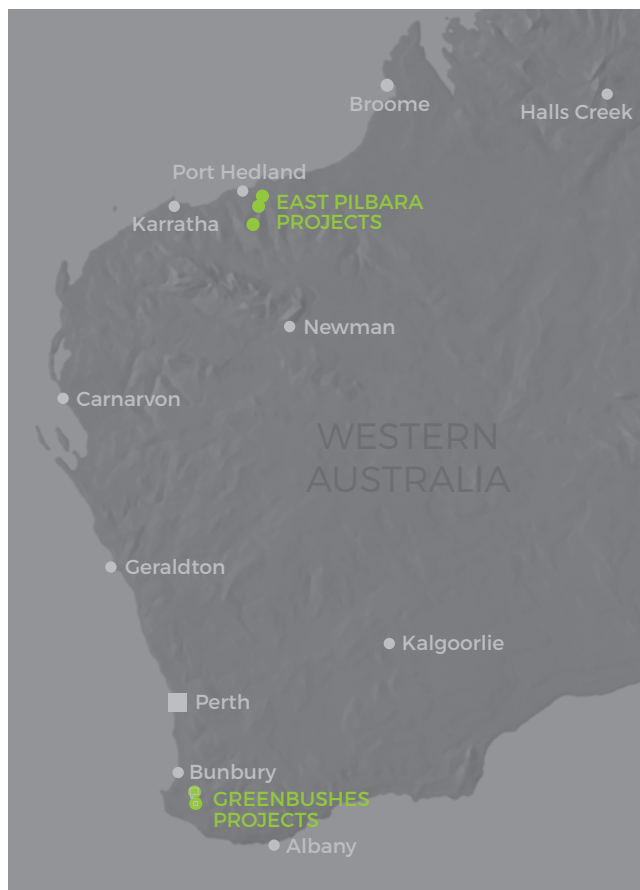
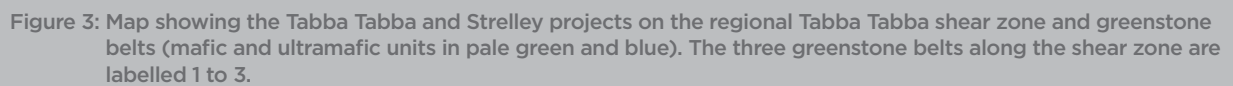


Figure 2: Location of LPI's properties in the Pilbara and south west region of Western Australia.





## STRELLEY – PILBARA, WA

The Strelley project has a similar structural setting to the Tabba Tabba project. It is located 15 km to the north along the Tabba Tabba shear zone (Figure 3), where the greenstone belt with the highest lithium in soil geochemistry on the LPI Tabba Tabba project (Belt 1) continues. This area has shallow, wind-blown sand cover.

The planned initial 1,000 m aircore drilling program was not undertaken during the period, due to delays associated with native title and heritage surveys. The program is designed to test structures in the greenstone belt considered to potentially host pegmatites. The mineralised Strelley pegmatites are located between the LPI Tabba Tabba and Strelley properties.

## PILGANGOORA – PILBARA, WA

The Pilgangoora project is approximately 110 km south-south-east of Port Hedland. The property abuts and is immediately west of the mining properties held by Pilbara Minerals and Altura Mining, where lithium is being mined from one of the world's largest lithium pegmatite deposits.

No work was undertaken during the quarter.

## PROJECT ACQUISITIONS

LPI continued to evaluate third party projects that would be highly prospective additions to the WA project portfolio during the quarter. Project generation studies continued based on a pegmatite targeting model developed by LPI, incorporating the key features of known economic pegmatite deposits in WA.

## CORPORATE UPDATE

### Appendix 5B

The Appendix 5B quarterly cashflow report for the quarter ended 30 September 2019, is submitted separately.

The Company had a cash balance of AU\$12.3 million at 30 September 2019.

This amount is currently held in the Company's bank accounts in Australia and Chile in Australian dollars or US dollars. The Australian dollar equivalents were converted at the closing foreign exchange spot rate.

Total funds within the Maricunga joint venture at the end of the quarter totaled US\$1.2 million.

### Capital Structure

The Capital Structure at the end of the Quarter is as follows:

- 262.5 million Ordinary Shares on issue, and
- 46.3 million Unlisted Options on issue.