

ASX RELEASE

30 January 2017

Activity Report for the Quarter ended 31 December 2016

Lithium Power International Limited (ASX: LPI) ("LPI" or "the Company") is pleased to submit its quarterly Activity Report for the period ended 31 December 2016.

CHILE

MARICUNGA – CHILE JOINT VENTURE

The Company has recently completed the drilling program at the Maricunga Joint Venture project in Chile (Figure 1), with the completion of:

- 8 rotary and 3 sonic drill holes for the resource estimate;
- 1 hole installed as a test production well; and
- 7 holes installed as monitoring wells for the project Environmental Impact Assessment.

The sonic drilling was undertaken to obtain high quality cores for porosity test work, an important input to the upcoming resource estimate.

Maricunga assay results

Assays have now been received for 6 of the 11 resource holes. The first six holes have received some of the highest globally recognised lithium brine grades to date, starting at surface and each hole ending in rich lithium brine at depth in the Cocina, San Francisco, Salamina and Despreciada tenements. These "old mining code" tenements were acquired by the Company directly from the landowners on 21 October 2016, and had not been subject to previous drilling. Therefore, these preliminary results validate the Company decision to acquire these tenements, adding significant economic value and scale to the project. Figure 2 details the current exploration program of the Maricunga Joint Venture

Overall drilling shows levels of 1,000 mg/l or better lithium grades extend across the project tenements from east to west. (As summarised in Table 1 below.)

Results from the remaining 5 resource drill holes are pending.

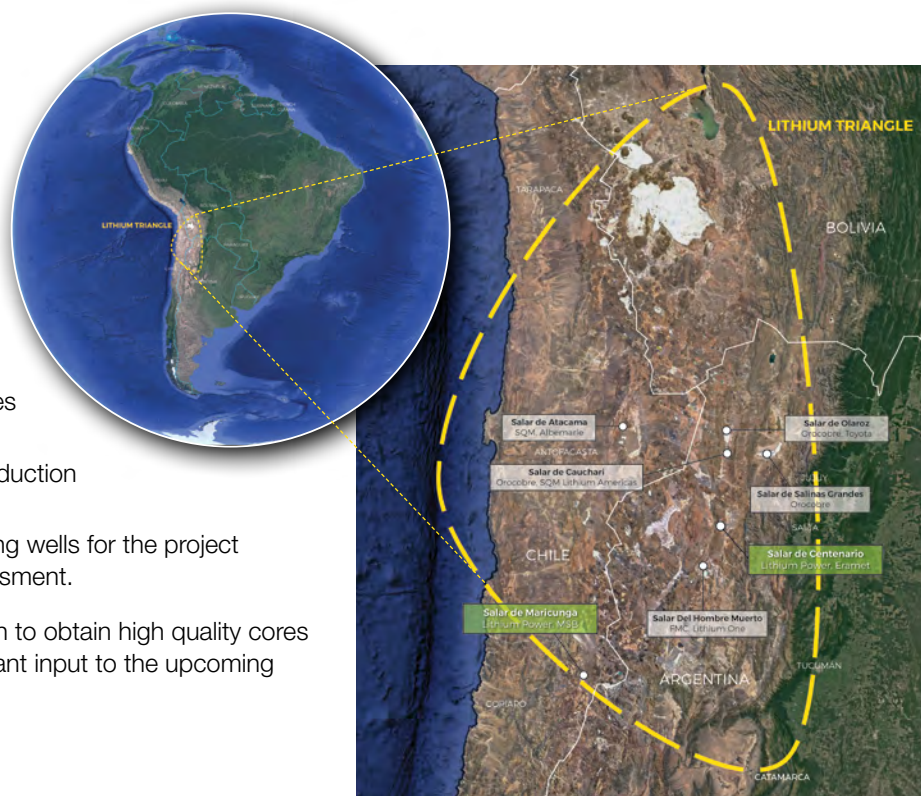


Figure 1: Location of the Maricunga Project

Maricunga drilling interpretation

Drilling has intersected units of sand, gravel, clay and halite, with a predominance of sandy to gravelly material intersected during this drilling program. In the project the Company has identified an upper halite (salt) unit, a middle clay unit and a lower sand and gravel unit. Samples of drill core and cuttings are being processed in a specialist laboratory for porosity and permeability measurements, which will be used in an updated resource estimate for the project to be released during 1H17. The occurrence of predominantly sandy to gravelly material is considered to be very positive, with respect to the amount of drainable brine that could be sourced from these sediments.

The exploration program scheduled the drilling of a 400 m rotary hole. The objective of this deep hole was to evaluate the sediments deeper in the salar basin and assess the potential for additional brine resources. This hole was terminated at 360 m below surface due to difficulties associated with drilling in friable sandy material. While the hole didn't quite reach the 400 m target depth the discovery that sandy material continues to at least 360 m below surface is extremely significant for the project and the available brine volume. Assay results on this deep hole are pending.

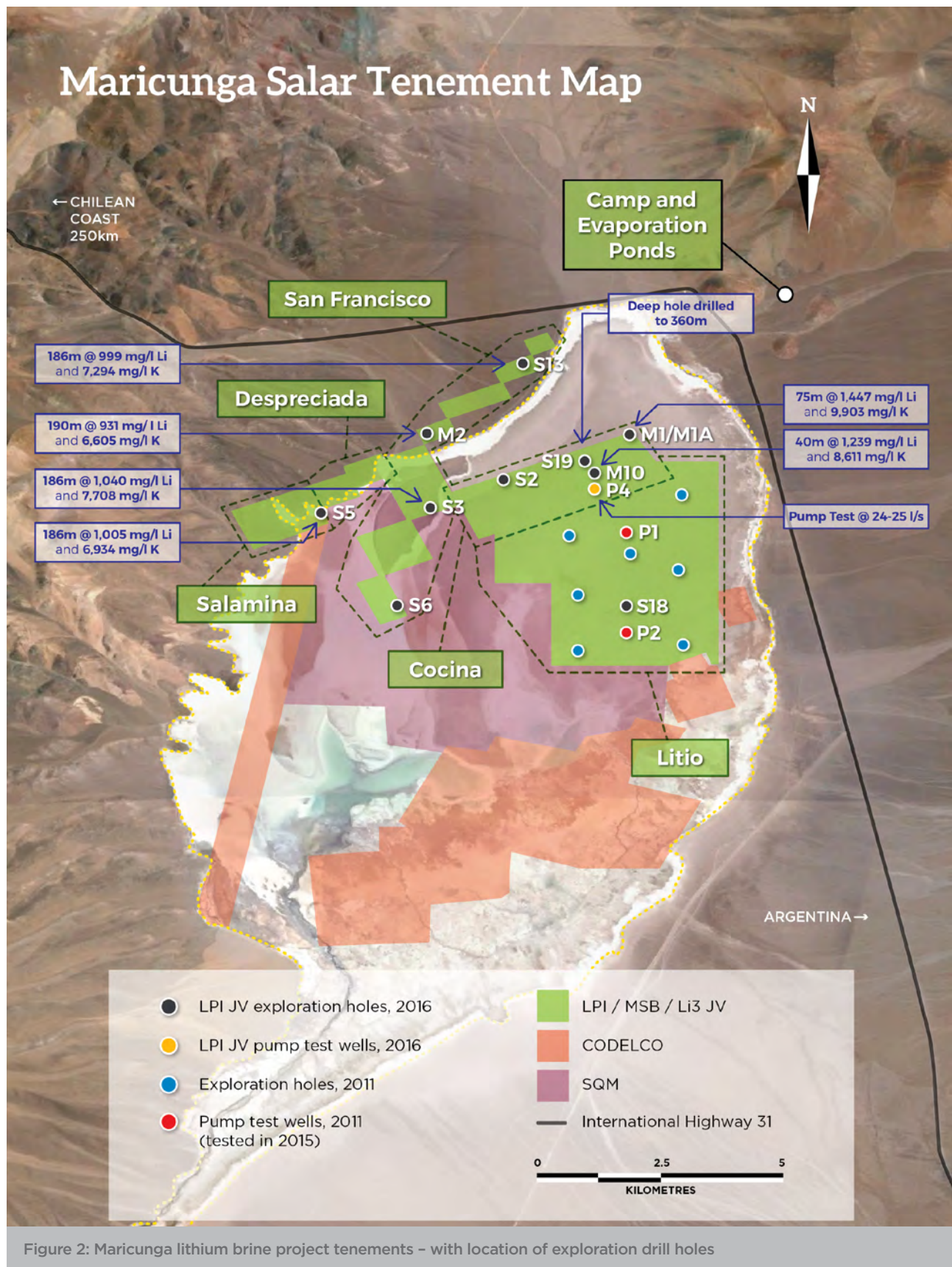
Brine flow measurement – pump testing

A 30-day pump test on the production well, P4, installed in the Cocina tenement as part of this drilling program, is nearing completion. This well is producing brine at 24–25 l/s, from the lower sand and gravel aquifer. The upper halite aquifer, from previous pump tests is support high brine flows from both aquifers with flows at 37 and 38 l/s.

The performance of this pump test is another very positive outcome for the Maricunga project as the Company progresses to the pre-feasibility study.

Exploration Hole		Total Depth	Assay Interval	Lithium	Potassium	Drilling Method
Number	Name	(m)	(m)	(mg/l avg)	(mg/l avg)	
1	M10	200	40	1,239	8,611	Rotary
2	M1	77	66	1,447	9,903	Rotary
3	M2	198	190	931	6,605	Rotary
4	S5	200	186	1,005	6,934	Rotary
5	S3	200	186	1,040	7,708	Rotary
6	S13	200	186	999	7,294	Rotary
7	S6	200	Results Pending			Rotary
8	M1A	200	Results Pending, Redrill M1			Sonic
9	S2	200	Results Pending			Sonic
10	S18	173	Results Pending			Sonic
11	S19	360	Results Pending			Rotary
Pump	P4	180	Pumping Well			Rotary

Table 1: Assay results from the Maricunga program to date



Process test work

Process and evaporation test work is underway to provide additional information regarding the proposed process route for the project, which would result in production of lithium carbonate and potassium chloride fertilizer.

The main conclusions from the evaporation tests conducted to date are that two processing routes require further evaluation to establish which is preferable for lithium recovery from the Maricunga brine. These are under further investigation, with laboratory test work leading to the construction of a pilot plant for the preferred process.

Infrastructure and environmental studies

Studies of the infrastructure required for the project have commenced. The project is currently very well supported with existing infrastructure being located beside an international road crossing to Argentina and by having electricity and cellular phone coverage. The project is 2.5 hours from the mining support centre of Copiapo, where a wide range of support services to the mining industry are available. The project is also approximately 5 hours from a port which could potentially be used for shipping lithium and potassium products. These are advantages that very few lithium brine projects have, with many located in much more isolated locations, with minimal infrastructure.

The Company has hired a Tier 1 international environmental and engineering consultancy firm to undertake studies required to produce the project Environmental Impact Assessment, to support the project feasibility study.

ARGENTINA

CENTENARIO – SALTA PROVINCE, ARGENTINA

An evaluation of all the historical geological, geochemical and geophysical data in the project area was undertaken. This assessed the potential lithium brine volume in the project area and was used to define a geophysical exploration program from the project.

From January to March is the wet season in northern Argentina and no field activities are planned during this period.

The board of LPI has agreed to divest this asset to focus our efforts on the Maricunga lithium brine project in Chile. A data-room is built and a number of companies have shown commercial interest. More information on the divestment will be made in due course.

WESTERN AUSTRALIA

PILGANGOORA, PILBARA

The Pilgangoora tenement (E45/4610) was granted in October 2016 and during this quarter the Company has undertaken a detailed geochemical analysis of the project area. This exploration program consisted of an extensive soil survey which covered 19 km on 10 survey lines, and collected a total of 370 soil samples for analysis. (See figure 3)

The soil survey lines were interpreted to identify new target areas which could host potential lithium pegmatites buried under alluvial cover, particularly in the southern section of the tenement. (ASX announcement 19 December 2016)

LPI has recently developed an in-house geochemical process, which uses key element associations from multi-element assays to target buried lithium pegmatites. This process relies upon complex element associations, and as a result, the Company has not released individual soil assays.

These associations were defined during orientation sampling, and have identified multiple zones of interpreted lithium pegmatites within LPI's Pilgangoora tenement. This analysis was also assisted by AJM providing LPI with access to complete a soil sampling program within their lithium pegmatite project on the adjacent tenement.

Planning and approvals are well underway for the second phase of the exploration plan with a RC drilling program scheduled. This RC drilling program that will consist of up to 3,000 m of drilling will target the new potential lithium bearing pegmatite areas that were highlighted in the previous geochemical and geophysical surveys.

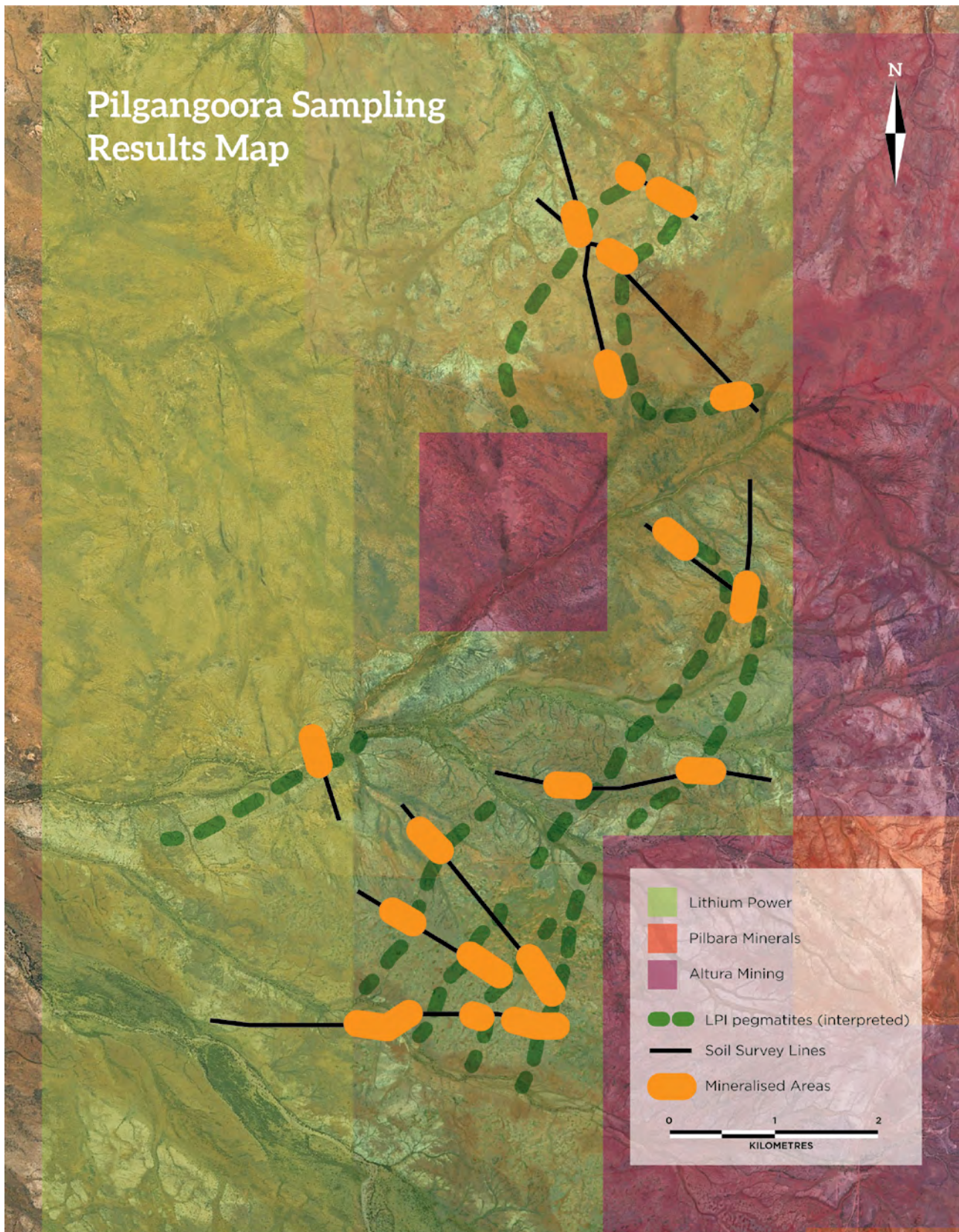


Figure 3: Pilgangoora tenement showing soil sample results and interp map taken from ASX announcement 19/12/2016

TABBA TABBA AND STRELLEY, PILBARA

Geophysical surveys have been completed on both the Tabba Tabba and Strelley tenements and further desktop interpretation of this data was carried out during this quarter. Further exploration programs will be planned once the tenements have been granted.

GREENBUSHES, SOUTHWESTERN WESTERN AUSTRALIA

Desktop interpretation of the existing geophysical and geological data was carried out during this quarter along with a number of field trips to the area.

A sampling program will be planned and performed in the coming quarter to identify potential drilling targets. The sampling program is in part based on the information gained from the in-house geochemical method developed during the Pilbara geochemical sampling program.

CORPORATE UPDATE

APPENDIX 5B

The Appendix 5B quarterly cashflow report for the quarter ended 31 December 2016, is submitted separately.

Following the successful capital raise and the finalisation of the Maricunga Joint Venture, the Company has a cash balance of AUD7.12m as at 31 December 2017.

This amount is currently held in Company bank accounts in Australia, Chile and Argentina, in Australia Dollars (AUD), US dollars (USD) or Argentine Pesos (ARS)'. The Australia dollar equivalent for these foreign currencies are converted at the closing foreign exchange spot rate on 31 December 2016.

CAPITAL RAISING

During the quarter the Company, as approved at the Annual General Meeting on 28 November 2016, a total of AUD13.5m new share capital (less costs), by way of a Private Placement.

This capital raise was made up of:

- Private placement of AUD12m to sophisticated and institutional investors at a placement price of \$0.38 per share;
- An underwritten Share Purchase Plan of AUD1m to existing shareholders at a placement price of \$0.38 per share; and
- A Placement to the Directors, as approved by shareholders at the Annual General meeting for AUD500,000 at a placement price of \$0.38 per share.
- All new shares issued under the placement had a one for one attaching Option. The vesting term of these Options is for one year from the date of the share issue, at a vesting price of \$0.55.

The use of funds for this capital raise relates to the funds required for the Maricunga Joint Venture as announced within the quarter.

MARICUNGA JOINT VENTURE (“JV”)

The JV was completed during the quarter, but was not closed until various mining titles were transferred to the JV NewCo, Minera Salar Blanco SA (“NewCo”) and other Conditions Precedent were fulfilled. The final closing and the constitution of the NewCo Shareholders Agreement occurred in Santiago, Chile on 13 January 2017 (“Closing”).

As at 31 December 2016 the status of the JV was as follows:

- A secured loan of USD2.7m was provided to NewCo, via the Company’s subsidiary entity Lithium Power Inversiones Chile SpA (“LPI Chile”) on 17 October 2016. This loan was converted to equity in NewCo at Closing; This loan was used to fund the recently completed Maricunga resource drilling program
- LPI Chile acquired the tenements, San Francisco, Salamina & Despreciada, directly from the landowners for USD5.22m on 21 October 2016. These titles were transferred to LPI Chile on this date and are recorded as a tenement asset as at 31 December 2017. These titles were then vended into NewCo at Closing as per the requirements of the JV agreement;
- The Company transferred to LPI Chile’s bank account USD4.25m on 5 December 2016, as part of the completion process. This amount was in LPI Chile’s bank account as at 31 December 2016. This amount was transferred to NewCo at Closing and converted to equity as per the requirements of the JV agreement. This amount is to fund the next stages of the Maricunga development program;
- As per the JV agreement the Company is allocated 50% of the share capital in NewCo upfront. At Closing, the Company, via LPI Chile holds 26.37% of the NewCo through its funding contributions to date. The remaining contribution of USD15M is to be paid in instalments up until the completion of DFS to earn the remaining 23.63%. After DFS each JV partner will fund on a pro-rata basis. Figure 4 (below confirms the Maricunga JV structure).

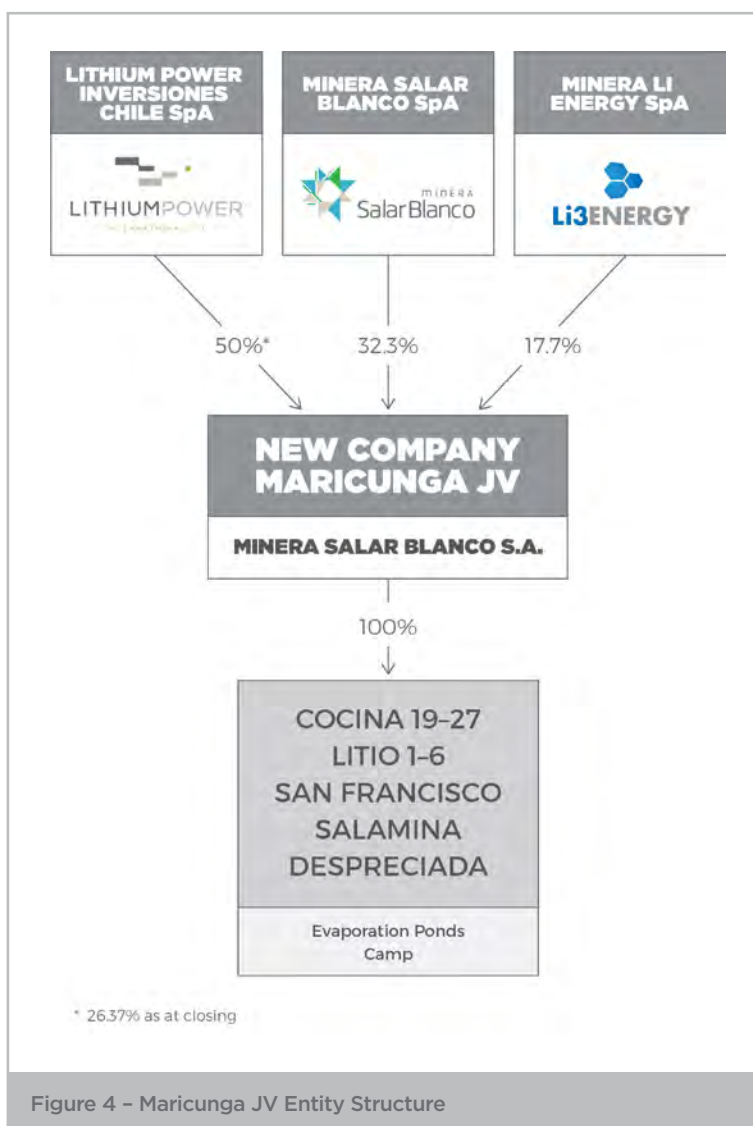


Figure 4 – Maricunga JV Entity Structure