

## Form 604

Corporations Act 2001  
Section 671B

## Notice of change of interests of substantial holder

To Company Name/Scheme LEPIDICO LTD

ACN/ARSN 008 894 442

## 1. Details of substantial holder(1)

Name LITHIUM AUSTRALIA NL

ACN/ARSN (if applicable) 126 129 413

There was a change in the interests of the substantial holder on

20/ 04 / 2017

The previous notice was given to the company on

02/ 03 / 2017

The previous notice was dated

02/ 03 /2017

## 2. Previous and present voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in when last required, and when now required, to give a substantial holding notice to the company or scheme, are as follows:

Class of securities (4)	Previous notice		Present notice	
	Person's votes	Voting power (5)	Person's votes	Voting power (5)
Fully Paid Ordinary	310,908,037	17.76%	320,237,663	16.10%

## 3. Changes in relevant interests

Particulars of each change in, or change in the nature of, a relevant interest of the substantial holder or an associate in voting securities of the company or scheme, since the substantial holder was last required to give a substantial holding notice to the company or scheme are as follows:

Date of change	Person whose relevant interest changed	Nature of change (6)	Consideration given in relation to change (7)	Class and number of securities affected	Person's votes affected
Various	Lithium Australia NL	Acquisition of shares pursuant to off-market takeover bid	Pursuant to Bidder's Statement Annexed as Annexure A	320,237,663	320,237,663

## 4. Present relevant interests

Particulars of each relevant interest of the substantial holder in voting securities after the change are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Nature of relevant interest (6)	Class and number of securities	Person's votes
Lithium Australia NL	Lithium Australia NL	Lithium Australia NL	Legal and beneficial owner	320,237,663 fully paid ordinary shares	320,237,663

**5. Changes in association**

The persons who have become associates (2) of, ceased to be associates of, or have changed the nature of their association (9) with, the substantial holder in relation to voting interests in the company or scheme are as follows:

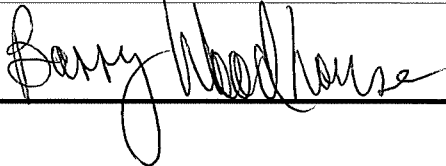
Name and ACN/ARSN (if applicable)	Nature of association
Not applicable	

**6. Addresses**

The addresses of persons named in this form are as follows:

Name	Address
Lithium Australia NL	Level 1, 675 Murray Street, West Perth WA 6005

**Signature**

print name	Barry Woodhouse	capacity	Company Secretary
sign here		date	21/ 04 / 2017

**DIRECTIONS**

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 6 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (6) Include details of:
  - (a) any relevant agreement or other circumstances because of which the change in relevant interest occurred. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
  - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (7) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown".
- (9) Give details, if appropriate, of the present association and any change in that association since the last substantial holding notice.

LITHIUM AUSTRALIA NL (ACN 126 129 413)

This is Annexure A of 96 pages referred to in Form 604 (Notice of change of interests of substantial holder)

Signed:

Print Name: Barry Woodhouse

Capacity: Company Secretary of Substantial Holder

Date: 21/04/2017

**THIS IS AN IMPORTANT DOCUMENT, WHICH LEPIDICO SHAREHOLDERS SHOULD READ CAREFULLY. IF A LEPIDICO SHAREHOLDER IS IN ANY DOUBT AS TO ITS CONTENTS AND HOW TO DEAL WITH THEM, THEY SHOULD CONSULT THEIR FINANCIAL OR OTHER PROFESSIONAL ADVISER.**

**Lithium Australia NL  
(ACN 126 129 413)**

**Bidder's Statement  
in relation to the Offer by Lithium Australia to acquire ALL  
ordinary shares in**

**Lepidico Limited  
(ACN 008 894 442)**

**The consideration offered is  
1 LIT Share for every 13.25 LPD Shares.**

**Corporate Adviser**

**XAVIER GROUP**

**Legal Adviser**

**BENNETT+CO**  
Corporate and Commercial Law

**The Offer is dated 16 March 2017 and will close at midnight (WST) on 18 April 2017, unless extended or withdrawn**

For personal use only

## Key dates

Announcement of Offer	6 February 2017
Date of Bidder's Statement	2 March 2017
Date Bidder's Statement is lodged with ASIC	2 March 2017
Date of Offer	16 March 2017
Offer closes (unless otherwise extended)	18 April 2017

## Key contacts

Share registrar for the Offer	Lithium Australia NL
Security Transfer Registrars 770 Canning Highway, Applecross WA, 6153 Phone: 08 9315 2333	Level 1, 675 Murray Street, West Perth, WA, Australia, 6005 Phone (within Australia): 1300 568 726 (toll-free) Phone (outside Australia): +61 2 8022 7947 Email: lithiumaustralia@investorinfo.net.au

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## Important information

### Bidder's Statement

This document (**Bidder's Statement**), dated 2 March 2017, is issued by Lithium Australia NL (ACN 126 129 413) under Part 6.5 of the Corporations Act in relation to an off-market offer by Lithium Australia to acquire LPD Shares and sets out certain disclosures required by the Corporations Act.

A copy of the Bidder's Statement was lodged with ASIC on 2 March 2017. ASIC takes no responsibility for the contents of the Bidder's Statement.

### Investments risks

There are risks that may have a material impact on the value of the Offer, the future performance of the Combined Group and the value of LIT Shares. These are described in Section 9 of this Bidder's Statement.

### Foreign jurisdictions

No action has been taken to register or qualify Lithium Australia or to otherwise permit the offering of LIT Shares outside Australia, its external territories and New Zealand. Further information for LPD Shareholders with a registered address outside Australia and New Zealand is set out in section 10.12.

This Bidder's Statement has been prepared having regard to Australian disclosure requirements. These disclosure requirements may differ from those of other countries.

This Bidder's Statement is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand) (or any other relevant New Zealand law). This Bidder's Statement may not contain all the information that a prospectus or an investment statement under the New Zealand law is required to contain.

The only members of the public in New Zealand to whom LIT Shares are being offered to under the Offer are LPD Shareholders. The Offer is being made in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

### Unmarketable Parcels

LPD Shareholders who accept the Offer and as a consequence would be entitled to an Unmarketable Parcel of LIT Shares will receive cash instead based on the highest closing price of LIT Shares during the period beginning on the first day of the Bid Period and ending on the earlier of 5 Trading Days before the first day on which Lithium Australia must pay or provide bid consideration to accepting LPD Shareholders under the terms of the Offers and the end of the Bid Period.

For further information see Section 10.13.

### Disclosure regarding forward looking statements

This Bidder's Statement includes forward-looking statements that have been based on Lithium Australia's current expectations and predictions about future events, including Lithium Australia's intentions (which include those set out in Section 7). These forward-looking statements are, however, subject to inherent risks, uncertainties and assumptions that could cause the actual results, performance or achievements of Lithium Australia, Lepidico and the Combined Group to differ materially from the expectations and predictions, expressed or implied, in such forward-looking statements. These factors include, among other things, the risks identified in Section 9.

Except as otherwise stated in this Bidder's Statement, the information the Bidder's Statement contains has been prepared by Lithium Australia and is the responsibility of Lithium Australia.

None of Lithium Australia, its officers or persons named in this Bidder's Statement with their consent, or any person involved in the preparation of the Bidder's Statement makes any representation or warranty (express or implied) that any forward-looking statements will occur. The forward-looking statements in the Bidder's Statement reflect views held only at the date of this Bidder's Statement.

### **Disclaimer regarding information on Lepidico and the Combined Group**

In preparing the information relating to Lepidico and the Combined Group contained in this Bidder's Statement, Lithium Australia has relied on publicly available information relating to Lepidico that has not been independently verified by Lithium Australia or its Directors. Risks may exist in relation to Lepidico (and that will affect the Combined Group) of which Lithium Australia is currently unaware. If any material risks are known to the directors of Lepidico, they must be disclosed in the Target's Statement to be issued by Lepidico.

Accordingly, subject to any applicable law, Lithium Australia makes no representations or warranties (express or implied) as to the accuracy and completeness of such information.

Further information on Lepidico may be included in Lepidico's Target's Statement which Lepidico is required to provide to all LPD Shareholders in response to this Bidder's Statement.

### **Value of LIT Shares**

The implied value of the Offer will vary with the market price of LIT Shares. Further information on the implied value of the Offer is contained in this document. Before accepting the Offer, LPD Shareholders should obtain current quotes for LIT Shares and LPD Shares from their financial or other professional adviser.

In addition, all references to the implied value of the Offer are subject to the effects of rounding.

### **Investment advice**

This Bidder's Statement does not take into account the individual investment objectives, financial situation or particular needs of each LPD Shareholder (or any other person). LPD Shareholders may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

### **Privacy**

Lithium Australia has collected LPD Shareholder information from the Lepidico share register for the purposes of making the Offer and administering LPD Shareholder acceptance over their LPD Shares. Lithium Australia and its share registry may use the personal information of LPD Shareholders in the course of making and implementing the Offer. Lithium Australia and its share registry may also disclose LPD Shareholders' personal information to their related bodies corporate and external service providers and may be required to disclose such information to regulators, such as ASIC. If LPD Shareholders would like details of information about them held by Lithium Australia, they should contact Lithium Australia at the address set out in the Key Contacts section.

### **Defined terms**

A number of defined terms are used in this Bidder's Statement. Unless expressly specified otherwise, defined terms have the meanings given in Section 12.

## Internet sites

Lithium Australia and Lepidico each maintain internet sites. The URL location for Lithium Australia is [www.lithium-au.com](http://www.lithium-au.com) and for Lepidico [www.lepidico.com](http://www.lepidico.com). Information contained in or otherwise accessible through these internet sites is not part of this Bidder's Statement. All references to these sites in the Bidder's Statement are for information purposes only.

## Estimates and assumptions

Unless otherwise indicated, all references to estimates, assumptions and derivations of the same in this Bidder's Statement are references to estimates, assumptions and derivations of the same by Lithium Australia management. Management estimates reflect, and are based on, views as at the date of this Bidder's Statement, and actual facts or outcomes may materially differ from those estimates or assumptions.

## Effect of rounding

Fractional entitlements of LPD Shareholders who accept the Offer will be rounded to the nearest LIT Share.

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Bidder's Statement may be subject to the effect of rounding. Accordingly, the actual figures may vary from those included in this Bidder's Statement.

## Currencies

In this Bidder's Statement, references to "Australian dollars", "AUD", "\$", "A\$" or "cents" are to the lawful currency of Australia.

This Bidder's Statement may contain conversions of relevant currencies to other currencies for convenience. These conversions should not be construed as representations that the relevant currency could be converted into the other currency at the rate used or at any other rate. Conversions that have been calculated at the date of this Bidder's Statement (or any other relevant date) may not correspond to the amounts shown in the historic or future financial statements of Lithium Australia or Lepidico in respect of which different exchange rates may have been, or may be, used.

## Maps and diagrams

Any diagrams and maps appearing in this Bidder's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, maps, graphs and tables is based on information available at the date of this Bidder's Statement.

## Why the Offer should be accepted

<p><b>1. An expanded and simplified structure increases exposure to the rapidly growing lithium market</b></p> <p>The Combined Group will create a leading diversified lithium company with direct ownership of both L-Max<sup>®</sup> and Sileach<sup>™</sup> AND a portfolio of potential hard-rock lithium production interests.</p>
<p><b>2. A Combined Group provides access to the synergies of both L-Max<sup>®</sup> and Sileach<sup>™</sup></b></p> <p>Lithium Australia already holds rights for L-Max<sup>®</sup> and would like to see L-Max<sup>®</sup> proved and developed.</p>
<p><b>3. Lithium Australia plans to fast-track L-Max<sup>®</sup> and Sileach<sup>™</sup></b></p> <p>Lithium Australia plans to combine the commercialisation of L-Max<sup>®</sup> and Sileach<sup>™</sup> thereby achieving substantial savings in capital and development costs and potentially providing a single, one-stop-shop solution for lithium extraction and production.</p>
<p><b>4. A larger company is better placed to gain market support</b></p> <p>Lithium Australia believes a Combined Group will have a stronger balance sheet which will provide a strengthened financial base with which to attract further support from lithium consumers, and in particular battery-makers. The larger market capitalisation for the Combined Group will create greater interest from institutional investors and improve the capacity to raise the necessary funds for the Combined Group capital programs.</p>
<p><b>5. There is an urgent need for LPD Shareholders to seize the moment</b></p> <p>Lithium Australia believes there is a strategic urgency to seizing a once-in-a-cycle opportunity to develop and exploit both the L-Max<sup>®</sup> and Sileach<sup>™</sup> technologies.</p>
<p><b>6. LPD Shareholder support</b></p> <p>LPD Shareholders representing 17.76% of LPD Shares have entered into Pre-Bid Acceptance Agreements to support Lithium Australia in initiating this Offer.</p>
<p><b>7. LIT Shares trade in a far more liquid market than your LPD Shares</b></p> <p>A comparison of the value of LIT Shares and LPD Shares traded on ASX since Lepidico changed its name effective 30 November 2016 until 3 February 2017 (the Trading Day prior to the Announcement Date) shows a total of \$10.6 million in LIT Shares traded compared to a total value for LPD Shares of \$2.6 million traded.</p>

For more information on:

- the reasons why the Lithium Australia Offer should be accepted, please refer to Section 2;
- the risk factors associated with Lithium Australia, refer to Section 9;
- how to accept the Lithium Australia Offer, refer to Section 1 and Annexure A.

## Chairman's letter

Dear Lepidico Shareholder

On behalf of the Lithium Australia Board, I congratulate you on your decision to become an investor in the lithium production and technology sector.

Lithium Australia shares your view that lithium is fuelling a revolution in energy storage, and that demand for lithium will continue to expand rapidly over the next decade. Lithium Australia plans to establish a secure supply chain with which to deliver lithium chemicals into this rapidly expanding market.

The Combined Group would consolidate a large and diverse portfolio of prospective lithium exploration tenements which could potentially supply this supply chain as feedstock to Lithium Australia's proposed hydrometallurgical processing plants.

I am pleased to present you with this Offer to acquire all your LPD Shares at a ratio of 1 LIT Share for every 13.25 LPD Shares you own. Lithium Australia's closing share price of 18 cents on the ASX trading day prior to announcement of the Offer compared to LPD's closing share price of 1.2 cents the same day implies an offer premium of 13% to the market value of your shares on that date. Based on those share prices the respective undiluted ASX market capitalisations of the companies at the Announcement Date were as follows.

Lithium Australia	\$46 million
Lepidico	\$21 million

If you accept this Offer and we acquire ownership of Lepidico, you will become a shareholder of a Combined Group better able to successfully undertake the commercialisation processes required to bring the core technologies of each individual company, Sileach™ and L-Max®, to market.

Currently, Lithium Australia has exclusive rights for L-Max® in Western Australia (the world's fastest developing hard-rock lithium province) until 7 July 2020 and other rights to L-Max® internationally. So, Lithium Australia already has good reasons to see the L-Max® technology proven and developed.

The strategies of both companies overlap and each takes a similar position in terms of product development. Both Sileach™ and L-Max® are hydrometallurgical processes, meaning they do not require the expensive, energy intensive roasting step traditionally undertaken to convert lithium from hard-rock sources into chemical grade lithium products. In this sense, both companies share the common 'disruptive' objective of replacing the traditional lithium production process.

Both companies face the same challenges and the road to success can be shared.

Already, LPD Shareholders representing 17.76% of LPD Shares have entered into Pre-Bid Acceptance Agreements to support Lithium Australia in initiating this Offer.

Lithium Australia believes the Offer provides a unique opportunity to bring Sileach™ and L-Max® into a single, ownership structure, thereby fast-tracking both technologies in parallel and:

- providing a cheaper route to commercialisation (looking to build a single pilot plant to test Sileach™ and L-Max® in parallel, rather than two separate plants);
- creating a better platform to attract necessary development capital; and
- potentially creating a 'one-stop-shop' for hydrometallurgical lithium extraction and production, using both Sileach™ and L-Max® processing streams on a fit-for-product basis.

Accordingly, we believe that by exchanging your LPD Shares for LIT Shares under the Offer you will, in addition to receiving the implied premium for your LPD Shares, become a shareholder in a Combined Group that is stronger and more diversified, with attractive prospects in one of the world's most exciting and important growth sectors – the lithium battery market.

We believe this Offer is attractive and encourage you to accept without delay.

The Offer is subject to the conditions set out in Section 9 of Annexure A.

If you have any questions about the Offer, please contact your broker or financial adviser or call the shareholder information line on 1300 568 726 (toll-free) (for callers within Australia) or +61 2 8022 7947 (for callers outside Australia) or email [lithiumaustralia@investorinfo.net.au](mailto:lithiumaustralia@investorinfo.net.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'GB', with a long horizontal flourish extending to the right.

Mr George Bauk  
Chairman

# 1. Investment overview

The detailed terms of the Offer are set out in Annexure A.

The information in Section 1 is intended to provide an overview of Lithium Australia, the Offer that Lithium Australia is making for LPD Shares and the risks LPD Shareholders should consider.

The information in Section 1 is not intended to be comprehensive and should be read in conjunction with the detailed information contained in this Bidder's Statement.

LPD Shareholders should read this Bidder's Statement in its entirety, as well as the separate Target's Statement (to be sent to them directly by Lepidico), before deciding how to deal with their LPD Shares.

The information in this Section 1 is set out by way of response to a series of questions. Lithium Australia believes this is the best way to provide the information. Each answer has, where appropriate, cross-references to other questions in this investment overview and other parts of this Bidder's Statement, including the Annexures, which contain more information that LPD Shareholders may find useful or relevant.

Part A of this investment overview deals with the Offer. Part B deals with Lithium Australia, its business and assets and its securities. Part C deals with risks relating to Lithium Australia, Lepidico, the Offer and the Combined Group. Part D deals with other relevant questions.

If LPD Shareholders have any questions about the Offer, they should contact Lithium Australia on 1300 568 726 (toll-free) (for callers within Australia) or +61 2 8022 7947 (for callers outside Australia), or their professional financial adviser.

## Part A – overview of the Offer

No.	Question	Answer	Further Information
1.	What is Lithium Australia offering to buy?	Lithium Australia is offering to buy all LPD Shares, including LPD Shares issued during the Offer Period due to the conversion of LPD Options, on the terms set out in this Bidder's Statement.  You may only accept the Offer in respect of all (not part) of the LPD Shares held by you.	Annexure A contains the full terms of the Offer and the Conditions. The answers to questions 2 to 4 and 12 to 25 explain other aspects of the Offer.
2.	How long will the offer remain open?	The Offer opens on 16 March 2017. Unless withdrawn or extended in accordance with the Corporations Act, the Offer is scheduled to close at midnight (WST) on 18 April 2017.	
3.	What will you receive if you accept the Offer?	If you accept the Offer, subject to satisfaction of the conditions of the Offer, you will receive 1 LIT Share for every 13.25 LPD Shares held by you.  If as a consequence of accepting the Offer you would be entitled to an Unmarketable Parcel of LIT Shares you will receive cash instead.	Annexure A contains full terms of the Offer and the Conditions. The answer to question 22 summarises the Conditions.

No.	Question	Answer	Further Information
4.	What is the value of the Offer?	<p>The implied value of the Offer was \$0.0142 per LPD Share based on the closing price of LIT Shares on the ASX on the last Trading Day before the Announcement Date, implying an offer premium of 13% to the market value of LPD Shares on that date.</p> <p>The implied value of the Offer as at the date prior to the date of the Bidder's Statement is \$0.0128 per LPD Share based on the 2 Trading Day VWAP of LIT Shares traded on the ASX before the date of this Bidder's Statement.</p> <p>The value of the Offer may change as a consequence of changes in the market price of LIT Shares.</p>	<p>Section 4.2 of this Bidder's Statement provides further information in respect of the implied value of the Offer.</p> <p>The answers to questions 5 to 10, and Sections 3, 4 and 9 of this Bidder's Statement contain more information about Lithium Australia, its business and assets and the risks that may apply to Lithium Australia.</p> <p>Section 2 of this Bidder's Statement contains the reasons why Lithium Australia thinks you should accept the Offer.</p>

## Part B – overview of Lithium Australia

No.	Question	Answer	Further Information
5.	What is Lithium Australia?	<p>Lithium Australia is an Australian incorporated company listed on the Official List of the ASX (ASX Code: LIT &amp; LITCE).</p> <p>Please refer to Sections 3 and 4 for further information on Lithium Australia.</p>	<p>Sections 3, 4 and 9 of this Bidder's Statement contain more information about Lithium Australia's assets, financial position, details of Lithium Australia securities currently on issue and the risks that may apply to Lithium Australia.</p>
6.	Will my new LIT Shares be listed on the ASX?	<p>Within 7 days of the date of this Bidder's Statement, Lithium Australia will apply to the ASX for quotation of the new LIT Shares on the ASX, and the Offer is conditional on quotation being granted. Quotation of the new LIT Shares depends on the ASX exercising its discretion to admit them to quotation on the ASX. Lithium Australia is already admitted to the Official List of the ASX and LIT Shares in the same class as the new LIT Shares are already quoted.</p>	<p>Annexure A of this Bidder's Statement contains more information in relation to the admission of the LIT Shares to the Official List of the ASX.</p>

No.	Question	Answer	Further Information
7.	What rights and liabilities will attach to my new LIT Shares?	The new LIT Shares issued under the Offer will be issued fully paid and will from the time of issue rank equally with existing LIT Shares.	Section 4 of this Bidder's Statement contains more information about the rights and liabilities attaching to LIT Shares.
8.	Who are the directors of Lithium Australia and what experience do they have?	<p>The Directors are:</p> <p>(a) Mr George Bauk – Non-Executive Chairman;</p> <p>(b) Mr Adrian Griffin – Managing Director, and</p> <p>(c) Mr Bryan Dixon – Non-Executive Director.</p> <p>The Directors have significant experience in the exploration for, and the development and operation of, mining projects - specifically lithium, gold and rare earth elements.</p>	Sections 3.2 and 3.3, of this Bidder's Statement contain further information in relation to the Directors and their experience.
9.	Do any of the Directors have securities in, or potential conflicts of interest in relation to, Lepidico?	None of the Directors has a Relevant Interest in Lepidico securities.	Section 10.7 of this Bidder's Statement contains further information in relation to the shareholdings of the Directors in Lepidico.
10.	Do the Directors and management have any interest in Lithium Australia securities?	<p>All the Directors have securities in Lithium Australia.</p> <p>The interests held by the Directors are disclosed in Section 10.7 of this Bidder's Statement.</p>	Sections 10.7 and 10.8 of this Bidder's Statement contain further information in relation to the shareholdings and other interests in Lithium Australia, and the remuneration of, the Directors.

### Part C – overview of risks

No.	Question	Answer	Further Information
11.	Are there risks if I accept the Offer?	Yes. If you accept the Offer and it becomes unconditional, you will be issued new LIT Shares and Lithium Australia will acquire an interest in Lepidico. There are risks in holding LIT Shares. You are already exposed to some of those risks, to varying degrees, as a result of your LPD Shares.	Section 9 of this Bidder's Statement contains full details in respect of each of the risks.

No.	Question	Answer	Further Information
		<p>The financial and operational performance of Lithium Australia's business, and the value of and trading prices for LIT Shares will be influenced by a range of risks, many of which are beyond the control of the Lithium Australia Board and management.</p> <p>Section 9 of this Bidder's Statement provides a detailed explanation of these risks. Specifically, it deals with:</p> <ul style="list-style-type: none"> <li>(a) risks relating to the Offer;</li> <li>(b) risks specific to Lithium Australia and Lepidico as the Combined Group, and</li> <li>(c) general and industry risks relating to Lithium Australia and Lepidico as the Combined Group.</li> </ul>	

## Part D – Other relevant questions

No.	Question	Answer	Further Information
12.	Is there any offer in respect of LPD Options?	LIT does not intend to make an offer in respect of LPD Options. If holders of LPD Options exercise their options and are issued LPD Shares during the Bid Period, however, the Offer will extend to those LPD Shares.	
13.	Can the Offer Period be extended?	The Offer Period can be extended at Lithium Australia's election in accordance with the Corporations Act. LPD Shareholders who have not accepted the Offer will be provided with written notice of any extension, and the extension will be announced to the ASX.	
14.	What choices do I have as an LPD Shareholder?	<p>As an LPD Shareholder, you have the following choices in respect of your LPD Shares:</p> <ul style="list-style-type: none"> <li>(a) accept the Offer;</li> <li>(b) sell your LPD Shares, or</li> <li>(c) do nothing.</li> </ul>	

No.	Question	Answer	Further Information
15.	How do I accept the Offer?	<p>Below is a summary of the ways in which you can accept the Offer. Full details are set out in Section 4 of Annexure A.</p> <p>You may only accept the Offer in respect of all (not part) of your LPD Shares.</p> <p><b>Issuer Sponsored Holding</b></p> <p>If your LPD Shares are held on Lepidico's issuer sponsored subregister (such holdings are evidenced by an 'I' appearing next to the securityholder reference number on the enclosed Acceptance Form), then to accept this Offer you must complete the enclosed Acceptance Form and return it, together with any other documents required, to the address on the form so that it is received before the date on which the Offer closes.</p> <p><b>CHESS Holding</b></p> <p>If your LPD Shares are registered in a CHESS Holding (such holdings are evidenced by an 'X' appearing next to the identification number on the enclosed Acceptance Form), you may accept the Offer by either:</p> <ul style="list-style-type: none"> <li>(a) completing and signing the enclosed Acceptance Form and returning it, together with any other documents required, to the address indicated on the form, or</li> <li>(b) instructing your Controlling Participant (normally your broker) to accept the Offer on your behalf,</li> </ul> <p>so that your acceptance is received before the Offer closes.</p> <p><b>Participants</b></p> <p>If you are a Participant, acceptance of this Offer must be in accordance with the ASX Settlement Operating Rules before the Offer closes.</p>	<p>See the Acceptance Form enclosed with this Bidder's Statement and Annexure A for further information.</p>
16.	Can I accept the Offer for part of my holding?	<p>No, you must accept the Offer for all of your holding.</p>	

No.	Question	Answer	Further Information
17.	If I accept the Offer, can I withdraw my acceptance?	You cannot withdraw or revoke your acceptance unless a withdrawal right arises under the Corporations Act. A withdrawal right will arise if, after you have accepted the Offer, Lithium Australia varies the Offer in a way that postpones for more than 1 month the time that Lithium Australia has to meet its obligations under the Offer (for example, if Lithium Australia extends the Offer for more than 1 month while the Offer remains subject to any of the Conditions).	Annexure A of this Bidder's Statement contains more information as to the limited circumstances in which you may be able to revoke or withdraw your acceptance.
18.	When will you receive your consideration?	<p>If you accept the Offer, Lithium Australia will issue your LIT Shares as consideration for your LPD Shares on or before the earlier of:</p> <ul style="list-style-type: none"> <li>(a) 1 month after you have validly accepted the Offer or the contract resulting from its acceptance becomes unconditional (whichever is later), and</li> <li>(b) 21 days after the end of the Offer Period, provided that the Offer has become unconditional.</li> </ul> <p>If, as a consequence of accepting the Offer, you would be entitled to an Unmarketable Parcel of LIT Shares you will receive cash instead.</p>	Annexure A of this Bidder's Statement contains more information as to when your new LIT Shares will be issued to you (or if you would be entitled to an Unmarketable Parcel, when you will receive your cash payment).
19.	Will I need to pay any transaction costs if I accept the Offer?	<p>If your LPD Shares are registered in a CHESS Holding, or if you are the beneficial owner whose LIT Shares are registered in the name of a bank, custodian, broker or other nominee, you should ask your Controlling Participant (usually your broker) or nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.</p> <p>If your LPD Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Lithium Australia, you will not incur any fees in connection with your acceptance of the Offer.</p>	Annexure A of this Bidder's Statement contains the full terms of the Offer and Conditions. See also the instructions on the Acceptance Form enclosed with this Bidder's Statement.

No.	Question	Answer	Further Information
20.	What happens if I do not accept the Offer?	<p>Subject to the explanation below, you will remain a shareholder of Lepidico and will not receive the Offer Consideration.</p> <p>If you do not accept the Offer or sell your LPD Shares and Lithium Australia acquires a Relevant Interest in at least 90% of LPD Shares and the other conditions of the Offer are satisfied or waived, Lithium Australia intends to compulsorily acquire your outstanding LPD Shares. You will be invited to claim the Offer Consideration. Therefore, accepting the Offer will result in you receiving your Offer Consideration sooner, rather than having your LPD Shares compulsorily acquired.</p> <p>If the Offer becomes or is declared unconditional but Lithium Australia does not become entitled to compulsorily acquire your LPD Shares under the Corporations Act, then unless you sell your LPD Shares, you will remain a shareholder in Lepidico.</p> <p>In these circumstances, and depending on the number of LPD Shares acquired by Lithium Australia, you may be a minority shareholder in what may be a less liquid stock.</p> <p>Further, if Lepidico ceases to have the required spread of shareholders as required under the ASX Listing Rules, Lithium Australia may make an application to remove Lepidico from the Official List of the ASX.</p>	<p>Section 7.5 of this Bidder's Statement provides more information regarding Lithium Australia's intentions if it acquires a Relevant Interest in at least 90% of the LPD Shares.</p> <p>Sections 7.5 and 7.6 of this Bidder's Statement provide more information regarding Lithium Australia's intentions if it acquires a Relevant Interest in less than 90% of the LPD Shares.</p>
21.	If I do not accept the Offer can I sell my LPD Shares on the market?	Yes, but you may incur brokerage costs if you do.	
22.	Are there conditions to the Offer?	<p>The Offer is subject to the Conditions set out in Section 9 of Annexure A, which include:</p> <ul style="list-style-type: none"> <li>(a) Lepidico's share price falls by 40% or greater during the Bid Period;</li> <li>(b) there being no Material Adverse Change between 6 February 2017 and the end of the Offer Period;</li> <li>(c) there being no Prescribed Occurrence between 6 February 2017 and the end of the Offer Period.</li> </ul> <p>Section 1 of Annexure A contains the full terms of the Conditions.</p>	Section 9 of Annexure A to this Bidder's Statement sets out the Conditions in full.

No.	Question	Answer	Further Information
23.	What if the Conditions are not satisfied or waived?	If the Offer closes and the Conditions are not satisfied or waived, the Offer will lapse, and your acceptance will be void. In other words, you will continue to hold your LPD Shares (unless you otherwise sell them). Lithium Australia will announce whether the Conditions have been satisfied or waived during the Offer Period in accordance with its obligations under the Corporations Act.	Annexure A to this Bidder's Statement sets out further information.
24.	What happens if Lithium Australia improves the Offer Consideration?	If Lithium Australia improves the Offer Consideration, all the LPD Shareholders who accept the Offer (whether or not they accepted the Offer before or after such improvement) will be entitled to the benefit of the improved Offer Consideration, should the Offer become or be declared unconditional.	Annexure A to this Bidder's Statement sets out further information.
25.	What are the tax implications of accepting the Offer?	A summary of the Australian tax consequences for LPD Shareholders who accept the Offer is set out in Section 8. This summary is expressed in general terms only and is not intended to provide taxation advice for your specific circumstances. LPD Shareholders should seek their own taxation advice in relation to the Offer.	Section 8 of this Bidder's Statement sets out further information.

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## 2. Reasons to accept the Offer

### **An expanded and simplified structure increases exposure to the rapidly growing lithium market**

The Combined Group would be a leading and diversified lithium company with direct ownership of:

- both L-Max<sup>®</sup> and Sileach<sup>™</sup> - although each is different, Sileach<sup>™</sup> and L-Max<sup>®</sup> are both hydrometallurgical processes, and in that sense share a 'common disruptive' objective, that of replacing the traditional lithium production process;
- a large and diverse portfolio of potential hard-rock lithium production interests, and
- licensing interests in Canada, Thailand and Europe.

### **A Combined Group provides access to the synergies of both L-Max<sup>®</sup> and Sileach<sup>™</sup>**

Currently Lithium Australia has a right for L-Max<sup>®</sup> in Western Australia (the world's fastest developing hard rock lithium province) and other rights to L-Max<sup>®</sup> internationally. So, Lithium Australia already has a vested interest in seeing the L-Max<sup>®</sup> technology proven and developed as an alternative technology to Sileach<sup>™</sup>.

The Combined Group is likely to have superior access to capital markets, greatly improving the prospects of raising the capital required to achieve this.

### **Lithium Australia plans to fast-track L-Max<sup>®</sup> and Sileach<sup>™</sup>**

Lithium Australia believes that taking charge of these processes by way of the Offer is the fastest and most economical way to commercialise both. This can be achieved by broader access to technical expertise and improved access to capital markets. Combining the commercialisation of both Sileach<sup>™</sup> and L-Max<sup>®</sup>, Lithium Australia believes, will:

- provide substantial cost savings from pursuing a single pilot demonstration facility, rather than separate plants for each process; and
- potentially provide a one-stop solution for lithium extraction and production, in that the Sileach<sup>™</sup> and L-Max<sup>®</sup> processing streams can be utilised on a fit-for-product basis.

### **A Combined Group is better placed to attract market support**

Lithium Australia believes a Combined Group will create a stronger balance sheet and:

- garner more support from the capital markets for development finance - the larger market capitalisation for the Combined Group will create greater interest from institutional investors and will improve the capacity to raise the necessary funds for the Combined Group capital programs, and
- attract more lithium consumers willing to negotiate product supply contracts.

### **LPD Shareholders should seize the moment**

Lithium Australia believes this is a once-in-a-cycle opportunity to develop and exploit the Sileach<sup>™</sup> and L-Max<sup>®</sup> technologies, as:

- conversion of lithium from ore to chemical compounds currently occurs mainly in China, using traditional processes, and this creates a major supply bottleneck;

- major consumers of lithium chemicals (battery makers in particular) are seeking alternate production sources and Lithium Australia wants to be at the forefront in meeting this demand, and
- Lithium Australia believes there is an exciting commercial opportunity to build a lithium treatment plant in Western Australia, proximal to lithium sources, which will save on shipping costs to converters in northern Asia.

Lithium Australia believes this is a great opportunity for Western Australia as well as Australia and wants LPD Shareholders to be part of it.

**There is already LPD Shareholder support**

LPD Shareholders representing 17.76% of LPD Shares have entered into Pre-Bid Acceptance Agreements to support Lithium Australia in initiating this Offer.

**LIT Shares will trade in a far more liquid market than LPD Shares.**

The liquidity in the market place for LIT Shares is far greater than that for LPD Shares.

A comparison of volumes of LIT Shares and LPD Shares traded on the ASX since LPD changed its name effective 30 November 2016 until the Announcement Date shows a total of \$10.6 million in LIT Shares traded compared to a total value for LPD of \$2.6 million traded.

**There is no competing proposal**

Even if there was a competing bid for LPD Shares, Lithium Australia believes that it is in the best position to launch the strategy it proposes.

**There are risks in not accepting the Offer**

If the Offer does not result in Lithium Australia acquiring 100% of Lepidico, and no superior proposal emerges, LPD Shares may trade at a discount to the implied Offer price. Further, not accepting the Offer involves certain risks that LPD Shareholders should be aware of, namely:

- depending on what level of acceptances Lithium Australia receives under the Offer, the market for LPD Shares may be even less liquid or active than it is at present;
- if Lithium Australia becomes entitled to compulsorily acquire LPD Shares, it intends to exercise those rights, in which case you will still receive the consideration under the Offer for your LPD Shares but later than you would have had you accepted the Offer.

If you wish to accept this Offer, you must follow the instructions set out in the enclosed Acceptance Form and summarised at question 15 in Section 1 above by midnight (WST) on 18 April 2017.

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### 3. Profile of Lithium Australia

#### 3.1 Overview

Lithium Australia is a dedicated developer of disruptive lithium extraction technologies, and 100% owner of the Sileach™ process for the recovery of lithium from silicates, as well as an exclusive right to utilise L-Max® in Western Australia and other rights to L-Max® internationally. Lithium Australia has strategic alliances with a number of companies, creating the potential for it to access a diversified lithium mineral inventory. Lithium Australia plans to marry resources and the best available technology, thereby establishing a global lithium processing business.

#### 3.2 Board

Details of the Lithium Australia Board, as at the date of this Bidder's Statement, are set out below.

- (a) **George Bauk** (Non-Executive Chairman, appointed 15 July 2015) - Mr Bauk has more than 25 years of mining industry experience, including particular expertise in critical metals. Skilled in strategic management, business planning, the establishment of high-performing teams and capital-raising, Mr Bauk has held senior operational and corporate positions with WMC Resources and Arafura Resources and was previously managing director of Indigo Resources (formerly Western Metals). Since 2010, Mr Bauk has been managing director and CEO of Northern Minerals, overseeing that company's heavy rare earth project in northern Australia. That role has included organising a successful greenfields exploration programme, obtaining government approvals for production and co-existence agreements with traditional owners, initiating a definitive feasibility study and establishing off-take agreements with international suppliers, as well as substantial fund-raising - all of which has provided him with valuable exposure to critical metals markets – experience now directly applicable to advancing the activities of Lithium Australia.
- (b) **Adrian Griffin** (Managing Director, appointed 31 January 2011) - Mr Griffin has accumulated extensive experience in the resource sector over the past 35 years. In that time, he has held directorships in a number of private and listed resource companies and been responsible for operating large integrated mining and processing facilities including the Bulong nickel-cobalt operation in the late 1990s. Mr Griffin also has substantial experience in the mining industry in South Africa; in particular, he was founder and technical director of Ferrum Crescent Limited, a developer of iron ore in that country. Mr Griffin is currently a director of Northern Minerals Limited, Parkway Minerals NL, and Reedy Lagoon Corporation Limited.
- (c) **Bryan Dixon** (Non-Executive Director, appointed 7 December 2009) - Mr Dixon too has substantial experience in the mining sector and in the management of public and listed companies. Previously employed by KPMG, Resolute Samantha Limited, Société Générale and Archipelago Resources Plc, Mr Dixon is managing director of ASX-listed Blackham Resources Limited where under his stewardship Blackham has consolidated the Wiluna goldfield and taken the Matilda/Wiluna Gold Operation from scoping to production within 16 months following the financing of the project taking Blackham from a market capitalisation of \$6 million to \$228 million. As a chartered accountant, he contributes additional project development, project acquisition, financing and corporate skills to Lithium Australia.

### 3.3 Summary of activities

Early in the 2014-15 financial year, Lithium Australia noticed an important change in lithium supply – a broadening supply gap and a potential shortage of available lithium. The dynamics of the current situation are complex, with supply controlled by only a handful of producers. Recognising an unparalleled opportunity to create an independent supply stream, Lithium Australia sought to develop lithium processing technologies that have the potential to be more cost-effective than the traditional, energy-intensive processes. If successful, these technologies will prove truly disruptive to the lithium industry.

Lithium Australia recognises that current mining and processing methods generate abundant reject lithium mineral streams such as lithium micas and contaminated spodumene, and that these, if processed using Lithium Australia's 100% owned Sileach™ process, could bolster lithium chemical supply. Applying Lithium Australia's disruptive technology to mine waste and other less commonly processed minerals, such as lepidolite (a common lithium mica), could be a solution for the supply constrained battery market. Independent laboratory tests have confirmed the efficacy of the Sileach™ process, which allows what was previously considered 'waste' to be re-classified as 'ore', thereby establishing lithium micas as a primary ore source.

The disruptive processes developed by Lithium Australia are hydrometallurgical and have a very low energy footprint, since unlike conventional methods no roasting is required. Significant by-product credits further enhance their economic benefits. Indeed, estimated operating costs suggest these processes may be competitive with the world's most efficient producers, as long as the cost of providing feed to the lithium chemical plant is low. Thus, lithium minerals contained in processing waste streams present a lucrative target, and Lithium Australia has identified a number of projects where such waste is available.

Further, the abundance and availability of lithium micas and low-grade spodumene concentrates not historically assessed for resource potential has given Lithium Australia scope to establish a project portfolio significant in terms of the lithium industry's recent expansion. Lithium Australia is pursuing this by creating strategic relationships that provide it with potential access to mineralised material and by targeting areas of high prospectivity for spodumene, lithium micas and lithium clay.

### 3.4 Developing opportunities

Lithium Australia has the exclusive right to use Lepidico's L-Max® process in Western Australia, as well as to use L-Max® outside that state. However, L-Max® is specific to micas and cannot process the substantial spectrum of other lithium minerals, including spodumene.

During 2016, having furthered its relationship with Pilbara Minerals, Lithium Australia sought to explore the possibilities of extracting lithium from spodumene via hydrometallurgy. To that end, Lithium Australia developed the Sileach™ process, which is halogen-based and has demonstrated very rapid leach times.

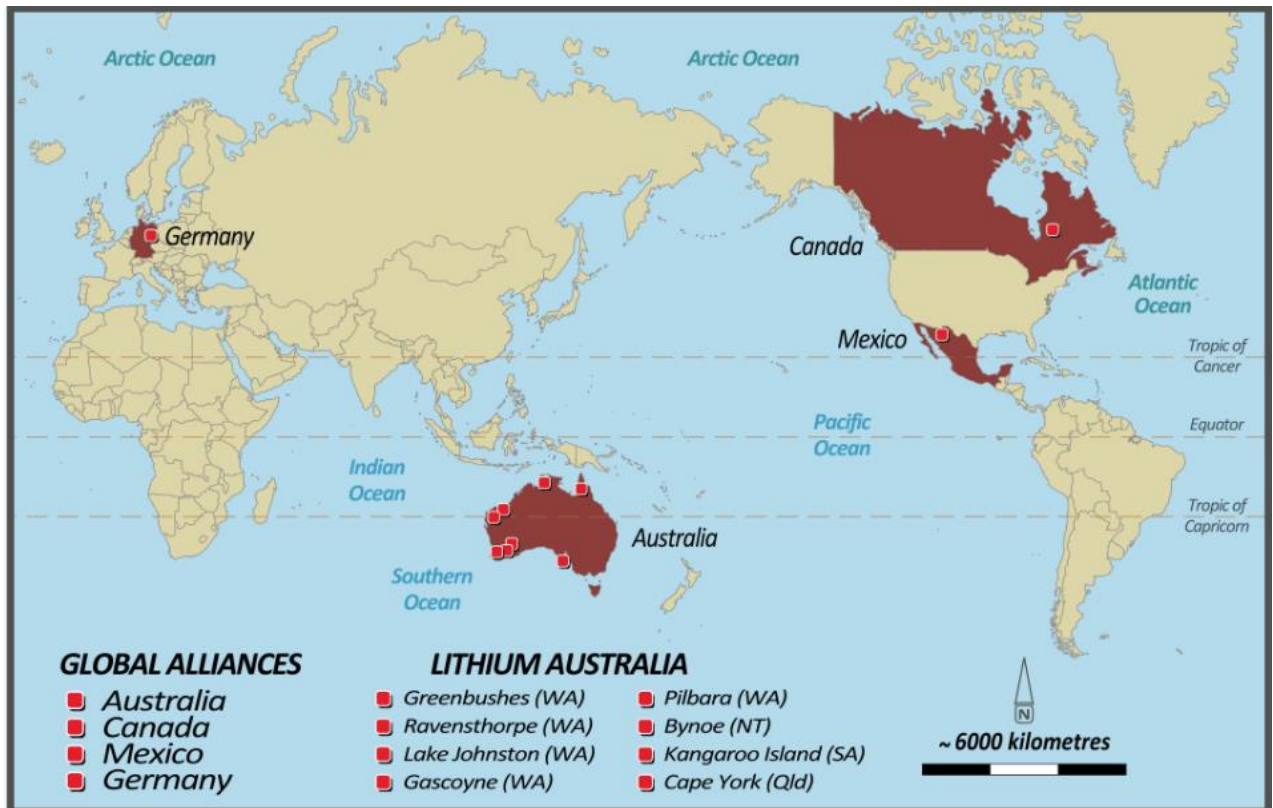
Laboratory tests of Sileach™ proved positive and Lithium Australia has subsequently commenced pilot testing, the first step towards commercialising the process. With lithium production considered of strategic importance to Australia's mineral industry now and well into the future, Lithium Australia's development programme has attracted government grants at both state and federal levels.

Samples of lithium mica from Lepidolite Hill and spodumene from Pilbara Minerals' Pilgangoora project (both in Western Australia) have since undergone continuous pilot testing. Depending on the outcomes of these pilot plant trials and subject to the outcome of engineering studies, Lithium Australia may commit to the construction and operation of a larger-scale pilot plant for long-term continuous testing and financial evaluation.

Lithium Australia has also developed an alkaline-based lithium extraction method – LieNa™, a patent application for which was lodged in August 2016. Armed with this suite of processing technologies, Lithium Australia can match a particular resource to the most appropriate processing technology.

### 3.5 Exploration projects

Lithium Australia was a “first-mover” in seeing the potential of underexplored and under-realised lithium geological resources and provinces. In pursuing its strategy to create a union between lithium resources and lithium extraction and processing technology, Lithium Australia has used its first-mover advantage to secure strategic positions in prospective lithium provinces within Australia and overseas. Outlined below are the lithium projects currently being developed by Lithium Australia.



- **Ravensthorpe Lithium Project, Western Australia** (Lithium Australia 100%) - this project consists of one exploration licence covering a 20 kilometre-long structural corridor that contains Mt Cattlin lithium and tantalum mining operations of Galaxy Resources Limited. The project lies 420 kilometres southeast of Perth.
- **Greenbushes, Western Australia** (Lithium Australia 100%) - comprising four exploration licences, an additional five exploration licence applications and seven prospecting licence applications, the project is 200 kilometres south of Perth, adjacent to the world’s largest lithium mine, which currently produces about 40% of global lithium supply.
- **The Goldfields Lithium Alliance (includes the Coolgardie Rare Metals Venture), Western Australia** - Lithium Australia and Cazaly Resources Limited have combined their present and future lithium mineral interests (which lie within a 100-kilometre radius of Kalgoorlie, Western Australia), for an initial period of 5 years from 2016, thereby forming the Goldfields Lithium Alliance. This will significantly enhance the technical and land management resources available for advancing lithium projects within the Goldfields region. The existing projects include the Coolgardie Rare Metals Venture and the Widgiemooltha purchase.

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- **Seabrook Rare Metals Venture, Western Australia** (Lithium Australia 80%, Tungsten Mining NL (ASX: TGN) 20%) - this consists of six exploration licences, located 385 kilometres east-northeast of Perth. Tungsten mineralisation is associated with extensive skarn mineralisation which exhibits strong alkali metal halos, similar to those around lithium pegmatites identified further south.
- **Gascoyne, Western Australia** (Lithium Australia 100%) - the project consists of four exploration licences/applications. Other projects in the Gascoyne include Cobalark and Yinnitherra. The occurrences within Lithium Australia's ground have not been previously assessed for lithium despite exhibiting exceptionally favourable geological characteristics.
- **Memorandum of Understanding with Venus Metals Corporation Ltd in regard to lithium exploration at VMC's Pilgangoora Project, Western Australia** - Lithium Australia and Venus Metals Corporation have entered into an agreement to jointly explore certain exploration licences (and current applications). Lithium Australia will undertake exploration activities primarily with respect to evaluating the lithium mica potential of the area controlled by Venus Metals Corporation - using, among other things, advanced proprietary exploration techniques developed by Lithium Australia and the LIBZ<sup>®</sup> technology provided by SciAps (USA). Using the latter, real-time lithium assays can be undertaken in the field. The area the subject of the joint venture contains abundant pegmatites which will be evaluated both for their lithium potential and for the possibility of both parties benefitting from any lithium mica occurrences within the project area.
- **Cape York, Queensland** (Lithium Australia 100%) - this project lies on the Cape York Peninsula in Queensland, some 1,700 kilometres northwest of Brisbane. EPM26252 was granted on 19 January 2017 and EPM26255 on 13 February 2017. This includes the projects entitled Amber and Cobree.
- **Bynoe, Northern Territory** (Lithium Australia 100%) - Lithium Australia has established a foothold in the Bynoe Pegmatite Field, located 50 kilometres south-southwest of Darwin, capital of the Northern Territory, close to infrastructure. EL30897 lies within the Bynoe Pegmatite Field and is part of the wider 200 kilometre long Litchfield Pegmatite Belt which has been intruded by a suite of highly differentiated S-type granites, the probable source of the pegmatites and mineralisation.
- **Lake Johnston, Western Australia** (Lithium Rights Agreement) - Lithium Australia holds the rights to lithium discovered on the area of two exploration licences held by Lefroy Exploration Limited (ASX: LEX) and in exchange LEX has taken gold and nickel rights over Lithium Australia's E63/1777. The project area lies 440 kilometres east of Perth. Consideration for the sale of the gold and nickel rights in E63/1777 to LEX was 3,000,000 LEX shares, which shares are still held by Lithium Australia.
- **Donnelly River** (Lithium Australia 100%) - comprising three exploration licences covering approximately 174 square kilometres of prospective graphite-bearing stratigraphy, this project is 240 kilometres south of Perth. Lithium Australia has been preparing to spin out its graphite projects to a current subsidiary BlackEarth Minerals NL (formerly Graphite Australia NL).
- **Kangaroo Island, South Australia** (Lithium Australia 100%) - Lithium Australia has applied for ground prospective for lithium on Kangaroo Island.
- **Electra Joint Venture, Mexico** (Lithium Australia 25%, Alix resources Corporation 75%) - this is a farm-in and joint venture in which Lithium Australia can earn up to 65% of the project from its partner Alix Resources Corporation. Lithium Australia is currently working towards lifting its 25% equity to 49%.

- **Tin International Joint Venture, Germany** (Lithium Australia up to 50%) - Lithium Australia has entered into a Memorandum of Understanding with Tin International AG (a subsidiary of German listed Deutsche Rohstoff AG) to form a Joint Venture including the Sadisdorf deposit located in Saxony, Germany. Lithium Australia has the right to earn 15% of the incorporated joint venture company to be established by spending a total of EUR 750,000 on either exploration or payment of cash to Tin International AG by the end of 2017. By investing a further EUR 1.25 million over a 3 year period Lithium Australia has the right to further increase its interests in the joint venture company to 50%. Tin International will also receive a one off payment of EUR 50,000 in cash and LIT Shares to the value of EUR 200,000.

### 3.6 Technology alliances

- **MetalsTech Limited** (ASX: MTC) - MTC was formed to identify, fund, acquire, explore and develop high grade hard rock lithium projects in Quebec, Canada. Lithium Australia was a seed investor as part of the strategy to establish a partnership and collaboration agreement for Sileach™ and LieNa™ as well as the further development of lithium extraction technology specific to the spodumene at the MTC projects in Quebec. There is a technology licence agreement between the companies and Lithium Australia was issued a further 1 million shares when MTC listed on ASX on 24 February 2017.
- **Letter Agreement with Pilbara Minerals Limited in regard to the Sileach™ Joint Venture** - Lithium Australia and Pilbara Minerals Limited have entered into an agreement to establish the Sileach™ Joint Venture on a 50:50 basis to produce lithium carbonate or lithium hydroxide from a Sileach™ processing plant fed by Pilbara Minerals spodumene concentrate.

A first pilot test has been completed and Lithium Australia is in the process of completing technical analysis of the data generated to deliver a scoping study at which point a decision will be made whether to proceed to a prefeasibility study for the construction of a large scale pilot plant facility.

### 3.7 Financial information

- (a) The following is Lithium Australia's Consolidated Statement of Financial Position as at 30 June 2016 (audited) and 31 December 2016 (unaudited).

	30 June 2016 Audited \$	31 December 2016 Unaudited \$
Current Assets		
Cash and cash equivalents	5,756,645	6,039,270
Trade and other receivables	317,221	432,970
Financial assets	3,385,822	819,371
Other assets	-	-
Total Current Assets	9,459,688	7,291,611
Non Current Assets		
Financial assets	288,496	784,540
Exploration Expenditure	147,050	2,465,994
Intangible assets	703,118	2,211,288
Investments	-	37,347
Property, plant and equipment	23,292	84,473
Total Non Current Assets	1,161,956	5,583,642

TOTAL ASSETS	10,621,644	12,875,253
Current Liabilities		
Trade and other payables	569,017	1,097,693
Total Current Liabilities	569,017	1,097,693
TOTAL LIABILITIES	569,017	1,097,693
NET ASSETS	10,052,627	11,777,560
Equity		
Issued capital	20,936,454	25,471,100
Reserves	814,791	650,905
Accumulated losses	(11,698,618)	(14,249,585)
Controlling entity interest	10,052,627	11,842,420
Non controlling interest		(94,860)
TOTAL EQUITY	10,052,627	11,777,560

(b) The following is Lithium Australia's Consolidated Statement of Financial Performance as at 30 June 2016 (audited) and 31 December 2016 (unaudited).

Lithium Australia NL  
Statement of comprehensive income

	Consolidated Audited 30 June 2016 \$	Consolidated Unaudited 31 Dec 2016 \$
Revenue	28,628	22,064
Other revenue	-	879,161
Occupancy costs	(78,927)	(44,726)
Professional fees	(119,587)	(155,120)
Corporate Fees	(326,632)	(387,180)
Employee benefits expense	(1,829,401)	(743,129)
Share based payment	-	(140,545)
Administration costs	(166,382)	(180,286)
Fair value of investments adjustment	27,005	(40,040)
Realised gains on financial assets	560,952	96,905
Unrealised gains on financial assets	1,045,714	(1,395,714)
Depreciation and amortisation	(15,948)	(12,432)
Loss on disposal of subsidiary	(90,191)	-
Exploration and evaluation costs written off	(809,677)	(548,936)
<b>Loss before income tax expense</b>	<b>(1,774,446)</b>	<b>(2,649,977)</b>
Income tax expense	-	-
<b>Loss from continuing operations</b>	<b>(1,774,446)</b>	<b>(2,649,977)</b>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operation	91,890	-
Net fair value gain on available for sale financial assets	125,980	(321,319)
<b>Total comprehensive income for the year</b>	<b>(1,556,576)</b>	<b>(2,971,296)</b>

**Loss for the year attributable to:**

Members of the controlling entity	(1,774,446)	(2,550,967)
Non controlling interest	-	(99,010)
	<u>(1,774,446)</u>	<u>(2,649,977)</u>

**Total comprehensive income attributable to:**

Members of the controlling entity	(1,556,576)	(2,872,286)
Non controlling interest	-	(99,010)
	<u>(1,556,576)</u>	<u>(2,971,293)</u>

### 3.8 Relationship with Lepidico

As at the date of this Bidder's Statement Lithium Australia does not own any shares or other securities in Lepidico. Lithium Australia does, however, have a Relevant Interest in 17.76% of LPD Shares pursuant to the Pre-Bid Acceptance Agreements. More information in relation to the Pre-Bid Acceptance Agreements is set out in section 10.1.

Lithium Australia has been granted rights by Lepidico to use the L-Max<sup>®</sup> technology. The rights comprise an exclusive right in Western Australia until 7 July 2020, which will be extended for a further 20 years if Lithium Australia commits to building an L-Max<sup>®</sup> plant anywhere in the world during the initial period as well as the right to use L-Max<sup>®</sup> at 2 locations outside of Western Australia (for the same period).

### 3.9 Corporate governance

The Lithium Australia Board aims to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles for Good Corporate Governance and Best Practice Recommendations.

Details on Lithium Australia's corporate governance procedures, policies and practices can be obtained at Lithium Australia's website [www.lithium-au.com](http://www.lithium-au.com).

### 3.10 Publicly available information

Lithium Australia is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Lithium Australia is subject to the ASX Listing Rules which require continuous disclosure of any information Lithium Australia has concerning itself that a reasonable person would expect to have a material effect on the price or value of its securities.

Lithium Australia is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Lithium Australia may be obtained from, or inspected at, an ASIC office.

On request to Lithium Australia, and free of charge, LPD Shareholders may obtain a copy of:

- (a) the annual financial report of Lithium Australia for the year ended 30 June 2016 (being the annual financial report most recently lodged with ASIC before lodgement of this Bidder's Statement with ASIC);
- (b) the half-year financial report for the half-year ended 31 December 2016 lodged by Lithium Australia with ASIC (being after the lodgement of the Annual Financial Report referred to above and before lodgement of this Bidder's Statement with ASIC); and

- (c) any continuous disclosure notice given to ASX by Lithium Australia since the lodgement with ASIC of the Annual Financial Report for Lithium Australia referred to above and before lodgement of this Bidder's Statement with ASIC. A list of the announcements Lithium Australia has lodged with the ASX since 30 September 2016 is set out in Annexure B to this Bidder's Statement.

Additional information about Lithium Australia is available in electronic form from [www.lithium-au.com](http://www.lithium-au.com) and on the ASX website.

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## 4. Information about Lithium Australia securities

### 4.1 Capital structure

As at the date of this Bidder's Statement, Lithium Australia has the following securities on issue:

Class of Security	Number
Fully paid ordinary shares	257,832,829
Partly paid contributing shares paid to \$0.0001 each (\$0.2499 unpaid)	132,850,148
Options exercisable at \$0.15 on or before 1 July 2019	4,316,666
Options exercisable at \$0.20 on or before 1 July 2019	7,875,000
Options exercisable at \$0.30 on or before 1 July 2019	9,200,000
Performance rights expiring 1 July 2019	10,340,000
Performance rights expiring 1 July 2021	16,250,000

### 4.2 Recent performance of LIT Shares

Set out below is a table showing relevant trading prices of LIT Shares on ASX:

Comparative Trading Period	Price of LIT Shares
Highest trading price in the 3 months prior to the date this Bidder's Statement was lodged with ASIC on 18 January 2017	\$0.21
Lowest trading price in the 3 months prior to the date this Bidder's Statement was lodged with ASIC on 6 January 2017	\$0.12
Closing trading price on the last trading day (3 February 2017) before the Announcement Date	\$0.18
Last available closing sale price of LIT Shares (as at 1 March 2017) on ASX prior to the date this Bidder's Statement was lodged with ASIC	\$0.17
2-Trading Day VWAP of LIT Shares before the date this Bidder's Statement was lodged with ASIC	\$0.17

Based on the closing price of a LIT Share on the ASX on 3 February 2017 (the last Trading Day before the Announcement Date) of \$0.18, the implied value of the Offer was \$0.0142 per LPD Share, implying an offer premium of 13% to the market value of LPD Shares on that date.

Based on the 2 Trading Day VWAP of a LIT Share before the date this Bidder's Statement was lodged with ASIC, of \$0.17, the implied value of the Offer as at the date prior to the date of the Bidder's Statement is \$0.0128 per LPD Share.

The implied value of the Offer is the market price of LIT Shares divided by 13.25. The implied value of the Offer will change as a consequence of changes in the market price of LIT Shares from time to time.

### **4.3 Admission of Offer Consideration**

LIT Shares are admitted to trading on the Official List of the ASX. Lithium Australia will lodge an application for admission to quotation of the LIT Shares comprising the Offer Consideration to trading on the ASX within 7 days of the start of the Bid Period. The Offer is conditional on quotation being granted. Quotation will not be automatic and will depend upon the ASX exercising its discretion. Nothing in this Bidder's Statement is to be taken as stating or implying that the LIT Shares to be issued as the Offer Consideration will be quoted on ASX. However, quotation is expected in the ordinary course, as Lithium Australia is already admitted to the Official List of the ASX.

As Lithium Australia is listed on the ASX, Lithium Australia's actions and activities are subject to the ASX Listing Rules.

### **4.4 Rights and liabilities of LIT Shares**

The LIT Shares offered to LPD Shareholders under the Offer are fully paid ordinary shares in the capital of Lithium Australia, and from the date of their issue, will rank equally with existing LIT Shares and have the same rights and liabilities attaching to them.

The rights and liabilities attaching to LIT Shares are governed by the Constitution of Lithium Australia, the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law of Australia.

Under Section 140(1) of the Corporations Act, the Constitution of Lithium Australia has effect as a contract between Lithium Australia and each member and between a member of Lithium Australia and each other member. Accordingly, if you accept LIT Shares as consideration you will, as a result, become liable to comply with the Constitution of Lithium Australia.

Set out below is a summary of the significant rights and liabilities attaching to LIT Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders of Lithium Australia. Shareholders should seek their own advice when seeking to establish their rights in specific circumstances.

Full details of the rights attaching to LIT Shares are set out in the Constitution, a copy of which is available for inspection at Lithium Australia's registered office during normal business hours.

#### **(a) General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative, to attend and vote at general meetings of Lithium Australia.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

#### **(b) Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote, and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividend, the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by Lithium Australia to the shareholders of such a dividend. The Directors may authorise the payment or crediting by Lithium Australia to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of Lithium Australia. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Lithium Australia may not pay interest in respect of any dividend, whether final or interim.

(d) **Winding up**

If Lithium Australia is wound up, the liquidator may, with the authority of a special resolution of Lithium Australia, divide among the shareholders in kind the whole or any part of the property of Lithium Australia, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of Lithium Australia, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding-up of Lithium Australia or it is resolved by special resolution to wind up Lithium Australia, then on a distribution of assets to members, any shares classified as restricted shares at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of shares**

Generally, shares in Lithium Australia are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act.

(f) **Variation of rights**

Pursuant to section 246B of the Corporations Act, Lithium Australia may, with the sanction of a special resolution passed at a meeting of shareholders, vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not Lithium Australia is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

## 4.5 Terms of other Lithium Australia securities

### LIT Partly Paid Shares

The key terms of the LIT Partly Paid Shares are as follows:

- (a) LIT Partly Paid Shares rank equally in all respects with fully paid ordinary shares on issue, subject to the following terms and conditions, notwithstanding any differences in the amount that the Partly Paid Shares are paid up to.
- (b) Each LIT Partly Paid Share:
  - (a) is paid up to \$0.0001;
  - (b) has an unpaid amount of \$0.2499;
  - (c) carries the right to participate in new issues of securities to holders of LIT Shares (except bonus issues) on the same basis as holders of LIT Shares;
  - (d) carries the right to participate in bonus issues of securities in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited);
  - (e) carries the right to vote in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited); and
  - (f) carries the right to participate in dividends on the same basis as holders of LIT Shares;
  - (g) any Shareholder may elect at any time to pay the unpaid amount for any number of Partly Paid Shares held by delivering to Lithium Australia's registered office:
    - (i) a notice stating the number of Partly Paid Shares to be paid-up;
    - (ii) the relevant holding statement(s); and
    - (iii) a cheque (in Australian currency) made payable to Lithium Australia for the amount being paid-up to become fully paid ordinary shares, and

Immediately upon receipt of, and in exchange for, the items referred to above, Lithium Australia will credit the Partly Paid Shares so that they become LIT Shares and deliver updated holding statements to the Shareholder.

- (c) At least 15 Business Days' notice of any call will be provided to Shareholders.
- (d) If there is a reorganisation of the issued capital of Lithium Australia (including, but not limited to, a consolidation, subdivision, cancellation, reduction or return of capital):
  - (i) the number of LIT Partly Paid Shares must be reorganised in the same proportion as all other classes of shares on issue, and
  - (ii) the reorganisation must not involve a cancellation or reduction of the total amount payable and unpaid by Shareholders.
- (e) In accordance with Part 2H.3 of the Corporations Act and the ASX Listing Rules, Shareholders do not have a contractual obligation to pay calls in respect of the unpaid amount on their LIT Partly Paid Shares. However, the LIT Partly Paid Shares the subject of a call will be liable to

forfeiture if a call remains unpaid at the end of 14 Business Days after it became payable. Lithium Australia may then sell the forfeited LIT Partly Paid Shares by public auction in accordance with the Corporations Act.

## LIT Options

A summary of the terms of LIT Options follows.

- (a) Each LIT Option entitles the holder to subscribe for one LIT Share upon exercise of the LIT Option.
- (b) LIT Options are exercisable at any time on or prior to the expiry date.
- (c) LIT Options may be exercised during the exercise period by notice in writing to Lithium Australia in the manner specified on the LIT Option certificate and payment of the exercise price for each LIT Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to Lithium Australia.
- (d) A notice of exercise is only effective on and from the later of the date of receipt of the notice of exercise and the date of receipt of the payment of the exercise price for each LIT Option being exercised in cleared funds.
- (e) Within 15 Business Days after the later of the following:

- (i) the exercise date; and
- (ii) when excluded information in respect to Lithium Australia (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the exercise date, Lithium Australia will:

- (iii) allot and issue the number of LIT Shares required under these terms and conditions in respect of the number of LIT Options specified in the notice of exercise and for which cleared funds have been received by Lithium Australia;
- (iv) if required, give the ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if Lithium Australia is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the LIT Shares does not require disclosure to investors, and
- (v) if admitted to the official list of the ASX at the time, apply for official quotation on the ASX of LIT Shares issued pursuant to the exercise of the LIT Options.

If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of LIT Shares does not require disclosure to investors, Lithium Australia must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the LIT Shares does not require disclosure to investors.

- (f) LIT Shares issued on exercise of LIT Options rank equally with the then issued shares of Lithium Australia.

- (g) If at any time the issued capital of Lithium Australia is reconstructed, all rights of an optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (h) There are no participation rights or entitlements inherent in LIT Options and holders will not be entitled to participate in new issues of capital offered to LIT Shareholders during the currency of the LIT Options without exercising the LIT Options.
- (i) A LIT Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the LIT Option can be exercised.
- (j) Lithium Australia may apply for quotation of LIT Options on the ASX, subject to the ASX Listing Rules and corporate law.
- (k) LIT Options are transferable subject to any restriction or escrow arrangements imposed by the ASX or under applicable Australian securities laws.

### LIT Performance Rights

The key terms of LIT Performance Rights are as follows:

- (a) Each LIT Performance Right entitles the holder to be issued one LIT Share on satisfaction of performance conditions.
- (b) The following table identifies the performance condition to be reached for each of the LIT Performance Rights.

Description	Number of LIT Performance Rights	Expiry date
Equitable lithium carbonate equivalent – 1,000,000t	4,690,000	1/7/2019
Equitable lithium carbonate equivalent – 5,000,000t	2,825,000	1/7/2019
Equitable lithium carbonate equivalent – 10,000,000t	2,825,000	1/7/2019
Successful pre-feasibility study on Sileach™ technology	1,625,000	1/7/2021
Procurement of feed to support 17,000 tpa lithium carbonate from Sileach™ plant	3,250,000	1/7/2021
Commitment decision to large-scale pilot facility	4,875,000	1/7/2021
Financial investment decision for full-scale development plant	6,500,000	1/7/2021
Total	26,590,000	

- (c) A LIT Performance Right does not confer on the holder the right to receive dividends.
- (d) If the holder elects to resign then the right to the underlying shares is forfeited.

- (e) If the holder's office or employment is terminated, then the LIT Performance Rights vest immediately upon the date of termination.
- (f) All LIT Performance Rights issued immediately vest (to the extent that they have not already vested or lapsed) and are immediately exercisable if:
- (i) a takeover bid (as defined in the Corporations Act) to acquire LIT Shares becomes, or is declared to be, unconditional, irrespective of whether or not the takeover bid extends to LIT Shares issued and allotted after the date of the takeover bid;
  - (ii) a change of control of Lithium Australia occurs, or
  - (iii) a merger by scheme of arrangement under the Corporations Act is approved by the court under section 411(4)(b) of the Corporations Act.
- (g) If Lithium Australia is required under relevant tax legislation to make withholdings on account of tax upon:
- (i) the exercise of LIT Performance Rights, or
  - (ii) the automatic conversion of LIT Performance Rights to LIT Shares,
- the Board must sell sufficient of the LIT Shares which would otherwise be issued so that the net proceeds of sale equal the payment which Lithium Australia is required to pay to the appropriate authorities. This arrangement does not apply if the Participant makes an alternative arrangement to the satisfaction of Lithium Australia.
- (h) If a holder ceases to be an officer or employee (as applicable) due to the occurrence of any of the following events, the LIT Performance Rights held by that participant will lapse 6 months after the occurrence of that event (or such longer period as the Board may determine) or on the expiry date applicable to those LIT Performance Rights, whichever occurs first:
- (i) retirement or retrenchment of the holder; or
  - (ii) bankruptcy of the holder, or
  - (iii) death of the holder.

#### 4.6 LIT Shareholders

As at 27 February 2017, there were 4,969 Lithium Australia Shareholders.

As at 27 February 2017, details of the 20 largest holders of each class of quoted securities in Lithium Australia are as follows.

Fully paid ordinary shares		Number held	% held
1.	Mr Adrian Christopher Griffin	8,562,842	3.32
2.	Mr P & Mrs MC Bevilacqua	8,250,000	3.20
3.	JP Morgan Nominees Limited	7,843,731	3.04
4.	Citicorp Nominees Pty Limited	7,671,333	2.98
5.	Buzz Monty Pty Ltd <Buzz Monty Super Fund A/C>	4,982,150	1.93
6.	Alan Jenks	3,750,000	1.45
7.	Apollinax Inc	3,275,000	1.27

<b>Fully paid ordinary shares</b>		<b>Number held</b>	<b>% held</b>
8.	LeFroy Exploration Ltd	3,272,280	1.27
9.	Gasmere Pty Ltd	3,008,888	1.17
10.	BNP Paribas Nominees Pty Ltd <Global Prime Omni DRP>	2,769,746	1.07
11.	Horn Resources Pty Ltd	2,509,048	0.97
12.	HSBC Custody Nominees (Australia) Limited	2,289,243	0.89
13.	Mr Dennis Bell	2,144,638	0.83
14.	Davsms Investments Pty Ltd <D & A Koutsantonis S/F A/C>	1,801,847	0.70
15.	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,793,293	0.70
16.	M & K Korkidas Pty Ltd <M&K Korkidas P/L S/Fund A/C>	1,681,333	0.65
17.	Warrior Strategic Pty Ltd	1,519,871	0.60
18.	Mr PB & Mrs VE McManus <McManus Super Fund A/C>	1,421,093	0.55
19.	Lastrane Pty Ltd	1,320,000	0.51
20.	Allaction Pty Ltd	1,269,308	0.49
		<b>71,135,645</b>	<b>27.59</b>

<b>Partly paid ordinary shares</b>		<b>Number held</b>	<b>% held</b>
1.	Citicorp Nominees Pty Limited	7,333,539	5.52
2.	Mr Dennis Bell	6,867,628	5.17
3.	Mr Adrian Christopher Griffin	5,291,718	3.99
4.	TR Nominees Pty Ltd	4,000,000	3.01
5.	BNP Paribas Nominees Pty Ltd <Global Prime Omni DRP>	3,229,933	2.43
6.	Widerange Corporation Pty Ltd	2,736,663	2.06
7.	BNP Paribas Nominees Pty Ltd <Custodian A/C>	2,498,566	1.56
8.	Mr Robert Van der Laan	2,300,000	1.73
9.	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,940,593	1.46
10.	Alan Jenks	1,875,000	1.41
11.	Kingsreef Pty Ltd <NB & DL Family A/C>	1,794,550	1.35
12.	Davsms Investments Pty Ltd <D & A Koutsantonis S/F A/C>	1,667,924	1.26
13.	Apollinax Inc	1,637,500	1.23
14.	Gasmere Pty Ltd	1,504,444	1.13
15.	Kingsreef Pty Ltd <NB & DL Family A/C>	1,403,346	1.06
16.	Martin James Pyle + Georgina Isla Pyle <The Pyle Family A/C>	1,403,143	1.06
17.	Horn Resources Pty Ltd	1,402,900	1.06
18.	Ms Jodie Marwick <Dixon Investment A/C>	1,143,750	0.86
19.	Alix Resources Corp	1,000,000	0.75
20.	Mr Lang Xu	830,321	0.63
		<b>51,615,207</b>	<b>39.5</b>

As at the date of the Bidder's Statement, the Directors held a Relevant Interest in 12,380,443 LIT Shares, being approximately 4.8% of the total number of LIT Shares on issue and 6,156,304 LIT Partly Paid Shares, being approximately 4.6% of the LIT Partly Paid Shares on issue. Refer to Section 10.7 for further details of the interests of the Directors in LIT securities.

**4.7 Substantial LIT Shareholders**

As far as Lithium Australia is aware there are no LIT Shareholders with a Voting Power of 5% or greater in Lithium Australia as at the date of the Bidder's Statement.

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## 5. Profile of Lepidico

### 5.1 Disclaimer

This overview of Lepidico and all financial information concerning Lepidico contained in this Bidder's Statement has been prepared by Lithium Australia using publicly available information.

The information in this Bidder's Statement concerning Lepidico has not been independently verified. Lithium Australia does not, subject to any applicable laws, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on Lepidico is not considered to be comprehensive.

### 5.2 Overview

Brisbane and Perth-based Lepidico (ASX: LPD) is a lithium company with global interests. Its aims are the exploration, development and operation of lithium assets, particularly those containing lithium-rich mica minerals. Lepidico focuses on its L-Max<sup>®</sup> technology to test and develop projects globally. LPD Shares are traded on the ASX and also in Germany, on the Frankfurt, Hamburg, Munich, Stuttgart, Xetra and Tradegate stock exchanges.

Lepidico has established a global presence in lithium via wholly-owned projects and joint ventures in Australia, Canada, Brazil, Thailand, Portugal, Peru and Argentina.

### 5.3 Directors

As at the date of this Bidder's Statement, the directors of Lepidico are as follows.

- (a) Gary Johnson – Non-Executive Chairman
- (b) Joe Walsh – Managing Director
- (c) Tom Dukovcic – Executive Director
- (d) Mark Rodda – Non-Executive Director

### 5.4 Securities

According to information released to the ASX, Lepidico's issued securities as of the date of the Bidder's Statement consisted of the securities set out in the following table.

Class of security	Number
Ordinary shares	1,750,537,591
Options – exercisable at \$0.03 on or before 30 September 2017	27,750,000
Options – exercisable at \$0.01815 on or before 3 August 2018	40,000,000
Options – exercisable at \$0.01 on or before 31 December 2018	9,000,000
Options – exercisable at \$0.025 on or before 31 December 2019	50,000,000
Options – exercisable at \$0.025 on or before 31 December 2019	25,000,000

## 5.5 Substantial shareholders

According to information released to the ASX, Lepidico's substantial shareholders as of the date of the Bidder's Statement are as follows.

Lepidico substantial shareholder	Relevant interest LPD Shares	Voting Power (%)
Strategic Metallurgy Pty Ltd*	253,526,448	14.48
Potash West NL	96,977,330	5.54

\*NB The Lepidico share register as at 13 February 2017 discloses that Strategic Metallurgy Pty Ltd is the registered holder of a further 50,000,000 LPD Shares.

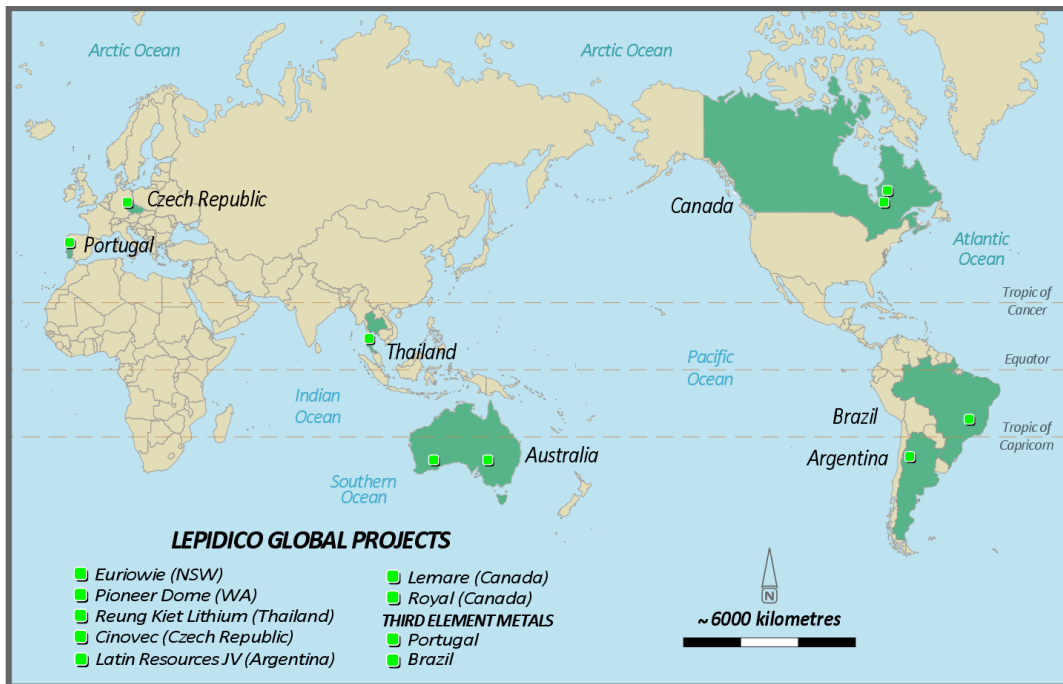
## 5.6 Disclosure of interests of directors

As at the date of the Bidder's Statement the following directors' Relevant Interests have been disclosed to the ASX.

(a)	Gary Johnson – Non-Executive Chairman	253,526,448 LPD Shares  12,500,000 LPD Options exercisable at \$0.025 on or before 31 December 2019
(b)	Joe Walsh – Managing Director	6,000,000 LPD Shares  40,000,000 LPD Options exercisable at \$0.01815 on or before 3 August 2018  12,500,000 LPD Options exercisable at \$0.025 on or before 31 December 2019
(c)	Tom Dukovic – Executive Director	3,161,334 LPD Shares  2,000,000 LPD Options exercisable at \$0.03 on or before 30 September 2017  9,000,000 LPD Options exercisable at \$0.01 on or before 31 December 2018  12,500,000 LPD Options exercisable at \$0.025 on or before 31 December 2019
(d)	Mark Rodda – Non-Executive Director	12,500,000 LPD Options exercisable at \$0.025 on or before 31 December 2019

## 5.7 Overview of activities and projects

A map and summary of Lepidico's activities and projects, based on information released to the ASX, follows.



### Technology

Lepidico is developing its L-Max<sup>®</sup> technology and is committed to a strategy of leveraging that technology to become a low-cost producer of lithium and chemical by-products.

- (a) **Lithium Australia L-Max<sup>®</sup> Rights** - Lepidico has granted the Lithium Australia L-Max<sup>®</sup> Rights.
- (b) **Reung Kiet Lithium Project, Thailand** - Lepidico entered into a memorandum of understanding in November 2016 with an unlisted company that contemplates the development of a small-scale L-Max<sup>®</sup> plant to process lepidolite concentrate from the Reung Kiet Lithium Project in Thailand.
- (c) **The Cinovec Licence, Czech Republic** - Lepidico has an arrangement with European Metals Holdings Ltd (ASX: EMH) whereby EMH can acquire the use of L-Max<sup>®</sup> by payment of \$30,000 and the issue of 890,215 EMH shares prior to May 2017, with a 2% gross product royalty.
- (d) **Brazilian and Portuguese Licensing Arrangements** - Third Element Metals Pty Ltd an incorporated company that is jointly owned by Lepidico and Crusader Resources (ASX: CAS) owns the Manga Project in Brazil and has the exclusive right to market and licence L-Max<sup>®</sup> in Brazil and Portugal.
- (e) **Joint Venture with Latin Resources Limited in Argentina and Peru** - Lepidico has an agreement with Latin Resources Limited (ASX: LRS) in relation to L-Max<sup>®</sup> opportunities in Argentina and/or Peru whereby LRS contributes the first \$1 million into each opportunity at which point the joint venture is set at LRS 60% and Lepidico 40%. Lepidico has an option to contribute pro rata or face a dilution to 30% in the event a further \$1 million is spent.

## Exploration projects

- (a) **Euriowie Project, New South Wales** (Lepidico 100%) - this project consists of Exploration Licence 8468.
- (b) **Lemare Project, Canada** - this project is located in Quebec. Lepidico is currently in the process of earning up to 75% of the Lemare Project from Critical Elements Corporation by spending a further C\$350,000 on exploration by 31 March 2017.
- (c) **The Royal Project, Canada** - this project comprises five contiguous claims of approximately 286 hectares in area, and represents a virgin lepidolite find within a known lithium district, situated only 4 kilometres from the Quebec Lithium Mine and 30 kilometres north of Val d'Or. The project is operated by Canadian listed St -Georges Platinum and Base Metals Ltd. Lepidico has a 10% interest in the project and an option to increase its interest to 50%.
- (d) **Lithium Alliance with Avalon Advanced Materials Inc., Canada** - on 6 February 2017, Lepidico announced that it had entered into a letter of intent with Avalon Materials Inc. for an integrated lepidolite mining and lithium carbonate production partnership in Canada.
- (e) **The East Pilbara Project, Western Australia** (Lepidico 100%) - comprises Western Australian tenement, E45/3326. Lepidico is currently trying to divest this non-core asset.
- (f) **Pioneer Dome Project, Western Australia** - on 23 February 2017, Lepidico announced that it had signed a farm-in agreement with Pioneer Resources Limited for Lepidico to earn a 75% interest in the 'PEG009' lepidolite prospect, located within Pioneer Resources Limited's Pioneer Dome Project, near Norseman in Western Australia.

## 5.8 Financial information

- (a) The historical consolidated statements of financial position of Lepidico, set out below, have been extracted from the audited consolidated statement of financial position as at 30 June 2016, being the last audited consolidated statement of financial position prior to the date of this Bidder's Statement and the audit reviewed consolidated statement of financial position as at 31 December 2016.

### Consolidated statement of financial position

	30 June 2016 Audited \$	31 December 2016 Audit Reviewed \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	666,263	2,091,569
Trade and other receivables	3,870,273	348,321
<b>TOTAL CURRENT ASSETS</b>	<b>4,536,536</b>	<b>2,439,890</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	-	36,003
Property, plant & equipment	3,743	10,955
Exploration expense capitalised	562,762	1,586,694
Intangible asset	16,203,762	16,340,566
Other assets	52,035	3,529
Available for sale financial assets	100,000	100,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>16,922,302</b>	<b>18,077,747</b>

<b>TOTAL ASSETS</b>	21,458,838	20,517,637
<b>CURRENT LIABILITIES</b>		
Trade and other payables	614,028	531,457
Short-term provisions	32,781	71,328
<b>TOTAL CURRENT LIABILITIES</b>	646,809	602,785
<b>TOTAL LIABILITIES</b>	646,809	602,785
<b>NET ASSETS</b>	20,812,028	19,914,852
<b>EQUITY</b>		
Contributed Equity	27,274,170	27,846,317
Reserves	555,750	1,875,333
Accumulated losses	(7,017,892)	(9,806,798)
<b>TOTAL EQUITY</b>	20,812,028	19,914,852

- (b) The historical consolidated statements of financial performance of Lepidico are set out below and have been extracted from the audited consolidated statement of comprehensive income for the financial years ending 30 June 2016 being the last audited financial statement prior to the date of this Bidder's Statement and the audit reviewed consolidated statement of financial performance for the half year ending 31 December 2016.

**Consolidated statement of financial performance**

	30 June 2016 Audited \$	31 December 2016 Audit Reviewed \$
<b>Revenue</b>	115,836	-
<b>Other income</b>	8041	89,214
	123,877	89,214
Accounting fees	(93,383)	
Corporate costs	(63,584)	(429,609)
Depreciation expense	(6,161)	(2,876)
Employee benefit expense	(338,039)	(363,109)
Capitalised exploration expenditure expensed	(415,004)	(310,551)
Finance costs	(13,086)	(2,364)
Occupancy costs	(76,558)	(44,428)
Public relations	(45,732)	-
Impairment of Available for Sale asset	(887,513)	-
Loss from Associates	-	(6,471)
Share based payments	-	(1,352,083)
Other expenses	(448,042)	(336,629)
<b>LOSS BEFORE INCOME TAX</b>	(2,263,225)	(2,788,906)

<b>Income tax expense</b>	-	-
<b>Loss from continuing operations</b>	<u>(2,263,225)</u>	<u>(2,788,906)</u>
<b>Loss attributable to members of the Parent Entity</b>	<u>(2,263,225)</u>	<u>(2,788,906)</u>

## 5.9 Website

Lepidico maintains a website, [www.lepidico.com](http://www.lepidico.com), which contains further information about Lepidico and its operations.

## 5.10 Publicly available information

Lepidico is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Lepidico is subject to the ASX Listing Rules which require continuous disclosure of any information Lepidico has concerning itself that a reasonable person would expect to have a material effect on the price of value of its securities.

Lepidico is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Lepidico may be obtained from, or inspected at, an ASIC office.

The most recent audited financial statements of Lepidico for the year ended 30 June 2016 were lodged with the ASX on 30 September 2016.

## 6. Combined Group

### 6.1 Approach

This Section 6 provides an overview of Lithium Australia and its subsidiaries in the event of the acquisition by Lithium Australia of all, or a majority of, the LPD Shares on issue, in the various scenarios following the Offer and the effect of the Offer on Lithium Australia and Lepidico. Unless otherwise indicated, the description of the Combined Group in this Section 6 assumes that Lepidico is a wholly-owned subsidiary of Lithium Australia. If Lithium Australia is not entitled to compulsorily acquire LPD Shares during the Offer Period, some of the benefits that would otherwise accrue to Lithium Australia if Lepidico were to become a wholly owned subsidiary of Lithium Australia may not be fully realised.

### 6.2 Disclaimer regarding Lepidico and the Combined Group information

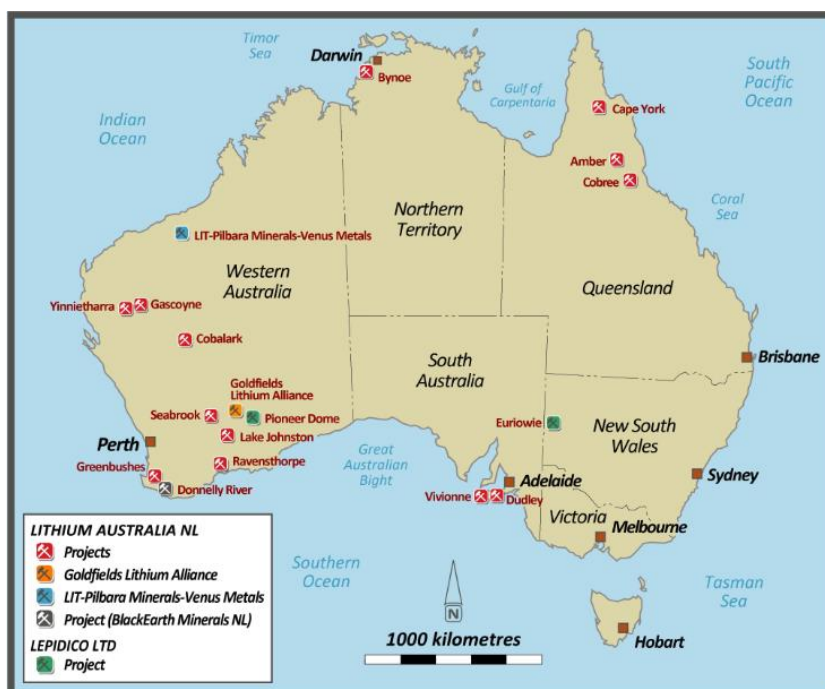
In preparing the information relating to Lepidico and the Combined Group contained in this Bidder's Statement, Lithium Australia has relied on publicly available information relating to Lepidico and this has not been independently verified by Lithium Australia or its Directors. Risks may exist in relation to Lepidico (which may affect the Combined Group) of which Lithium Australia is unaware. If any material risks are known to the directors of Lepidico, they must be disclosed in the target's statement to be issued by Lepidico.

Accordingly, subject to any applicable laws, Lithium Australia makes no representations or warranties (express or implied) as to the accuracy and completeness of such information.

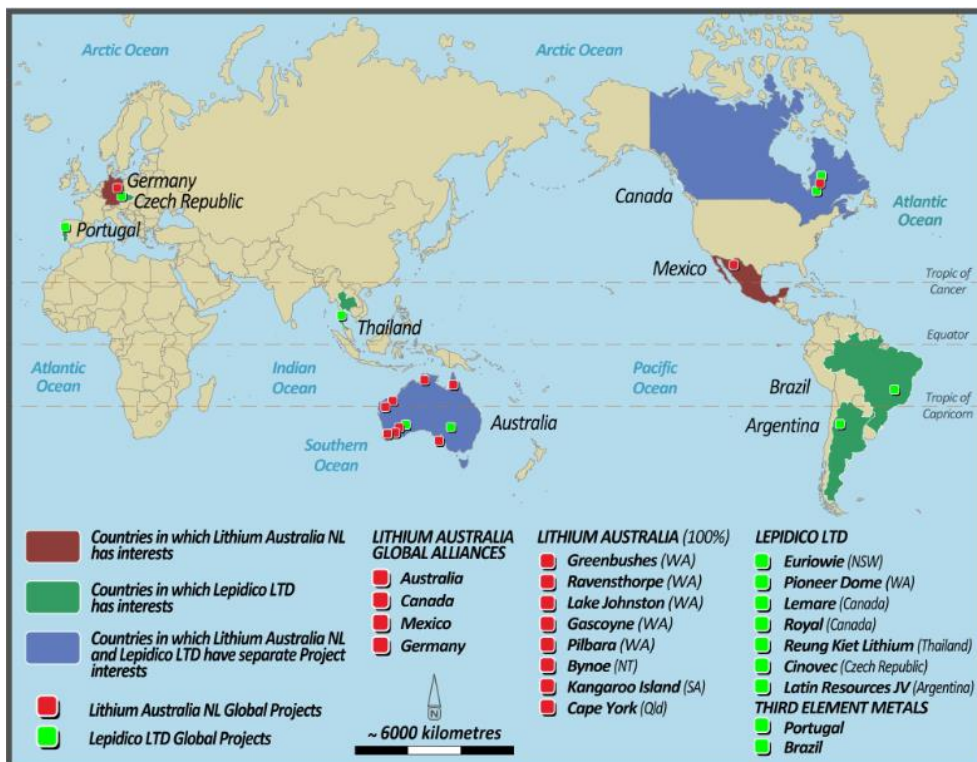
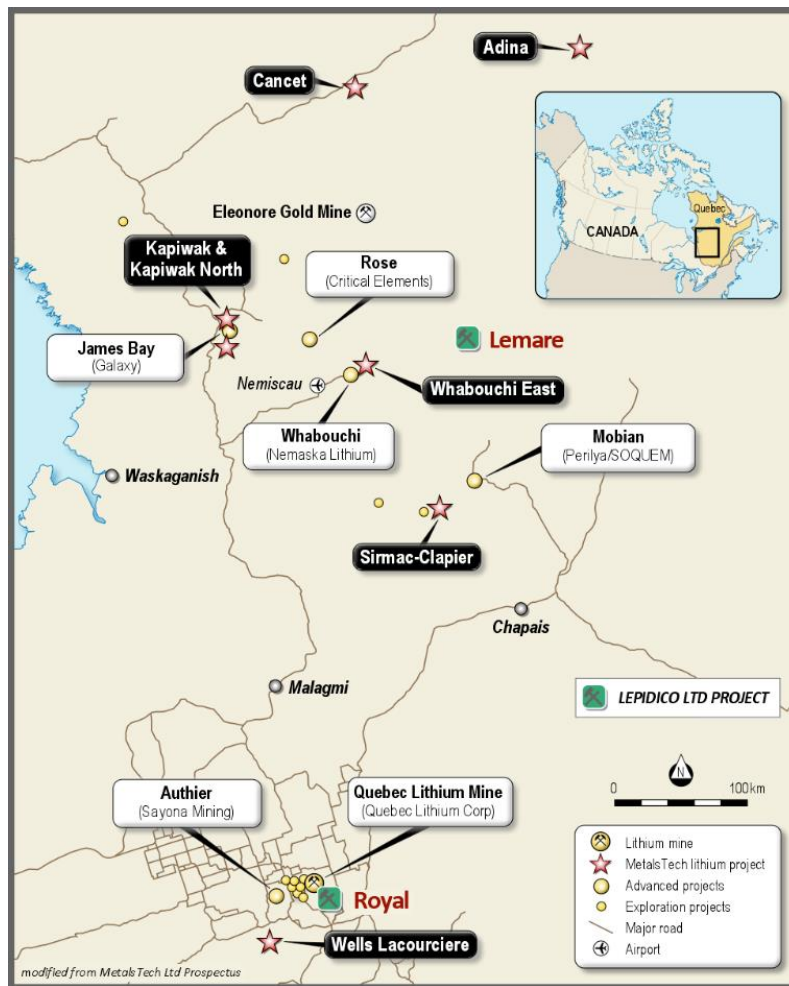
### 6.3 Profile of the Combined Group

If the Offer is successful, LPD Shareholders will receive 1 LIT Share in exchange for every 13.25 LPD Shares held by an LPD Shareholder. After the Offer, if Lithium Australia is successful in obtaining effective control of Lepidico, all LIT Shareholders (including LPD Shareholders who have received LIT Shares pursuant to the Offer) will be shareholders in the Combined Group.

The following maps set out the interests of the Combined Group both in Australia, Canada and worldwide.



For personal use only



## 6.4 Effect of completion of the Offer

In the event that Lithium Australia is entitled to proceed to compulsory acquisition following completion of the Offer, Lithium Australia will integrate:

- (a) Lepidico's lithium exploration activities and interests into the Lithium Australia diversified exploration portfolio; and
- (b) Lepidico's processing technologies, including L-Max®, with Lithium Australia's own activities for the development and potential commercialisation of hydrometallurgical processing of lithium-bearing ore types.

Lithium Australia also plans to review, optimise and enhance the Lepidico assets and intellectual property and apply its management expertise and experience, with a focus on unlocking the potential of the combined hydrometallurgical technologies and tenement interests.

## 6.5 Effect of the Offer on Lithium Australia's capital structure if Lithium Australia acquires all LPD Shares

Shares	Number
LIT Shares on issue at date of Bidder's Statement	257,832,829
LIT Shares to be issued under the Offer <sup>1</sup>	132,116,045
Total LIT Shares on issue at completion of the Offer <sup>2</sup>	389,948,874

1. Maximum number of LIT Shares to be issued assuming Lithium Australia acquires 100% of Lepidico, no LPD Options are exercised during the Bid Period and no accepting LPD Shareholders would be entitled to Unmarketable Parcels.

2. Assuming no other LIT Shares are issued during the Bid Period through the exercise of LIT Options, the vesting of LIT Performance Rights or otherwise.

## 6.6 Effect on the substantial shareholders

If the Offer is successful and Lithium Australia acquires all LPD Shares on issue there will be no substantial shareholders of the Combined Group based on the number of LIT Shares and LPD Shares held as stated in substantial holder notices lodged with ASX as at the date of the Bidder's Statement.

## 6.7 Financial information of the Combined Group

The following pro forma statement of financial position is based on Lithium Australia's consolidated statement of financial position as at and 31 December 2016 (unaudited), the 31 December 2016 financial statements of Lepidico and the total value of the Offer.

	LPD 31 December 2016 Audit Reviewed \$	LIT 31 December 2016 Unaudited \$	Pro Forma Adjustments	Combined Pro Forma Unaudited \$
<b>Current Assets</b>				
Cash and cash equivalents	2,091,569	6,039,270	(424,000)(a)	7,706,839
Trade and other receivables	348,321	432,970		781,291
Financial assets	-	819,371		819,371
Other assets	-	-		
<b>Total Current Assets</b>	<b>2,439,890</b>	<b>7,291,611</b>	<b>(424,000)</b>	<b>9,307,501</b>
<b>Non Current Assets</b>				
Trade and other receivables	36,003	-		36,003
Financial assets	100,000	784,540	-(b)&(c)	884,540
Exploration Expenditure	1,586,694	2,465,994		4,052,688
Intangible assets	16,340,566	2,211,288	3,866,036 (c)	22,417,890
Property, plant and equipment	10,955	84,473		95,428
Other assets	3,529	37,347		40,876
<b>Total Non Current Assets</b>	<b>18,077,747</b>	<b>5,583,642</b>	<b>3,866,036</b>	<b>27,527,425</b>
<b>TOTAL ASSETS</b>	<b>20,517,637</b>	<b>12,875,253</b>	<b>3,442,036</b>	<b>36,834,926</b>
<b>Current Liabilities</b>				
Trade and other payables	531,457	1,069,406		1,600,863
Provisions	71,328	28,287		99,615
<b>Total Current Liabilities</b>	<b>602,785</b>	<b>1,097,693</b>		<b>1,700,478</b>
<b>TOTAL LIABILITIES</b>	<b>602,785</b>	<b>1,097,693</b>		<b>1,700,478</b>
<b>NET ASSETS</b>	<b>19,914,852</b>	<b>11,777,560</b>	<b>3,442,036</b>	<b>35,134,448</b>
<b>Equity</b>				
Issued capital	27,846,317	25,471,100	(4,206,620) (a),(b)&(c)	49,110,797
Reserves	1,875,333	650,905	(1,875,333)(c)	650,905
Accumulated losses	(9,806,798)	(14,249,585)	9,523,989 (a)&(c)	(14,532,394)
Controlling entity interest	19,914,852	11,872,420	3,442,036	35,229,308
Non-controlling interest		(94,860)		(94,860)
<b>TOTAL EQUITY</b>	<b>19,914,852</b>	<b>11,777,560</b>	<b>3,442,036</b>	<b>35,134,448</b>

The pro-forma information contains the following pro-forma adjustments

- (a) Transaction Costs of Bidder's Statement totalling \$424,000. Assuming a 100% take-up, business combination costs amount to \$282,809 and classed as an expense with the balance of \$141,191 classed as capital raising costs.

(b) Issue of shares

In the event Lithium Australia acquires 100% of Lepidico, Lithium Australia will issue 132,116,045 shares at a fair value of 18 cents per share being the market value of LIT Shares as at 3 February 2017.

(c) Goodwill on acquisition

Lepidico's share capital, reserves and accumulated losses are eliminated. Then, based on the fair value of LIT Shares issued for 100% acquisition and the net assets acquired as per the Lepidico balance sheet dated 31 December 2016 amounts to \$19,914,852. The difference of \$3,866,036 has been included as an intangible asset. As part of the strategic review referred to in section 7, the intangible asset valuation will be reviewed and Lithium Australia's accounting policies will be applied.

## 6.8 Outlook for the Combined Group

This Bidder's Statement does not include any financial forecasts or projections for revenue or profit in relation to Lithium Australia, Lepidico or the Combined Group.

Lithium Australia considers that the inclusion of financial forecasts would be speculative and potentially misleading given that:

- (a) the technology, projects and prospects of Lithium Australia and Lepidico have not reached a stage where a reasonable assessment of future earnings can be made;
- (b) the rate of project exploration is subject to inherent risks associated with mineral grades and quantities, mining and process equipment availability, port and rail access, the granting of production licences, extraction and logistics costs;
- (c) the future market prices for minerals in projects held by Lithium Australia and Lepidico are inherently uncertain;
- (d) the intellectual property and technological processes developed by the Combined Group have not been implemented on a commercial scale and the development of those technologies is subject to significant risks and uncertainty.

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## **7. Intentions of Lithium Australia**

### **7.1 Disclosure regarding forward-looking statements**

This Bidder's Statement includes forward-looking statements that have been based on Lithium Australia's current expectations and predictions about future events including Lithium Australia's intentions (which include those set out in this Section 7). These forward-looking statements are, however, subject to inherent risks, uncertainties and assumptions that could cause the actual results, performance or achievements of Lithium Australia, Lepidico and the Combined Group to differ materially from the expectations and predictions, expressed or implied, in such forward-looking statements. These factors include, among other things, those risks identified in this Bidder's Statement.

None of Lithium Australia, its officers, nor persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of any forward-looking statements. You are cautioned not to place reliance on these statements in the event that the outcome is not achieved. These statements reflect views and opinions as at the date of this Bidder's Statement.

### **7.2 Rationale for the Offer**

If the Offer is successful, Lithium Australia and Lepidico will become part of a Combined Group that will be more capable of successfully undertaking the essential commercialisation processes required to bring the core technologies of both companies, Sileach™ and L-Max®, to market.

Both companies have overlapping strategies and share a similar position in their stages of product development and therefore the challenges facing both are common.

Currently, Lithium Australia has an exclusive right for L-Max® in Western Australia (the world's fastest developing hard-rock lithium province) and other rights to L-Max® internationally. Accordingly, Lithium Australia already has very good reasons to see the L-Max® technology proved and developed.

Lithium Australia believes a Combined Group will create a stronger proposition from which to gain further support, including:

- from capital markets, for development finance, and
- from major lithium consumers, in negotiating lithium supply contracts.

Both Sileach™ and L-Max® come under the umbrella of hydrometallurgical processes and so do not require the expensive, energy-intensive roasting step traditionally undertaken to convert lithium from hard-rock sources into chemical-grade lithium products. In this sense, both companies share the common 'disruptive' objective of replacing the traditional lithium production process.

Lithium Australia believes there is a strong strategic imperative to combine the technological capabilities of both Lithium Australia and Lepidico in order to seize an once-in-a-cycle opportunity that exists to develop and exploit both lithium processing-technologies.

- Major consumers (especially battery makers) are currently looking for production sources outside China.
- Lithium Australia wants to be first to market to meet this demand.

Lithium Australia believes there is an exciting commercial opportunity to build a hydrometallurgical lithium treatment plant, potentially in Western Australia, proximal to supply sources, which will save on shipping costs to converters in northern Asia, and that combining the Sileach™ and L-Max® technologies will further plans for the commercialisation of both and support the development of new lithium treatment plants.

### **7.3 Intentions regarding Lepidico**

#### **(a) Overview**

Lithium Australia intends to continue the business of Lepidico in the manner in which it is currently conducted, and to maintain Lepidico's assets and projects in good standing until it can complete the strategic review outlined at Section 7.4(a) below, subject to any variations that Lithium Australia considers necessary in light of its technical and operational experience and expertise and the resources of the Combined Group.

#### **(b) Approach**

Sections 7.3, 7.4, 7.5 and 7.6 below set out the intentions of Lithium Australia on the basis of facts and information concerning Lepidico that were known to Lithium Australia at the time of preparation of this Bidder's Statement. However, Lithium Australia will only reach final decisions in light of material facts and circumstances existing at the relevant time. Accordingly, the statements set out in Sections 7.3, 7.4, 7.5 and 7.6 are statements of current intentions only, and these may change as new information becomes available or circumstances change.

### **7.4 Intentions upon acquisition of 90% or more of Lepidico**

This Section 7.4 describes Lithium Australia's intentions if Lithium Australia acquires a Relevant Interest in 90% or more of LPD Shares under the Offer, and so becomes entitled to proceed to compulsory acquisition of outstanding LPD Shares in accordance with Part 6A.1 of the Corporations Act.

#### **(a) Strategic review**

Subject to what is disclosed elsewhere in Section 7.4, Lithium Australia intends to undertake a detailed review of Lepidico's activities, assets and liabilities, in order to evaluate its prospects, strategic relevance, funding requirements and financial and technical performance. This may lead to modification of some of Lepidico's existing projects and activities. This strategic review will be the main platform Lithium Australia will use to identify and assess the specific areas that may benefit Lithium Australia, as well as the expected costs and time frames.

#### **(b) Intention to continue technology commercialisation programs for both Sileach™ and L Max®**

Lithium Australia's plan is to combine the commercialisation of both Sileach™ and L Max®, in order to gain synergies in the testing and commercialisation process for both technologies, and ultimately also to save substantial capital costs by creating processing plants that can utilise both the Sileach™ and L-Max® processing streams on a fit for product basis.

Lithium Australia intends to continue and where possible based on feasibility work undertaken and market conditions, accelerate the works required for the purpose of:

- (i) advancing pilot testing of Sileach™ in order to reach a decision to commit to a large scale pilot plant construction,

- (ii) reviewing the results of the pre-feasibility study completed by Lepidico into a phase 1 L-Max<sup>®</sup> plant.

Depending on the outcomes of these studies and trials and subject to the outcome of the engineering studies, Lithium Australia may commit to the construction and operation of a pilot plant for long-term continuous testing and financial evaluation.

(c) **Lepidico exploration projects and expenditure**

It is expected that Lithium Australia will utilise its expertise and experience to re-evaluate the Lepidico exploration database and expenditure requirements in order to prioritise exploration and expenditure on areas regarded by Lithium Australia as being the most prospective tenement areas held by the Combined Group. This may result in some exploration assets or interests being disposed of or surrendered. Further, certain contracts that Lepidico are party to may have a change of control clause enabling the other party to terminate the arrangements. Lithium Australia will liaise with each party to determine the best way to proceed with each joint venture or contract.

(d) **Composition of the board**

Upon Lithium Australia obtaining a Relevant Interest in 90% of the LPD Shares Lithium Australia intends to replace all of the members of the board of directors of Lepidico with the current directors of Lithium Australia.

(e) **Corporate matters**

Lithium Australia intends to:

- (i) proceed with the compulsory acquisition of any LPD Shares not acquired under the Offer in accordance with Part 6A.1 of the Corporations Act;
- (ii) arrange for Lepidico to be removed from the Official List of the ASX, and
- (iii) amend the constitution of Lepidico to reflect its status as a wholly-owned subsidiary of Lithium Australia.

(f) **Corporate office and employees**

Subject to the strategic review, Lithium Australia intends to continue conducting the Lepidico business in the ordinary course. Lithium Australia will, however, consider centralising the corporate head office of Lepidico by incorporating those functions performed by it into the administrative structure of Lithium Australia. It is proposed that functions such as company secretarial, financial management and accounting will be centralised. It is intended that the centralised corporate office will be in Perth, Western Australia.

Lepidico and its subsidiaries do not have a significant number of employees; however, some of these employees may undertake functions that will be centralised in the Combined Group. Some job losses may occur as a result; however, the incidence, extent and timing of such job losses cannot be predicted in advance. Lithium Australia intends to discuss employment arrangements with the existing personnel.

(g) **General business integration**

As part of the strategic review, Lithium Australia intends to undertake a specific review of:

- (i) Lepidico's assets and liabilities, and
- (ii) the possible synergies between and benefits of Lithium Australia and Lepidico.  
Lithium Australia intends to prepare and implement a business integration plan.

(h) **Balance sheet date and accounting policy**

Lithium Australia intends to conduct a review of Lepidico's accounting policies. It is expected that this review will result in the adoption of Lithium Australia's accounting policies. Lithium Australia will pay particular attention to the valuation of Intangibles and apply its accounting policy as at the next balance date.

## **7.5 Intentions upon gaining control but less than 90% of Lepidico**

This Section 7.5 describes Lithium Australia's intentions if Lepidico becomes a controlled entity of Lithium Australia, but Lithium Australia is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

On completion of the Offer, Lithium Australia may hold a sufficient number of LPD Shares to exercise control over the management and operations of Lepidico, but may not be entitled to compulsorily acquire all outstanding LPD Shares. Lithium Australia's intentions in those circumstances are as follows.

(a) **General**

Lithium Australia will implement the intentions described in Section 7.4 above to the extent possible and economically feasible, and subject to the requirements of the Corporations Act and any other applicable laws or regulations. These intentions specifically include those in respect of strategic review, intention to continue technology commercialisation programs for both Sileach™ and L Max®, Lepidico Exploration Projects and Expenditure, corporate matters, corporate office and employees and general business integration.

Lithium Australia intends, to the extent possible, to implement the intentions detailed in Section 7.4 of this Bidder's Statement where these are consistent with Lepidico being a controlled entity of (but not wholly owned by) Lithium Australia and are considered to be in the best interests of LPD Shareholders as a whole, including the rights of minority shareholders.

(b) **Composition of the board**

Lithium Australia intends, subject to the Corporations Act and the constitution of Lepidico, to seek to replace some or all of the members of the board of directors of Lepidico. The majority would be replaced with the current directors of Lithium Australia.

Through the Lepidico Board, Lithium Australia intends, to the extent possible, to implement the intentions detailed in Section 7.4 and this section where they are consistent with Lepidico being a controlled entity of (but not wholly owned by) Lithium Australia and are considered to be in the best interests of LPD Shareholders as a whole, including the rights of minority shareholders.

(c) **Listing on the Official List of the ASX**

Lithium Australia intends to maintain Lepidico's listing on the Official List of the ASX, while it continues to meet its ASX listings requirements. Shareholders of Lepidico are alerted that in this circumstance the liquidity of LPD Shares may be materially decreased. Further If Lithium Australia obtains effective control of Lepidico and there is a limited spread or volume of LPD Shareholders remaining at the end of the Offer Period, Lithium Australia may seek to procure the removal of Lepidico from the official list of the ASX.

If Lithium Australia does not become entitled to compulsorily acquire LPD Shares under Section 661A of the Corporations Act, it may nevertheless become entitled to exercise the general compulsory acquisition power under Part 6A.2 of the Corporations Act in the future. Lithium Australia intends to exercise that power in respect of LPD Shares if it becomes entitled to do so.

(d) **Elimination of duplication**

To the extent that activities and functions, including management, presently carried out by Lithium Australia and Lepidico will be duplicated, such duplication will be eliminated where it is economically efficient to do so.

(e) **Remaining LPD Shareholders**

If Lithium Australia acquires less than 90% of the LPD Shares on issue, then LPD Shareholders should be aware that if they do not accept the Offer they may become a 'locked-in' minority after the end of the Offer Period (that is, if Lithium Australia holds a majority of LPD Shares but is not entitled to compulsorily acquire the remaining LPD Shares).

It is possible that, even if Lithium Australia is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act (for example, as a result of acquisitions of LPD Shares in reliance on the '3% creep' exception in item 9 of Section 611 of the Corporations Act). If so, it intends to exercise those rights.

(f) **Limitations in giving effect to intentions**

There may be limitations to Lithium Australia's intentions as outlined in this Section 7.5 due to the legal obligations of Lepidico's directors to have regard to the best interests of Lepidico and its shareholders, including the rights of minority shareholders, and the requirements of the Corporations Act and other applicable laws, and the ASX Listing Rules relating to transactions between related parties. Lithium Australia may require legal and financial advice before deciding what action to take in connection with the intentions outlined in this Section 7.5.

The extent to which Lithium Australia will be able to implement these intentions will be subject to:

- (i) the Corporations Act and the ASX Listing Rules, in particular in relation to related party transactions and conflicts of interests;
- (ii) the legal obligation of the directors of Lepidico to act for proper purposes and in the best interests of LPD Shareholders as a whole; and
- (iii) the level of control that Lithium Australia will eventually be able to exert over the operations and strategy of Lepidico.

## **7.6 Intentions if effective control of Lepidico is not acquired**

Lithium Australia's intentions if Lithium Australia does not gain effective control of Lepidico are as follows.

- (a) Lithium Australia does not expect to be in a position to give effect to the intentions set out in Sections 7.4 or 7.5 of this Bidder's Statement, and
- (b) Lithium Australia would have regard to the circumstances at the time and consider the appropriate courses of action that are in the best interests of LIT Shareholders. Such courses of action might include, but not be limited to, disposing of its shareholding in Lepidico, acquiring further LPD Shares as permitted by law, seeking representation on the Lepidico board through the appointment of one or more of the Lithium Australia directors (commensurate with its shareholding in Lepidico) and exercising its voting rights as a major shareholder as it deems fit.

## **7.7 Intentions generally**

Except for the changes and intentions set out in Sections 7.3, 7.4, and 7.5, it is the present intention of Lithium Australia (based on the information presently available to it) to:

- (a) continue to hold the key assets of Lepidico and not to redeploy its fixed assets;
- (b) substantially continue to conduct Lepidico's business in its current manner, and
- (c) subject to the strategic review, not make any major changes to the business or assets of Lepidico and not to redeploy any of the fixed assets of Lepidico.

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## **8. Australian Tax Considerations**

### **8.1 Introduction**

The following summary is a general description of the Australian income tax and CGT consequences for LPD Shareholders who accept the Offer and dispose of their LPD Shares to Lithium Australia in accordance with the Offer.

The summary is based on taxation law and practice in effect at the date of the Offer. It is not intended to be an authoritative or comprehensive analysis of the taxation laws of Australia, nor does it consider any specific facts or circumstances that may apply to particular shareholders. Further, it does not deal with the taxation consequences of disposing of LPD Shares or LPD Options which may have been issued under an employee share scheme, which may be subject to specific tax provisions.

The Australian tax consequences for LPD Shareholders of disposing of their LPD Shares will depend on a number of factors including:

- (a) whether they are an Australian resident or non-resident for tax purposes;
- (b) whether they hold their LPD Shares on capital account, revenue account or as trading stock;
- (c) when they acquired their LPD Shares;
- (d) whether they are an individual, a company or a trustee of a complying superannuation entity; and
- (e) whether scrip for scrip roll-over relief is available – see Section 8.3 below.

Given the complexity of the taxation legislation, LPD Shareholders should seek independent taxation advice regarding the tax consequences of disposing of LPD Shares given the particular circumstances which apply to them.

### **8.2 Taxation consequences for LPD Shareholders**

#### **(a) Shareholders holding LPD Shares as Trading Stock**

LPD Shareholders who hold their LPD Shares as trading stock (e.g. as a share trader) will be required to include the value of the consideration from the disposal of their LPD Shares (the market value of the LIT shares) in their assessable income.

#### **(b) Shareholders holding LPD Shares on Revenue Account**

The Australian tax consequences for LPD Shareholders who hold their LPD Shares on revenue account and who accept the Offer will be able to include the amount received (the market value of the LIT Shares) less the cost of acquisition of the LPD Shares as ordinary assessable income. Where the market value of LIT Shares is less than the cost of LPD Shares the loss may be claimed as a tax deduction.

#### **(c) Non-resident shareholders holding LPD Shares as Trading Stock or on Revenue Account**

LPD Shareholders who are a non-resident of Australia and whose LPD Shares were acquired as trading stock or otherwise on revenue account, should seek their own professional advice. The Australian tax treatment will depend on the source of any gain or loss and whether a double tax agreement exists between their country of residence and Australia to either limit the amount taxable in Australia or provide a tax credit for tax paid.

(d) Non-resident LPD Shareholders holding LPD Shares on Capital Account

The Australian tax treatment will depend on whether the shares are taxable Australian property (**TAP**). Where the shares are TAP, any gain derived on the sale of the shares may be subject to capital gains tax. Whether the non-resident shareholder will be able to access the CGT discount (to reduce any part of the taxable gain) will depend on:

- (i) the type of shareholder they are;
- (ii) how long they have held the shares for; and
- (iii) when the shares were acquired. Non-resident shareholders are unable to apply the CGT discount to reduce capital gains derived after 8 May 2012.

LPD Shares would be considered to be TAP for non-resident LPD Shareholders if:

- (i) together with their Associates, they directly or indirectly own at least 10% or more (by value) of the shares in Lepidico:
  - (A) at the time of the sale; or
  - (B) throughout a 12 month period beginning no earlier than 24 months before the time of the sale and ending no later than the time of the sale; and
- (ii) if more than 50% of the value of Lepidico's assets is attributable to Australian real property,

Where the shares are not TAP, it is unlikely that any capital gain will be subject to tax in Australia.

As these rules are complex in their application, we recommend non-resident shareholders seek independent advice in order to determine if any gain would be taxable to them in Australia.

(e) LPD Shareholders holding LPD Shares on Capital Account

In broad terms, the Australian tax consequences for LPD Shareholders who hold their LPD Shares on capital account and who accept the Offer will depend on whether or not 'scrip for scrip' capital gains tax roll-over relief is available and, if available, is elected. The following discussion considers the general Australian tax consequences for LPD Shareholders where:

- (i) roll-over relief is not available or is not elected; and
- (ii) roll-over relief is available and is elected.

### **8.3 Acceptance of the Offer where roll-over relief is available and is elected**

Australian resident LPD Shareholders may be entitled to 'scrip for scrip' CGT roll-over relief in respect of the consideration referable to LIT Shares where the exchange of the shares would otherwise realise an assessable capital gain. Broadly speaking, roll-over relief is available to shareholders who exchange shares in one company for shares in another company where the transaction is made pursuant to a takeover bid and provided certain qualifying conditions are satisfied.

In broad terms, these qualifying conditions include the requirement that Lithium Australia must make an offer to all shareholders in Lepidico to acquire their voting shares on substantially the same terms and Lithium Australia must become the owner of at least 80% of the voting shares in Lepidico as a consequence of the Offer.

If the qualifying conditions are satisfied and a LPD Shareholder elects for roll-over relief to apply, the roll-over relief is available.

The effect of the roll-over relief is that the LPD Shareholder's total capital gain will be deferred until the LIT Shares are disposed of.

The CGT cost base of the new LIT Shares acquired in the exchange is determined by reasonably attributing to it the CGT cost base of the LPD Shares for which a roll-over was obtained. For example, the CGT cost base for one LPD Share will be apportioned to the one LIT Share received for each LPD Share. Further, the LPD Shareholders will be taken to acquire their LIT Shares at the time they originally acquired their LPD Shares (for the purpose of determining any entitlement to a discount on an otherwise assessable capital gain in relation to a subsequent dealing in their new LIT Shares).

As discussed above, roll-over relief will only be available if the qualifying conditions are satisfied and LPD Shareholders elect to apply for it. Further, roll-over relief is not available if LPD Shareholders realise a capital loss on the disposal of their LPD Shares.

Scrip for scrip roll-over relief does not apply automatically and must be elected. The election to utilise scrip for scrip roll-over relief is evidenced by the manner in which the tax return for the relevant income year is prepared although it may be prudent to keep a written record of that election with your tax records.

Given the complexity of the provisions governing roll-over relief and the various qualifying conditions that need to be satisfied, LPD Shareholders should seek independent taxation advice regarding their particular circumstances.

Non-resident LPD Shareholders could only obtain roll-over relief in very limited circumstances. It is imperative that non-residents seek independent tax advice to confirm their Australian tax position.

#### **8.4 Acceptance of the Offer where roll-over relief is not available or is not elected**

Acceptance of the Offer is likely to involve a disposal by a LPD Shareholder of their LPD Shares for CGT purposes.

An Australian resident LPD Shareholder may make a capital gain or capital loss, depending on whether their capital proceeds from the exchange are more than the cost base of their LPD Shares, or whether those capital proceeds are less than the cost base of those shares.

The Australian tax treatment for non-resident LPD Shareholder will depend on whether the shares are taxable Australian property (**TAP**). Where the shares are TAP, any gain derived on the sale of the shares may be subject to capital gains tax. Whether the non-resident shareholder will be able to access the CGT discount (to reduce any part of the taxable gain) will depend on:

- (a) the type of shareholder they are;
- (b) how long they have held the shares for; and
- (c) when the shares were acquired. Non-resident shareholders are unable to apply the CGT discount to reduce capital gains derived after 8 May 2012.

LPD Shares would be considered to be TAP for non-resident LPD Shareholders if:

- (a) together with their Associates, they directly or indirectly own at least 10% or more (by value) of the shares in Lepidico:
  - (i) at the time of the sale; or
  - (ii) throughout a 12 month period beginning no earlier than 24 months before the time of the sale and ending no later than the time of the sale; and
- (b) if more than 50% of the value of Lepidico's assets is attributable to Australian real property,

Where the shares are not TAP, it is unlikely that any capital gain will be subject to tax in Australia.

As these rules are complex in their application and subject to the terms of any applicable double tax agreement, we recommend non-resident LPD Shareholders seek independent advice in order to determine if any gain would be taxable to them in Australia.

The capital proceeds that a LPD Shareholder will be taken to have received in respect of the disposal of their LPD Shares will generally be the market value of LIT Shares received on the date of implementation of the Offer.

The cost base of LPD Shares will generally be the cost at which they were acquired including any incidental costs of acquisition.

Where the amount of capital proceeds received by a LPD Shareholder in respect of the disposal of their LPD Shares is greater than the cost base of those LPD Shares, then the shareholder should realise a capital gain for Australian CGT purposes.

Where the amount of capital proceeds received by a LPD Shareholder in respect of the disposal of their LPD Shares is less than the reduced cost base of those LPD Shares, then the LPD Shareholder should realise a capital loss for Australian CGT purposes.

Where it is expected that a capital gain will result, if a LPD Shareholder does not elect for roll-over relief, or that relief is not available, then partial tax relief may be available in the form of the CGT discount.

Specifically, where LPD Shares have been held for at least 12 months before their disposal, a shareholder who is an individual, a complying superannuation entity, or the trustee of a trust, should be able to reduce the capital gain arising from the disposal of LPD Shares by the CGT discount (see below).

The CGT discount will be available if the relevant LPD Shares have been held for at least 12 months.

Subject to the LPD Shareholder having any capital losses or net capital losses from previous income years, where the CGT discount is available, eligible LPD Shareholders which are individuals or trustees of trusts will reduce the nominal capital gain arising on the disposal of LPD Shares by one-half. For individuals, this reduced gain should be assessed at the shareholder's marginal tax rate. Trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains.

Subject to the LPD Shareholder having any capital losses or net capital losses from previous income years, where LPD Shares are held by a complying superannuation entity and the CGT discount is available, the discount will reduce the nominal capital gain on the disposal of the shares by one-third.

The CGT discount is generally applied after taking into account any capital losses or net capital losses from previous income years. LPD Shareholders having any capital losses or net capital losses from previous income years should seek independent advice in relation to the potential availability of the CGT discount.

#### **8.5 LPD Shareholders who are Companies will Not be Entitled to the CGT Discount**

Companies are not entitled to the CGT discount. The capital gain or capital loss will be calculated with reference to the capital proceeds less the cost base or reduced cost base of the shares. Where a company realises a capital gain, it may be eligible to reduce that gain with capital losses from previous income years. We recommend that companies seek advice from their professional tax adviser in relation to the availability and deductibility of capital losses.

#### **8.6 GST**

GST should not apply to the disposal of LPD Shares under the Offer, the issue of LIT Shares under the Offer, or any subsequent disposal of LIT Shares.

LPD Shareholders who are registered for GST purposes may not be entitled to full input tax credits for any GST incurred on costs associated with acquiring or disposing of securities in Lithium Australia or Lepidico. LPD Shareholders should seek their own tax advice in this respect.

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## 9. Risk factors

### 9.1 Overview

If the Offer becomes unconditional, LPD Shareholders who accept the Offer will become LIT Shareholders. In those circumstances, LPD Shareholders will:

- (a) continue to be exposed to the risks associated to the investment in Lepidico as a result of their indirect interest in Lepidico through Lithium Australia;
- (b) be exposed to the risks specific to an investment in Lithium Australia, and
- (c) be exposed to additional risks relating to the Offer and the Combined Group.

These risks are explained below. LPD Shareholders should read the Bidder's Statement carefully and consult their professional advisers before deciding whether to accept the Offer. By accepting the Offer, LPD Shareholders will be investing in Lithium Australia.

The business activities of Lithium Australia are subject to various risks that may impact on the future performance of Lithium Australia. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of Lithium Australia and cannot be mitigated.

Accordingly, an investment in Lithium Australia carries no guarantee with respect to the payment of dividends, return of capital or the price at which shares will trade and should be considered speculative. The principal risk factors include, but are not limited to, the following.

### 9.2 Risks relating to the Offer

#### (a) Issue of LIT Shares as consideration

LPD Shareholders are being offered specific quantities of LIT Shares as consideration under the Offer. As a result, the value of the consideration will fluctuate depending upon the market value of LIT Shares at any given time. Accordingly, the market value of the LIT Shares at the time LPD Shareholders receive them may vary significantly from their market value on the date of acceptance of the Offer.

#### (b) Rollover relief

If Lithium Australia does not acquire a Relevant Interest in at least 80% of LPD Shares, scrip-for-scrip CGT rollover relief will not be available to LPD Shareholders.

#### (c) Sale of LIT Shares

Under the Offer, Lithium Australia will issue a significant number of new LIT Shares. Some holders of LPD Shares may not intend to continue holding their LIT Shares and may wish to sell them. There is a risk that this may adversely impact on the price of and demand for LIT Shares.

#### (d) Acquisition of less than 90% of LPD Shares

It is possible that Lithium Australia could acquire a Relevant Interest of less than 90% of LPD Shares on issue under the Offer. The existence of a minority interest in Lepidico may have an impact on the operations of the Combined Group, although this impact will depend on the ultimate level of Lepidico ownership acquired by Lithium Australia.

(e) **Merger integration**

If Lithium Australia acquires a substantial interest in Lepidico pursuant to the Offer, integrating Lithium Australia and Lepidico may create some risks, including the integration of management, information systems and work practices. Furthermore, there is no guarantee that any synergy benefits or costs savings will be achieved on time or at all.

(f) **Duty and government charges**

Stamp duty and other government charges may be payable by Lithium Australia in relation to the Offer. The amount of these duties and charges may be material.

(g) **Forward looking information**

Certain information in this Bidder's Statement constitutes forward-looking information that is subject to risks and uncertainties and a number of assumptions, which may cause the actual expenditure of the Combined Group to be different from the expectations expressed or implied in this Bidder's Statement

(h) **Lepidico information**

In preparing the information relating to Lepidico contained in this Bidder's Statement, Lithium Australia has relied on publicly available information relating to Lepidico. There may be risks in relation to Lepidico (which will affect the Combined Group) of which Lithium Australia is unaware. If any material risks are known to the directors of Lepidico, these must be disclosed in the target's statement to be issued by Lepidico.

### **9.3 Risks relating to the Combined Group**

This Section 9.3 sets out the risks specific to Lithium Australia and Lepidico as the Combined Group. This Section 9.3 also sets out general and industry risks relating to Lithium Australia and Lepidico as the Combined Group.

#### **Key risks**

(a) **Additional requirements for capital**

The Combined Group's capital requirements rely on numerous factors. Depending on the Combined Group's ability to generate revenue, the Combined Group may require further financing in addition to amounts raised upon calls on the LIT Partly Paid Shares. Any additional equity financing will dilute existing shareholdings, and debt financing (if available) may involve restrictions on future financing and operating activities. If the Combined Group is unable to obtain additional financing as needed, or is unable to obtain it on acceptable terms (whether or not due to the Combined Group's circumstances or economic and share market conditions or both), it may be necessary to reduce the scope of the Combined Group's operations and scale back its exploration programmes. This could have a material adverse effect on the Combined Group's activities and the value of LIT Shares.

(b) **Title risk**

The mining tenements in which the Combined Group will, or may, in the future acquire an interest, are subject to the applicable local laws and regulations. There is no guarantee that any mining tenements in which the Combined Group has a current or potential interest will be granted.

Mining tenements (or applications) in which the Combined Group has an interest are (or, if granted, will be) subject to the relevant conditions applying in each jurisdiction. Failure to comply with these conditions may render the mining tenements liable to forfeiture.

All of the projects in which the Combined Group has an interest will be subject to application for renewal from time to time. Renewal of the term of each mining tenement is subject to applicable legislation. If the mining tenement is not renewed for any reason, the Combined Group may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that mining tenement.

(c) **Exploration risks**

The Combined Group's mining tenements are at various stages of exploration however none of the tenements in which the Combined Group has an interest currently contain a JORC Code compliant resource and there is no guarantee that a JORC Code compliant resource will be discovered on any of the Combined Group's tenements.

Mineral exploration and development are high-risk undertakings due to the high level of inherent uncertainty. There can be no assurance that exploration of the Combined Group's tenements, or of any other tenements that may be acquired by the Combined Group in the future, will result in the discovery of economic mineralisation. Even if economic mineralisation is discovered there is no guarantee that it can be commercially exploited.

The future exploration activities of the Combined Group may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Combined Group.

The success of the Combined Group will also depend on the Combined Group having access to sufficient development capital, being able to maintain title to its projects and obtaining all required approvals for its activities. In the event that exploration programmes prove unsuccessful, this could lead to a diminution in the value of the Combined Group's projects, a reduction in the cash reserves of the Combined Group and possible relinquishment of part or all of the Combined Group's projects.

(d) **Development and production risks**

The development and operation of any mine by the Combined Group may be affected by various factors, including failure to achieve predicted grades in exploration and mining; failure to obtain or maintain any necessary regulatory approvals; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems that may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(e) **Country risk**

The Combined Group is developing a number of projects in foreign jurisdictions. Any future material adverse changes in government policies or legislation in any of those jurisdictions that affect ownership, mineral exploration, development or mining activities, may affect the viability and profitability of the Combined Group.

The legal systems operating in foreign jurisdictions are different to those operating in Australia and this may result in risks such as:

- (i) different forms of legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- (ii) a higher degree of discretion on the part of governmental agencies;

- (iii) differences in political and administrative guidance on implementing applicable rules and regulations, including, in particular, as regards local taxation and property rights;
- (iv) different attitudes of the judiciary and courts, and
- (v) difficult in enforcing judgments.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness and enforcement of such arrangements cannot be assured.

**(f) Access risk - native title and Aboriginal heritage**

It is possible that Aboriginal sacred sites found within tenements held by the Combined Group may preclude exploration and mining activities and the Combined Group may also experience delays with respect to obtaining permission from the traditional owners to explore and extract resources. The Combined Group currently has no exploration targets covering sacred sites.

The Combined Group must comply with Aboriginal heritage legislation requirements and access agreements which require heritage survey work to be undertaken ahead of the commencement of mining operations. It is possible that some areas of some of the tenements in which the Combined Group has an interest may not be available for exploration due to Aboriginal heritage issues (whether in respect of registered sites or not). Under Western Australian and Commonwealth legislation the Combined Group may need to obtain the consent of the holders of such interests before commencing activities on affected areas of the tenements. These consents may be delayed or given on conditions which are not satisfactory to the Combined Group.

**(g) Reliance on key personnel**

The responsibility for overseeing the day-to-day operations of the Combined Group lies with its management and key personnel. Lithium Australia is aware of the need for sufficient management to properly supervise exploration and technology commercialisation and development activities of the Combined Group. As the Combined Group's projects and prospects progress and develop the Board will continually monitor the management requirements of the Combined Group and look to employ or engage additional personnel when and where appropriate, in order to ensure proper management of the Combined Group's projects. However there is a risk that the Combined Group may not be able to secure personnel with the relevant experience at the appropriate time which may impact on the Combined Group's ability to complete all of its planned exploration programmes within the expected timetable. Further, LPD Shareholders should be aware that no assurance can be given that there will be no adverse effect on the Combined Group if one or more of its existing directors or management personnel cease their employment or engagement with the Combined Group.

(h) **Contractual and joint venture risk**

The Combined Group is entitled to the rights in lithium contained in the tenements the subject of its joint venture interests in the proportion in which it has earned its joint venture interest. The Combined Group may not be the registered holder of its interest in those tenements and therefore the Combined Group's ability to achieve its objectives in respect of the tenements is dependent upon it and the registered holder of the tenements complying with their obligations under the relevant agreement giving rise to the Combined Group's interest, and on the registered holder complying with the terms and conditions of the tenements and any other applicable legislation. Any failure to comply with these obligations may result in the Combined Group losing its interest in those tenements, which may have a material adverse effect on the Combined Group's operations and the performance and value of the Share. Currently, the Combined Group has no reason to believe that the registered owner of those tenements will not meet and satisfy its obligations under the relevant agreements, the tenement conditions and other applicable legislation.

The Directors are not able to presently assess the risk of financial failure or default by a participant in any joint venture to which the Combined Group is, or may become, a party, or the insolvency or other failure by any of the contractors engaged by the Combined Group for any exploration or other activity. Any such failure or default could adversely affect the operations and performance of the Combined Group and the value of LIT Shares.

(i) **Intellectual property risk**

Lepidico's L-Max<sup>®</sup> technology is applicable to the recovery of lithium from micas. There is no guarantee that patent protection will be available for the process. There can be no assurance that any third party to licence agreements to use L-Max<sup>®</sup> will abide by and perform their obligations under any such agreement. There is also a risk that the licences may be terminated in the event of breach.

Lithium Australia has made a patent application for extraction technology, the Sileach<sup>™</sup> process, which is applicable to a significantly broader range of lithium-bearing silicates than L-Max<sup>®</sup>. There is no guarantee the patent will be granted; nor does the grant of a patent guarantee that the patent concerned is valid or that the technology (patented or otherwise) does not infringe the rights of others. This patent will be subject to examination in due course; however, it may not be approved for final acceptance and grant.

Lithium Australia has made a patent application for the LieNa<sup>™</sup> technology, a process of extracting lithium from lithium bearing silicate minerals. There is no guarantee the patent will be granted nor does the grant of a patent guarantee that the patent concerned is valid or that the technology (patented or otherwise) does not infringe the rights of others. This patent will be subject to examination in due course; however, it may not be approved for final acceptance and grant.

The success of the Combined Group's lithium extraction and recovery technology will depend in part on the Combined Group's ability to maintain patents (and therefore proprietary rights) without infringing the proprietary rights of others. The validity and strength of patents involves complex legal and scientific questions and can be uncertain. There can be no assurance that patents in relation to the Sileach<sup>™</sup> process or the LieNa<sup>™</sup> technology will afford the Combined Group commercially significant protection of the Sileach<sup>™</sup> process or the LieNa<sup>™</sup> technology or that competitors will not develop competing technologies that circumvents such patents.

(j) **Technology risk**

The Combined Group will be a lithium explorer and processing technology developer. It has Intellectual Property rights to a suite of processes for the extraction and recovery of lithium from a broad range of lithium-bearing feedstocks. A significant risk is whether the Combined Group can further develop these processes at a pilot plant and operational level to produce lithium carbonate or lithium hydroxide and thereafter achieve commercial success. A failure to achieve pilot plant and operational milestones will have a significant adverse impact on the Combined Group's business model, operating results and financial position.

Even if the Combined Group does achieve operational production of lithium carbonate or lithium hydroxide, it may not be able to sustain it or otherwise achieve commercialisation to a degree which would support the ongoing viability of its operations.

**Industry risks**

(a) **Operating risks**

The current and future operations of the Combined Group, including exploration, project appraisal, development of the Combined Group's technology and intellectual property and possible production activities may be affected by various factors that can limit or prevent such activities. Such factors may include failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in surveying, drilling, other exploration activities and/or production activities; difficulties in commissioning and operating plant and equipment; electrical or mechanical failure or plant break; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes, and unexpected shortages or increases in the costs of skilled labour, consumables, spare parts, plant and equipment. In relation to commercialisation of the Combined Group's intellectual property and technology, including Sileach™, L-Max® and LieNa™ such factors may include technical issues in designing, engineering and realising processes that successfully achieve desktop test results, or pilot plant test results, or pre-feasibility or feasibility study assumed feasible outcomes.

(b) **Resource estimates**

None of the Combined Group's tenements contain a JORC Code compliant lithium resource and there is no guarantee that a JORC Code compliant resource will be discovered on any of the Combined Group's tenements. Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature resource estimates are imprecise and depend to some extent on interpretations that may prove inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans, which may in turn adversely affect the Combined Group's operations.

(c) **Commercial risk**

The mining and lithium treatment and production industries are competitive and there is no assurance that, even if the Combined Group discovers commercial quantities of minerals and technology is proved technically feasible, a profitable market will exist for sales of such minerals. There can be no assurance that the quality of any such minerals will be such that they can be mined economically or the technologies exploited commercially.

(d) **Commodity price volatility and exchange rate risks**

If the Combined Group achieves success leading to mineral production and/ or lithium processing, the revenue it will derive through the sale of lithium or any other minerals it may discover exposes the potential income of the Combined Group to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Combined Group. Such factors include: supply and demand fluctuations for precious and base metals; technological advancements; forward-selling activities, and other macro-economic factors such as inflation expectations, interest rates and general global economic conditions.

Further, international prices for various commodities are denominated in United States dollars whereas the income and expenditure of the Combined Group may be taken into account in Australian currency. This exposes the Combined Group to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

If the price of commodities declines this could have an adverse effect on the Combined Group's exploration, development and possible processing and production activities, as well as its ability to fund these activities, which may no longer be profitable.

(e) **Insurance risks**

Exploration for, and the development of minerals involves hazards and risks that could result in the Combined Group incurring losses or liabilities that could arise from its operations. If the Combined Group incurs losses or liabilities which are not covered by its insurance policies, the funds available for exploration and development will be reduced and the value and/or title to the Combined Group's assets may be at risk.

The Combined Group insures its operations in accordance with industry practice. However in certain circumstances the Combined Group's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Combined Group.

Insurance against all risks associated with mining exploration and production is not always available and, where available, the costs can be prohibitive or not adequate to cover all claims.

(f) **Environmental risks**

The operations and proposed activities of the Combined Group are subject to Western Australian and Commonwealth laws and regulations concerning the environment. As with most exploration projects and mining operations, the Combined Group's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Future legislation and regulations governing exploration, development and possible production may impose significant environmental obligations on the Combined Group.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Combined Group from developing potentially economically viable mineral deposits or to successfully commercialise the Sileach™, LieNa™ and/ or L-Max® technologies. The Combined Group may require approval from the relevant authorities before undertaking activities that are likely to impact the environment. Failure to obtain such approvals, or to obtain them on terms acceptable to the Combined Group may prevent the Combined Group from undertaking its desired activities. The Combined Group is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Combined Group's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Combined Group to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

**(g) Force majeure**

The Combined Group may be adversely affected by risks outside the control of the Combined Group, including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

**(h) Litigation risks**

The Combined Group is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims, employee claims and claims relating to intellectual property. Further, the Combined Group may be involved in disputes with other parties in the future, which may result in litigation. Any such claim or dispute, if proven, may impact adversely on the Combined Group's operations, financial performance and financial position.

**(i) Access to infrastructure**

If the Combined Group progresses to production, there is no guarantee that appropriate infrastructure, including affordable rail and port capacity, or location for construction of treatment plants and facilities will be available, and this could have an adverse effect on the Combined Group. In the event of production the Combined Group will also require the use of both power and water infrastructure. Due to high demand for power and water access there is a risk that the Combined Group may not be able to procure such access which could have an adverse effect on the Combined Group.

**(j) Competition**

The Combined Group is competing with other companies in its exploration and development activities, many of which will have access to greater resources than the Combined Group and may be in a better position to compete for future business opportunities. There can be no assurances that the Combined Group can compete effectively with these companies.

**General investment risks**

**(a) General economic conditions**

General economic conditions, introduction of tax reform, new legislation, the general level of activity within the resources industry, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Combined Group's exploration, development and possible production activities, as well as on its ability to fund those activities.

**(b) Share market conditions**

Share market conditions may affect the value of the Combined Group's quoted securities regardless of the Combined Group's operating performance. Share market conditions are affected by many factors, including:

- (i) general economic outlook;
- (ii) the introduction of tax reform or other new legislation (such as royalties);
- (iii) interest rates and inflation rates;

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- (iv) currency fluctuations;
  - (v) changes in investor sentiment toward particular market sectors in Australia and/or overseas (such as the exploration industry or the lithium sector within that industry);
  - (vi) the demand for, and supply of, capital, and
  - (vii) terrorism or other hostilities.

The market price of LIT Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular, which influences are beyond the Combined Group's control and unrelated to the Combined Group's performance.

(c) **Volatility in global credit and investment markets**

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors leading to this situation have been outside the control of the Combined Group and may continue for some time, resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which LIT Shares trade regardless of operating performance and affect the Combined Group's ability to raise additional equity and/or debt, if required to achieve its objectives.

(d) **Government and legal risk**

The introduction of new legislation or amendments to existing legislation by governments (including the introduction of tax reform), developments in existing common law or the respective interpretation of the legal requirements in any of the legal jurisdictions that govern the Combined Group's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Combined Group. The same adverse impact is possible as a result of the introduction of new government policy or amendments to existing government policy, including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties.

(e) **Regulatory approvals**

The Combined Group's exploration and development activities are subject to extensive laws and regulations relating to numerous matters that include resource licence consent, environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, protection of endangered and protected species, and others. The Combined Group requires permits from regulatory authorities to authorise the Combined Group's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining the necessary permits can be time consuming and there is a risk that the Combined Group will not obtain them on acceptable terms, in a timely manner, or at all. The costs and delays associated with obtaining the necessary permits and complying with those permits and applicable laws and regulations could materially delay or restrict the Combined Group from proceeding with the development of a project or the operation of a mine and/or constructing mineral treatment and processing facilities. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in the suspension of the Combined Group's activities or forfeiture of one or more of the Combined Group's tenements and/or commercialisation of the Combined Group's technologies.

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## **10. Additional information**

### **10.1 Lithium Australia's interest in LPD Shares**

As at the date of this Bidder's Statement Lithium Australia has a Relevant Interest in 17.76% of LPD Shares pursuant to the Pre-Bid Acceptance Agreements.

Under the Pre-Bid Acceptance Agreements LPD Shareholders have agreed to accept the Offer within 10 days after the date of the Offer unless no later than 10 days after the date of the Offer another party makes an unconditional offer to acquire at least 50.1% of the LPD Shares at a premium of not less than 11% of the Offer price based on the 10-day VWAP of LIT Shares traded prior to the date of the Offer (and if that offer includes scrip consideration based on the value of that scrip over the same period).

### **10.2 Acquisitions of LPD Shares by Lithium Australia and its associates**

#### **(a) Previous 4 months**

Neither Lithium Australia nor any of its Associates has provided, or agreed to provide, consideration for LPD Shares under any purchase or agreement during the period beginning 4 months before the date of this Bidder's Statement and ending on the day immediately before the date of this Bidder's Statement, other than pursuant to the Pre-Bid Acceptance Agreements.

#### **(b) Period before Offer**

Neither Lithium Australia nor any of its Associates has provided, or agreed to provide, consideration for LPD Shares under any purchase or agreement during the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer.

### **10.3 No escalation agreements**

Neither Lithium Australia nor any of its Associates has entered into any escalation agreement that is prohibited by Section 622 of the Corporations Act.

### **10.4 Collateral benefits**

#### **(a) Previous 4 months**

During the period beginning 4 months before the date of this Bidder's Statement and ending on the day immediately before the date of this Bidder's Statement, neither Lithium Australia nor any of its Associates gave, or offered to give or agreed to give, a benefit to another person that was likely to induce the other person, or an Associate of that person, to:

- (i) accept the Offer, or
- (ii) dispose of their LPD Shares,

and which is not offered to all holders of LPD Shares under the Offer.

(b) **Period before Offer**

During the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer, neither Lithium Australia nor any of its Associates gave, or offered to give or agreed to give, a benefit to another person that was likely to induce the other person, or an Associate of that person, to:

- (i) accept the Offer, or
- (ii) dispose of their LPD Shares,

and which is not offered to all holders of LPD Shares under the Offer.

**10.5 Disclosure of information**

Because Lithium Australia is offering LIT Shares as consideration for the acquisition of LPD Shares under the Offer, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of LIT Shares under Sections 710 to 713 of the Corporations Act.

As its shares are quoted on the ASX, Lithium Australia is subject to regular disclosure requirements. In particular, Lithium Australia is required to disclose information concerning its finances, activities and performance. This disclosure is available on Lithium Australia's website as well as on the ASX website (ASX Code: LIT).

Please refer to Section 3.10 for further details in relation to Lithium Australia's continuous disclosure obligations and the availability of public information in respect of Lithium Australia.

**10.6 Interests and benefits relating to the Offer**

(a) **Interests**

Other than as set out below or elsewhere in this Bidder's Statement, no:

- (i) director or proposed director of Lithium Australia;
- (ii) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- (iii) promoter of Lithium Australia, or
- (iv) broker or underwriter in relation to the issue of LIT Shares pursuant to the Offer or financial services licensee named in this Bidder's Statement as being involved in the issue of LIT Shares,

(together, the **Interested Persons**) has, or had within 2 years before the date of this Bidder's Statement, any interest in:

- (v) the formation or promotion of Lithium Australia;
- (vi) any property acquired or proposed to be acquired by Lithium Australia in connection with its formation or promotion or in connection with the offer of LIT Shares under the Offer; or

(vii) the offer of LIT Shares under the Offer.

(b) **Disclosure of fees and benefits received by certain persons**

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- (i) to a director or proposed director of Lithium Australia to induce them to become, or to qualify as, a director of Lithium Australia; or
- (ii) for services provided by an Interested Person in connection with the formation or promotion of Lithium Australia or the offer of LIT Shares under the Offer.

The fees paid in connection with the preparation and distribution of this Bidder's Statement and for services provided in connection with the Offer, including financial, legal and registry fees, are expected to total approximately \$424,000 (excluding GST).

**10.7 Disclosure of interests of Directors**

The Directors have the following Relevant Interests in Lithium Australia securities and Lepidico securities (either held directly, held by entities controlled by them or held by entities of which they are directors) as at the date of this Bidder's Statement.

Director	LIT Shares	LIT Partly Paid Shares	LIT Options	LIT Performance Rights	LPD Shares
Mr George Bauk	620,250	460,125	2,750,000	4,525,000	-
Mr Adrian Griffin	10,186,322	4,927,243	5,175,000	9,050,000	- <sup>1</sup>
Mr Bryan Dixon	1,573,871	768,936	4,000,000	4,525,000	-

1. Mr Griffin is non-executive chairman of Parkway Minerals NL which owns 96,977,300 LPD Shares. Mr Griffin is also one of three trustees of the GFR Industries Superannuation Fund which owns 23,929,471 LPD Shares. Mr Griffin does not have a Relevant Interest in the LPD Shares held by either entity.

**10.8 Fees and benefits of Directors**

The Constitution of Lithium Australia provides that the Directors may be paid for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by Lithium Australia in general meeting.

The annual remuneration of the Directors for the last two financial years and the last financial half year is as follows:

Director		Salary fees \$ and superannuation	Share-based \$ payments	Total \$
Mr George Bauk	2014/2015	-	-	-
	2015/2016	44,325	128,675	173,000
	2016/2017 (first half)	32,250	15,552	47,802

Director		Salary fees \$ and superannuation	Share-based \$ payments	Total \$
Mr Adrian Griffin	2014/2015	208,333	49,910	258,243
	2015/2016	220,218	441,000	661,218
	2016/2017 (first half)	167,614	31,104	198,718
Mr Bryan Dixon	2014/2015	40,000	9,982	49,982
	2015/2016	41,250	131,250	172,500
	2016/2017 (first half)	27,500	15,552	43,052

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of Lithium Australia and other miscellaneous expenses.

The remuneration of Directors is reviewed annually by Lithium Australia.

#### 10.9 Deeds of indemnity, insurance and access

Lithium Australia has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, Lithium Australia agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of Lithium Australia. Lithium Australia is also required to maintain insurance policies for the benefit of the relevant officer and must allow the officers to inspect board papers in certain circumstances.

#### 10.10 Expenses of the Offer

The total amount of cash that Lithium Australia may become obliged to pay to satisfy all expenses incurred by Lithium Australia and relating to the Offer will be provided from Lithium Australia's existing cash balances.

Lithium Australia estimates it will incur the following fees for services provided in connection with the Offer:

	\$
ASX quotation fee and ASIC fee	32,191
Legal expenses	50,000
Printing, mailing and other expenses	39,000
Share registry expenses	20,000
Corporate advisory fees	282,809
Total	424,000

Bennett + Co has received or will receive legal fees of approximately \$50,000 (excluding disbursements and GST) and Xavier Group has received or will receive fees of approximately \$45,000 (excluding disbursements and GST) together with a success fee upon Lithium Australia acquiring a 30% or greater shareholding in Lepidico of 1% of the transaction value (being target market capitalisation based on the Offer consideration) paid as to 34% in cash and as to 66% in LIT Shares. An estimate of the cash value of the success fee is shown in the table above as it is not possible to quantify at this time the number of LIT Shares that would comprise the scrip component.

### **10.11 Litigation**

Lithium Australia is not a party to any litigation and is not aware of any threatened or pending litigation involving Lithium Australia.

### **10.12 Foreign shareholders**

No action has been taken to register or qualify Lithium Australia or to otherwise permit the offering of LIT Shares outside Australia, its external territories and New Zealand.

This Bidder's Statement has been prepared having regard to Australian disclosure requirements, which may differ from those of other countries.

This Bidder's Statement is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand) (or any other relevant New Zealand law). This Bidder's Statement may not contain all the information that a prospectus or an investment statement under the New Zealand law is required to contain.

The only members of the public in New Zealand to whom LIT Shares are being offered under the Offer are LPD Shareholders. The Offer is being made in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

The distribution of this document and the issue of LIT Shares on acceptance of the Offer may be restricted by the laws or regulations of foreign jurisdictions. LPD Shareholders who are resident in foreign jurisdictions should seek advice and observe these restrictions.

### **10.13 Unmarketable Parcels**

LPD Shareholders who accept the Offer and as a consequence would be entitled to an Unmarketable Parcel of LIT Shares will receive cash instead based on the highest closing price of LIT Shares during the period beginning on the first day of the Bid Period and ending on the earlier of 5 Trading Days before the first day on which Lithium Australia must pay or provide bid consideration to accepting LPD Shareholders under the terms of the Offers and the end of the Bid Period.

### **10.14 Status of conditions**

The conditions of the Offer are set out in Section 9 of Annexure A. Lithium Australia will use all reasonable endeavours to ensure the Conditions are satisfied as soon as possible after the date of this Bidder's Statement.

As at the date of this Bidder's Statement, Lithium Australia is not aware of any events that would result in a breach of or inability to satisfy the Conditions except for the issue of LPD Shares pursuant to a non-renounceable, non-underwritten entitlements offer that Lepidico plans to undertake which would constitute a Prescribed Occurrence.

Lithium Australia will give a notice of the status of the Conditions in accordance with the Corporations Act on 11 April 2017 (subject to extension if the Offer Period is extended).

### **10.15 Consents**

Each of the parties referred to in this Section 10.15:

- (a) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement other than a reference to its name and a statement included in this Bidder's Statement with the consent of that party as specified in this Section 10.15, and
- (b) has not caused or authorised the issue of this Bidder's Statement.

Each of the following has consented to being named in this Bidder's Statement in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Bidder's Statement with ASIC:

- (a) Xavier Group as corporate advisers to Lithium Australia in relation to the Offer; and
- (b) Bennett + Co as legal advisers to Lithium Australia in relation to the Offer.

### **10.16 Other material information**

There is no other information material to the making of a decision by a holder of LPD Shares whether or not to accept the Offer being information that is known to Lithium Australia and that has not previously been disclosed to LPD Shareholders other than as is contained elsewhere in this Bidder's Statement.

### **10.17 Expiry date**

No securities will be issued on the basis of this Bidder's Statement after the date that is 13 months after the date of this Bidder's Statement.

### **10.18 Date for determining holders**

For the purposes of Section 633 of the Corporations Act, the date for determining those to whom this Bidder's Statement is sent is the Record Date.

### **10.19 ASIC modifications and exemptions**

ASIC has published various 'Class Order' instruments providing for modifications and exemptions that apply generally, in relation to the operation of Chapter 6 of the Corporations Act. Lithium Australia may rely on this class order relief.

This Bidder's Statement includes or is accompanied by statements that are made in, or based on, statements made in documents lodged with ASIC or the ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement.

Any LPD Shareholder wishing to obtain (free of charge) a copy of any of these documents, or the relevant parts of the documents containing the statements, should contact Lithium Australia on 1300 568 726 (toll-free) (for callers within Australia) or +61 2 8022 7947 (for callers outside Australia).

Lithium Australia has also relied on the modification to section 619(3) of the Corporations Act as set out in paragraph 4 of ASIC Class Order 13/521 in relation to the payment of cash to accepting LPD Shareholders who would otherwise be entitled to receive an Unmarketable Parcel.

As permitted by ASIC Class Order 13/523, this Bidder's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person, or
- (b) from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Instrument 2016/72, this Bidder's Statement contains share price trading data sourced from IRESS and the ASX official website without each party's consent.

Lithium Australia has not obtained from ASIC any modifications or exemptions from the Corporations Act in relation to the Offer.

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**11. Directors authorisation**

This Bidder's Statement is dated 2 March 2017 and was approved pursuant to a unanimous resolution passed by the Directors.

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## 12. Definitions and interpretation

### 12.1 Definitions

In this Bidder's Statement (including its annexures), unless the context otherwise requires, the following definitions and their interpretation apply.

**\$ or Dollar** means Australian dollars.

**Acceptance Form** means the form of acceptance for the Offer accompanying this Bidder's Statement or, alternatively any acceptance form sent to an LPD Shareholder by Lithium Australia's share registry in relation to the Offer, as the context requires.

**Announcement Date** means 6 February 2017, being the date the Offer was announced on the ASX.

**Associate** has the meaning given in chapter 6 of the Corporations Act.

**ASIC** means the Australian Securities and Investments Commission.

**ASX Settlement Corporation** means ASX Settlement Pty Ltd ABN 49 008 504 532.

**ASX Settlement Operating Rules** means the operating rules of the ASX Settlement Facility (as defined in Rule 1.1.1 and Rule 1.1.2 of the ASX Settlement Operating Rules) in accordance with Rule 1.2, which govern, inter alia, the administration of the CHES subregisters.

**ASX** means ASX Limited ACN 008 624 691 or the Australian Securities Exchange (as the context requires).

**ASX Listing Rules** means the official listing rules of the ASX, as amended from time to time.

**Bid Period** has the meaning given to that term in the Corporations Act.

**Bidder's Statement** means this document including the Annexures.

**Board** or **Lithium Australia Board** means the board of directors of Lithium Australia.

**Business Day** means a day that is not a Saturday, Sunday or any other day that is a public holiday or a bank holiday in Perth, Western Australia.

**CGT** means capital gains tax as defined in the Income Tax Assessment Act 1997 (Cth).

**CHES** means Clearing House Electronic Subregister System, as defined in Rule 2.3.1 of the ASX Settlement Operating Rules.

**CHES Holding** means a number of LPD Shares registered on Lepidico's share register, being a register administered by the ASX Settlement Corporation and that records uncertified holdings of shares.

**Combined Group** means Lithium Australia and its subsidiaries following the acquisition by Lithium Australia of all, or a portion of LPD Shares on issue.

**Conditions** means the conditions set out in Section 9 of Annexure A.

**Constitution** means the constitution of Lithium Australia.

**Controlling Participant** in relation to LPD Shares has the same meaning as in the ASX Settlement Operating Rules.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of Lithium Australia as at the date of this Bidder's Statement.

**Foreign Law** means a law of a jurisdiction other than Australia.

**Government Agency** means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state.

**GST** means goods and services tax levied or imposed pursuant to GST law as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**Intellectual Property** means all items of intangible property and includes trademarks and service marks (whether or not registered or registration has been applied for), domain names, trade names, business names, designs, brand names, patents, patent applications, inventions (whether or not patented), trade secrets and copyrights (whether or not registered or registration has been applied for).

**Issuer Sponsored Holding** means a holding of LPD Shares on Lepidico's issuer-sponsored subregister.

**Lepidico** means Lepidico Limited (ACN 073 391 189).

**Lepidico Board** means the board of directors of Lepidico.

**Lithium Australia** means Lithium Australia NL (ACN 126 129 413).

**Lithium Australia L-Max® Rights** means the rights granted by Lepidico to Lithium Australia to use and apply the L-Max® process for construction and operation of a processing plant in Western Australia and 2 processing plants outside of Western Australia for treatment of lithium minerals.

**LIT Share** means a fully paid ordinary share in the capital of Lithium Australia.

**LIT Shareholder** means a holder of LIT Shares or LIT Partly Paid Shares.

**LIT Partly Paid Share** means a partly paid contributing share in the capital of Lithium Australia.

**LIT Performance Right** means a performance right that entitles the holder to a LIT Share subject to satisfaction of applicable performance hurdles and vesting conditions.

**LIT Option** means an option to acquire a LIT Share.

**LPD Option** means an option to acquire an LPD Share.

**LPD Share** means a fully paid ordinary share in the capital of Lepidico.

**LPD Shareholder** means a holder of LPD Shares.

**L-Max®** is a proprietary process that is the subject of International Patent Application PCT/AU2015/000608. The L-Max® process allows the extraction and recovery of lithium (chemical symbol Li) from lithium bearing micas such as lepidolite and zinnwaldite.

**LieNa™** is a proprietary process that is the subject of Australian Patent Application 2016903041. It is a process of extracting lithium from lithium-bearing silicate minerals with concentrated caustic soda.

**Market Value** means the highest closing price for LIT Shares published by any prescribed financial market on which LIT Shares are quoted during the period beginning on the first day of the Bid Period, and ending on the earlier of:

- (a) 5 Trading Days before the first day on which Lithium Australia must provide the consideration to a holder of LPD Shares under the terms of the Offer, and
- (b) the end of the Bid Period.

**Material Adverse Change** means any matter, event or circumstance that has, or is reasonably likely, in the opinion of Lithium Australia, to have, a materially adverse effect on the business, assets, liabilities, material contracts, financial position, performance or prospects of Lepidico or any of its Subsidiaries or their respective businesses or affairs, that, individually or when aggregated together, would reasonably be expected to result in a diminution of the net assets of Lepidico by more than \$500,000 other than:

- (a) matters that are required to be undertaken in order to implement the Takeover Bid, or
- (b) matters that Lepidico fully and fairly disclosed to Lithium Australia or in an announcement made to the ASX prior to the Announcement Date where the relevant disclosure is not, and is not likely to be, incomplete, incorrect, untrue, or misleading.

**Offer** means the off-market takeover offer by Lithium Australia to acquire LPD Shares on the terms and conditions set out in this Bidder's Statement.

**Offer Consideration** means one LIT Share for every 13.25 LPD Shares.

**Offer Period** means the period during which the Offer is open for acceptance.

**Official List** of the ASX means the official list of entities that the ASX has admitted and not removed.

**Participant** means an entity admitted to participate in the Clearing House Subregister System under Rule 4.3.1 and 4.4.1 of the ASX Settlement Operating Rules.

**Pre-Bid Acceptance Agreements** means the agreements between Lithium Australia and LPD Shareholders pursuant to which the LPD Shareholders have agreed to accept the Offer subject to certain conditions.

**Prescribed Occurrence** means the occurrence of any of the following:

- (a) Lepidico converting all or any of the LPD Shares into a larger or smaller number of Shares under Section 254H of the Corporations Act;
- (b) Lepidico or a Subsidiary of Lepidico resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) Lepidico or a Subsidiary of Lepidico:
  - (i) entering into a buy-back agreement; or
  - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Lepidico declaring, paying or distributing any dividend, bonus or other share of its profits or assets that has not been declared on or before 1 July 2013;

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- (e) Lepidico or a Subsidiary of Lepidico issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option;
  - (f) Lepidico or a Subsidiary of Lepidico issuing or agreeing to issue, securities convertible into LPD Shares or debt securities;
  - (g) Lepidico or a Subsidiary of Lepidico making any change to its constitution;
  - (h) Lepidico or a Subsidiary of Lepidico disposing, or agreeing to dispose, of the whole, or a part, of its business or property;
  - (i) Lepidico or a Subsidiary of Lepidico creating, or agreeing to create, any security interest, over the whole or a substantial part, of its business or property;
  - (j) Lepidico or a Subsidiary of Lepidico resolving that it be wound up;
  - (k) a liquidator or provisional liquidator of Lepidico or of a Subsidiary of Lepidico being appointed;
  - (l) the court making an order for the winding up of Lepidico or of a Subsidiary of Lepidico;
  - (m) an administrator of Lepidico or of a Subsidiary of Lepidico being appointed under the Corporations Act;
  - (n) Lepidico or a Subsidiary of Lepidico being deregistered as a company or otherwise dissolved;
  - (o) Lepidico or a Subsidiary of Lepidico executing a deed of company arrangement;
  - (p) a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of Lepidico or of a Subsidiary of Lepidico;

**Record Date** means the date set by Lithium Australia under Section 633(2) of the Corporations Act, being 3 March 2017.

**Regulatory Approvals** means any consent, registration, filing, agreement, notarisation, certificate, licence, approval, permit, authority or exemption from, by or with a Governmental Agency necessary to implement the Offer.

**Relevant Interest** has the meaning given in Section 9 of the Corporations Act.

**Rights** means all accreditations, benefits and rights attaching to or arising from LPD Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights to receive dividends and to receive or subscribe for shares, stock units, notes or options declared, paid, or issued by Lepidico).

**Sileach™** is a proprietary process for extracting and recovering lithium values from lithium bearing materials that is the subject of PCT/AU2017/050104 under the Patent Cooperation Treaty. The priority date for this application is 9 February 2016, the date of its original lodgement.

**Subsidiary** means a subsidiary within the meaning given to that term in Section 9 of the Corporations Act.

**Trading Day** means a day designated as a trading day by the ASX or any other prescribed financial market on which LIT Shares are quoted.

**Unmarketable Parcel** means a number of LIT Shares that is less than a 'marketable parcel' under the market rules of the ASX (currently a parcel of less than \$500), calculated based on the highest closing

price for LIT Shares published during the Bid Period (or, in relation to LIT Shares issued in respect of accepting LPD Shareholders during the Bid Period, based on the highest closing price for LIT Shares published between the start of the Bid Period until the last trading day before Lithium Australia issues those LIT Shares).

**Voting Power** has the meaning given in section 9 of the Corporations Act.

**VWAP** means the volume weighted average price as defined in Chapter 19 of the ASX Listing Rules.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

**Your Shares** means the LPD Shares:

- (a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Lepidico on the Record Date, or
- (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

## **12.2 Interpretation**

The following rules of interpretation apply unless intention appears or the context requires otherwise:

- (a) a reference to a time is a reference to Perth (Western Australian) time, unless otherwise stated;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a Section is to a Section of this Bidder's Statement;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, the other grammatical forms have a corresponding meaning;
- (g) \$, or cents, is a reference to the lawful currency in Australia, unless otherwise stated;
- (h) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (i) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (j) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (k) a reference to any instrument or document includes any variation or replacement of it;
- (l) a term not specifically defined in this Bidder's Statement has the meaning given to it (if any) in the Corporations Act;
- (m) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually;

- (n) a reference to 'you' is to a person to whom the Offer is made, and
- (o) the words 'include', 'including', 'for example' or 'such as' are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

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## Annexure A – Terms of the Offer

### 1. General terms

- (a) Lithium Australia offers to acquire all of Your Shares, together with all Rights attached to them, on the following terms and conditions set out in this Offer.
- (b) The Offer Consideration being offered by Lithium Australia for the acquisition of all of Your Shares is one LIT Share for every 13.25 LPD Shares you own, subject to the terms and conditions set out in this Offer.
- (c) If you accept the Offer and are eligible under the Offer to be issued an Unmarketable Parcel of LIT Shares you will be paid cash in accordance with Section 8 of this Annexure A.
- (d) If you accept the Offer and are eligible to a fractional entitlement of LIT Shares the number of LIT Shares issued will be rounded to the nearest whole number.
- (e) The LIT Shares to be issued pursuant to this Offer will be fully paid and, from their date of issue, rank equally in all respects with existing LIT Shares currently on issue.
- (f) The rights and obligations of the LIT Shares to be issued under the Offer are summarised in Section 4 of the Bidder's Statement.
- (g) The Offer is dated 16 March 2017.

### 2. Offer Period

- (a) Unless withdrawn, this Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at midnight (WST) on the later of:
  - (i) 18 April 2017, or
  - (ii) any date to which the Offer Period is extended, in accordance with the Corporations Act.
- (b) Lithium Australia reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last 7 days of the Offer Period, either of the following events occurs:
  - (i) the Offer is varied to improve the consideration offered; or
  - (ii) Lithium Australia's voting power in Lepidico increases to more than 50%,

then the Offer Period will automatically be extended so that it ends 14 days after the relevant events in accordance with Section 624(2) of the Corporations Act.

### 3. Who may accept

- (a) An Offer in this form and bearing the same date is being made to each person registered as a holder of LPD Shares on Lepidico's register of members on the Record Date.

- (b) The Offer also extends to each person who, during the period from the Record Date until the end of the Offer Period, becomes registered as a holder of LPD Shares due to the conversion of, or exercise of rights conferred by LPD Options that are on issue at the Record Date and any person who becomes registered as the holder of Your Shares during the Offer Period.
- (c) A person who:
  - (i) is able during the Offer Period to give good title to a parcel of LPD Shares; and
  - (ii) has not already accepted this Offer that relates to those LPD Shares,may accept as if an Offer from Lithium Australia on terms identical with this Offer had been made to that person in relation to those LPD Shares.
- (d) If, at the time the Offer is made to you, or at any time during the Offer Period, another person becomes registered as the holder of some or all of Your Shares, then:
  - (i) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those LPD Shares;
  - (ii) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other LPD Shares you hold to which the Offer relates, and
  - (iii) this Offer will be deemed to have been withdrawn immediately at that time.
- (e) If at any time during the Offer Period you are registered as the holder of one or more parcels of LPD Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct offer on the same terms and conditions as this Offer has been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for each distinct parcel, you must comply with the procedure in Section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, call Lithium Australia on 1300 568 726 (toll-free) (for callers within Australia) or +61 2 8022 7947 (for callers outside Australia) to request those additional copies.
- (f) This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). The Offer is not registered in New Zealand, but is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013. It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer and to comply with any other necessary formality and to obtain any necessary governmental or other consents.
- (g) If Your Shares are registered in the name of broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting this Offer.

4. **How to accept this offer**

- (a) You may only accept this Offer in respect of all (and not a lesser number) of Your Shares. For example, if you have 10,000 LPD Shares and you wish to accept the Offer, you may only accept this Offer in respect of 10,000 LPD Shares.
- (b) You may accept this Offer at any time during the Offer Period.

LPD Shares held in your name on Lepidico's issuer sponsored subregister:

- (c) To accept this Offer for LPD Shares held in your name on Lepidico's issuer-sponsored subregister (in which case your Securityholder Reference Number will commence with 'I'), you must:
  - (i) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
  - (ii) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at the address shown on the Acceptance Form.

LPD Shares held in your name in a CHESS Holding:

- (d) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are not a Participant, you should instruct your Controlling Participant (this is normally the stockbroker either through whom you bought Your Shares or through whom you ordinarily acquire shares on the ASX) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
- (e) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you must initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
- (f) Alternatively, to accept this Offer for LPD Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you must:
  - (i) sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form, and
  - (ii) ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received in sufficient time to pass on your instructions for action before the end of the Offer Period, at the address shown on the Acceptance Form.
- (g) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you must comply with any other applicable ASX Settlement Operating Rules.

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#### Acceptance Form and other documents

- (h) The Acceptance Form forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer.
- (i) For your acceptance to be valid, you must ensure that your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is posted or delivered in sufficient time for it to be received by Lithium Australia at the address shown on the Acceptance Form before the end of the Offer Period.
- (j) The postage and transmission of the Acceptance Form and other documents is at your own risk.
- (k) When accepting the Offer, you must also:
  - (i) if the Acceptance Form is executed by an attorney, forward for inspection a certified copy of the power of attorney, and
  - (ii) if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased LPD Shareholder, forward for inspection the relevant grant of probate or letters of administration.

#### 5. **Validity of acceptances**

- (a) Subject to this Section 5 of this Annexure A, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in Section 4 of this Annexure A.
- (b) Lithium Australia may, in its sole discretion, at any time deem any Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with.
- (c) Lithium Australia may at any time, in its sole discretion:
  - (i) treat the receipt by it of an Acceptance Form during the Offer Period (or in an envelope post-marked before the expiry of the Offer Period) as a valid acceptance notwithstanding that one or more of the other requirements for a valid acceptance have not been complied with and without further communication to you, and
  - (ii) where you have satisfied the requirements for acceptance in respect of only some of your LPD Shares, treat the acceptance as a valid acceptance in respect of all your LPD Shares.
- (d) In respect of any part of an acceptance treated by it as valid, Lithium Australia will provide you with the relevant consideration in accordance with Section 1 of this Annexure A, and the exercise of Lithium Australia's rights under Section 5(c) of this Annexure A will be conclusive and only evidenced by its so doing. The payment of consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by Lithium Australia.
- (e) This Section is not a condition of this Offer.

## 6. The effect of acceptance

- (a) Once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you. In addition, you will be unable to withdraw your acceptance of the Offer or otherwise dispose of Your Shares, except:
- (i) if, by the times specified in Section 10 of this Annexure A, the conditions in Section 9(a) of this Annexure A have not all been fulfilled or waived, the Offer will automatically terminate and Your Shares will be returned to you, or
  - (ii) if the Offer is varied in accordance with the Corporations Act in a way that postpones for more than 1 month the time when Lithium Australia has to meet its obligations under the Offer, and, at the time, the Offer is subject to one or more of the conditions in Section 9(a) of this Annexure A, you may be able to withdraw your acceptance in accordance with Section 650E of the Corporations Act.
- (b) The relevant times for the purposes of Section 9(a) are:
- (i) in relation to the condition in Section 9(a)(iii) of this Annexure A, the end of the third Business Day after the end of the Offer Period; and
  - (ii) in relation to all other conditions in Section 9(a) of this Annexure A, the end of the Offer Period.
- (c) By following the procedures described in Section 4 of this Annexure A, you will be deemed to have:
- (i) accepted this Offer (and any variation to it) in respect of the LPD Shares registered in your name to which this Offer relates, regardless of the number of LPD Shares specified in the Acceptance Form;
  - (ii) agreed to the terms of the Offer and, subject to the conditions contained in Section 9(a) of this Annexure A being fulfilled or waived, agreed to transfer to Lithium Australia all of Your Shares and all of the Rights attached to those LPD Shares;
  - (iii) agreed to accept the consideration being offered by Lithium Australia and authorised Lithium Australia to place your name on its register of shareholders in respect of LIT Shares offered by Lithium Australia as consideration, and agreed to be bound by the constitution of Lithium Australia;
  - (iv) authorised Lithium Australia to complete the Acceptance Form by correcting any errors in, or omissions from, the Acceptance Form as may be necessary:
    - (A) to make the Acceptance Form an effective acceptance of this Offer, and/or
    - (B) to enable registration of the transfer to Lithium Australia of your LPD Shares;

- (v) irrevocably authorised and directed Lepidico to pay to Lithium Australia or to account to Lithium Australia for all dividends and other distributions and entitlements declared, paid or which arise or accrue after the date of this Offer in respect of Your Shares (subject to Lithium Australia accounting to you for any dividends, distributions or entitlements received by it if your acceptance of this Offer is validly withdrawn pursuant to Section 650E of the Corporations Act or the contract resulting from that acceptance becomes void);
- (vi) represented and warranted to Lithium Australia that:
  - (A) Lithium Australia will acquire good title to and beneficial ownership of all of Your Shares free from all mortgages, charges, liens, encumbrances (whether legal or equitable) and other third party interests of any kind;
  - (B) you have paid Lepidico all amounts which are due in respect of Your Shares;
  - (C) all of Your Shares are fully paid, and
  - (D) you have full power and capacity to accept the Offer and to sell and transfer the legal and beneficial ownership of Your Shares (together with all Rights attached to them) to Lithium Australia;
- (vii) unless you are entitled to an Unmarketable Parcel of LIT Shares under the Offer, agreed to accept the LIT Shares to which you become entitled by accepting this Offer subject to the Constitution and the terms of issue of the LIT Shares and to have authorised Lithium Australia to place your name on its register of shareholders as the holder of the LIT Shares issued to you under the Offer;
- (viii) represented and warranted to Lithium Australia that the making by Lithium Australia to you, and your acceptance, of this Offer is lawful under any Foreign Law that applies to you, to the making of this Offer, and to your acceptance of this Offer;
- (ix) with effect from the later of acceptance of the Offer and the date that any contract resulting from that acceptance becomes, or is declared, unconditional, appointed (and agreed not to revoke that appointment) Lithium Australia and each of its directors, secretaries and other officers from time to time severally as your agent and true and lawful attorney, with power to do all things which you could lawfully do concerning Your Shares or in exercise of any right or power derived from the holding of Your Shares including, without limitation:
  - (A) attend and vote in respect of Your Shares at any and all meetings of Lepidico;
  - (B) requisition or join with other holders of LPD Shares in requisitioning and/or convening a meeting of the members of Lepidico;
  - (C) demand a poll for any vote to be taken at any meeting of LPD Shareholders;

- (D) propose or second any resolutions to be considered at any, and all meetings of LPD Shareholders;
- (E) execute all forms, transfers, assignments, notices, instruments (including instruments appointing a director of Lithium Australia as a proxy in respect of all or any of Your Shares and a transfer form for Your Shares), proxies, consents, agreements and resolutions relating to Your Shares;
- (F) request Lepidico to register in the name of Lithium Australia or its nominee Your Shares which you hold on any register of Lepidico, and
- (G) do all things incidental or ancillary to the foregoing,

and to have agreed that in exercising the powers conferred by that power of attorney, the attorney shall be entitled to act in the interests of Lithium Australia as the beneficial owner and intended registered holder of Your Shares in respect of which you have accepted this Offer and to have further agreed to do all such acts, matters and things that Lithium Australia may require to give effect to the matters the subject of this paragraph (including the execution of a written form of proxy to the same effect as this paragraph that complies in all respects with the requirements of the constitution of Lepidico) if requested by Lithium Australia. This appointment is irrevocable and terminates upon registration of a transfer to Lithium Australia of Your Shares;

- (x) with effect from the later of acceptance of the Offer and the date that any contract resulting from that acceptance becomes, or is declared unconditional, agreed not to vote in person at any general meeting of Lepidico or to exercise (or purport to exercise) in person, by proxy or otherwise, any of the powers conferred on Lithium Australia and the directors, secretaries and other officers of Lithium Australia by Section 6(c)(ix) of this Annexure A;
  - (xi) irrevocably authorised Lithium Australia to notify Lepidico on your behalf that your place of address for the purposes of serving notices in respect of Your Shares is the address specified by Lithium Australia in the notification;
  - (xii) represented and warranted to Lithium Australia that, unless you have notified it in accordance with Section 3(e) of this Annexure A, Your Shares do not consist of a separate parcel of shares; and
  - (xiii) agreed, subject to the conditions of this Offer in Section 9(a) of this Annexure A being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that Lithium Australia may consider necessary or desirable to convey Your Shares registered in your name and Rights to Lithium Australia.
- (d) The representations, warranties, undertakings and authorities referred to in this Section 6 of this Annexure A will (unless otherwise stated) remain in force after you receive the consideration for Your Shares and after Lithium Australia becomes registered as the holder of them.

7. **Payment of consideration**

- (a) Subject to the terms of this Offer and the Corporations Act, Lithium Australia will provide the consideration for Your Shares on or before the earlier of:
- (i) 1 month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within 1 month after this Offer becomes unconditional, and
  - (ii) 21 days after the end of the Offer Period.
- (b) Under no circumstances will interest be paid on the consideration to which you are entitled to under the Offer, regardless of any delay in providing the consideration or any extension of the Offer.
- (c) Where the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney):
- (i) if that document is given with your acceptance, Lithium Australia will provide the consideration in accordance with Section 7(a) of this Annexure A;
  - (ii) if that document is given after acceptance and before the end of the Offer Period while this Offer is subject to a defeating condition, Lithium Australia will provide the consideration by the end of whichever of the following periods ends earlier:
    - (A) within 1 month after this Offer become unconditional, or
    - (B) 21 days after the end of the Offer Period;
  - (iii) if that document is given after Acceptance Form of the Offer Period while this Offer is not subject to a defeating condition, Lithium Australia will provide the consideration due to you on or before the earlier of:
    - (A) 1 month after that document is given to Lithium Australia, and
    - (B) 21 days after the end of the Offer Period, and
  - (iv) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, Lithium Australia will provide the consideration within 21 days after that document is given. However, if at the time the document is given the Offer is still subject to a defeating condition that relates only to the happening of an event of circumstances referred to in Section 652C(1) or (2) of the Corporations Act, Lithium Australia will provide the consideration for you within 21 days after the Offer becomes unconditional.
- (d) Subject to Section 8 of this Annexure A, the obligation of Lithium Australia to allot and issue any LIT Shares to which you are entitled under the Offer will be satisfied by:
- (i) entering your name on the register of members of Lithium Australia, and
  - (ii) dispatching or procuring the dispatch to you by pre-paid post to your last recorded address on the most recent copy of Lepidico's register of members after the Offer goes unconditional, a confirmation of the issue of

LIT Shares in your name. If Your Shares are held in a joint name, an uncertificated holding statement will be issued in the name of, and forwarded to the last recorded address on the most recent copy of Lepidico's register of members.

- (e) If, at the time you accept the Offer, any of the following:
- (i) Banking (Foreign Exchange) Regulations 1959 (Cth);
  - (ii) Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
  - (iii) Charter of the United Nations (Sanctions – Al-Qaida and the Taliban) Regulations 2008 (Cth);
  - (iv) Charter of the United Nations (Sanctions - Iraq) Regulations 2008 (Cth); or
  - (v) any other law of Australia,

requires that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any consideration for Your Shares, or would make it unlawful for Lithium Australia to provide any consideration to you for Your Shares, then you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by Lithium Australia. In such circumstances, for tax purposes, acceptance of the Offer should not create in (or transfer to) you a right to receive any consideration from Lithium Australia until the required regulatory approval is obtained.

#### 8. **Unmarketable Parcels**

- (a) If by reason of accepting the Offer the number of LIT Shares to which you would otherwise be entitled would constitute an Unmarketable Parcel, you will not be entitled to receive LIT Shares as the consideration for Your Shares as a result of accepting the Offer, and Lithium Australia will pay you an amount of cash equal to the Market Value of the LIT Shares that you would otherwise have been entitled to receive.
- (b) Payment will be made by cheque payable in Australian dollars and drawn on an Australian bank branch mailed to your address recorded on the latest copy of the Lepidico shareholder register and otherwise in accordance with section 7 of this Annexure A.

#### 9. **Conditions of the Offer**

- (a) Subject to Section 10 of this Annexure A, the Offer and any contract that results from acceptance of the Offer are subject to fulfilment of the following conditions.
  - (i) **LPD Share Price Fall**

The VWAP of a LPD Share does not fall by 40% or greater from the closing price on ASX on the Trading Day before the date of the Offer for a period of two consecutive Trading Days during the Bid Period.

(ii) **Material Adverse Change**

There being no Material Adverse Change between 6 February 2017 and the end of the Offer Period.

(iii) **Prescribed Occurrence**

There being no Prescribed Occurrence between 6 February 2017 and the end of the Offer Period.

10. **Freeing the Offer of Conditions**

- (a) Lithium Australia may free this Offer, and any contract resulting from its acceptance, from all or any of the Conditions in Section 9(a) of this Annexure A by giving notice to Lepidico declaring the Offer to be free from the relevant conditions specified in accordance with Section 650F of the Corporations Act. This notice may be given not less than 7 days before the end of the Offer Period.
- (b) If, at the end of the Offer Period the conditions in Section 9(a) of this Annexure A have not been fulfilled and Lithium Australia has not declared the Offer (or it has not become) free of those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.
- (c) Subject to the provisions of the Corporations Act, Lithium Australia alone will be entitled to the benefit of the conditions in Section 9(a) of this Annexure A and any breach or non-fulfilment thereof may be relied upon only by Lithium Australia.

11. **Notice of status of Conditions**

The date for giving the notice on the status of the Conditions required by Section 630(1) of the Corporations Act is 11 April 2017, subject to extension in accordance with 630(2) if the Offer Period is extended.

12. **Quotation**

- (a) An application will be made to the ASX within 7 days after the start of the Bid Period for the granting of quotation of the LIT Shares to be issued in accordance with the Offer. However, quotation is not granted automatically on application.
- (b) Pursuant to the Corporations Act, this Offer and any contract that results from your acceptance of it are subject to a condition that permission for quotation by the ASX (as the circumstances require) of the LIT Shares be issued pursuant to the Offer being granted no later than 7 days after the end of the Bid Period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offers will be automatically void.

13. **Withdrawal of Offer**

Lithium Australia may withdraw this Offer at any time before you accept it, but only with the consent in writing of ASIC (which consent may be given subject to such conditions, if any, as are imposed by ASIC). If ASIC gives such consent, Lithium Australia will give notice of the withdrawal to both the ASX and Lepidico and comply with any other conditions imposed by ASIC.

14. **Variation**

Lithium Australia may vary this Offer in accordance the Corporations Act.

15. **Duty or other costs**

- (a) All costs and expenses of the preparation, dispatch and circulation of this Offer and any duty payable in respect of the transfers will be paid by Lithium Australia.
- (b) As long as Your Shares are registered in your name and you deliver them directly to Lithium Australia, you will not incur any brokerage in connection with your acceptance of this Offer.

16. **Governing law**

This Offer and any contract that results from acceptance by LPD Shareholders of this Offer is governed by the laws in force in Western Australia.

17. **Date of Offer**

This Offer is dated 16 March 2017.

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## Annexure B – Lithium Australia's ASX announcements

Lithium Australia has lodged the following announcements with the ASX since 3 October 2016 (being the date on which the most recent audited financial statements of Lithium Australia for the year ended 30 June 2016 were lodged with the ASX).

Date Lodged	Description of Announcement
28 February 2017	Tin International and LIT agree to joint venture in Germany
27 February 2017	Sileach development programme update
27 February 2017	LPD: Lepidico confirms L-Max IP Rights Secure
27 February 2017	Lithium Australia and Lepidico settle litigation
23 February 2017	MetalsTech IPO imminent
23 February 2017	Proposed LPD Takeover Bid and Pre Bid Acceptance Update
23 February 2017	LIT RIU Explorers Conference Presentation
20 February 2017	LPD: Shareholder Update and Response to LIT's Intentions
13 February 2017	Update on Sileach process patent application
8 February 2017	LPD: Substantial Shareholder Notice Concerns
7 February 2017	Becoming a substantial holder for LPD
7 February 2017	Investor Presentation - 121 Mining Conference, Cape town
6 February 2017	LPD: Receipt of unsolicited intention to make takeover offer
6 February 2017	PWN:PWN Enters Agreement with LIT regarding LPD shareholding
6 February 2017	Lithium Australia takeover bid for Lepidico
6 February 2017	LIT update to Lake Johnston Project WA with POS and LEX
2 February 2017	LIT Recycling and Exploration outlook – video update
1 February 2017	Quarterly Activities Report and Appendix 5B
30 January 2017	LIT expands lithium search into SA
27 January 2017	LIT identifies more pegmatites at Lake Johnston project
23 January 2017	Appendix 3B
17 January 2017	LIT produces battery grade lithium carbonate
16 January 2017	LIT advances recycling plans

Date Lodged	Description of Announcement
13 January 2017	LIT advises update on Electra lithium project in Mexcio
30 December 2016	LieNA trademark application accepted for registration
28 December 2016	Airborne magnetic and radiometric survey results on LkJohnston
28 December 2016	Ceasing to be a substantial holder
28 December 2016	Appendix 3B
22 December 2016	Successful Sileach spodumene pilot plant commissioning
21 December 2016	Sileach pilot plant testing on PLS spodumene update
16 December 2016	LIT pilot testwork on Sileach continues
14 December 2016	LIT response to counterclaim
13 December 2016	LPD: Counterclaim Lodged Against LIT
12 December 2016	LIT awards engineering design for large-scale pilot plant
12 December 2016	LIT shareholders priority access to MetalsTech IPO opens
8 December 2016	Alix extends new lithium-rich clay zone at Electra project
2 December 2016	Appendix 3B and Appendix 3Ys *3
28 November 2016	Results of 2016 Annual General Meeting
28 November 2016	LIT 2016 Annual General Meeting Presentation
25 November 2016	MetalsTech priority offer to LIT shareholders
18 November 2016	Appendix 3B Share Purchase Plan
16 November 2016	Graphite Australia presents at Low Emission Conference
15 November 2016	Security Purchase Plan Closes
14 November 2016	LIT establishes foothold in Donnelly River for Graphite Aust
11 November 2016	Appendix 3B
11 November 2016	LIT advises phase 2 of Electra JV earn in
11 November 2016	LIT expands Greenbushes interest to 100%
10 November 2016	LIT and SciAps break new ground with portable assay technology
8 November 2016	LIT advises official commencement of MRIWA project

<b>Date Lodged</b>	<b>Description of Announcement</b>
8 November 2016	PLP: Commercialisation of L-Max remains on track
8 November 2016	LIT extends Share Purchase Plan by 7 days
4 November 2016	AGM Proxy form amendment
4 November 2016	Strong lithium anomalism at Seabrook Western Australia
4 November 2016	LIT advises update to Cinovec Licence Agreement
31 October 2016	Quarterly Activities Report and Appendix 5B
31 October 2016	Notice of Annual General Meeting/Proxy Form
27 October 2016	Lithium produced from Sileach pilot plant
27 October 2016	Lithium chemical production to fuel new industrial revolution
25 October 2016	Change in substantial holding
25 October 2016	LIT identifies lithium pegmatites at Lake Johnston WA
19 October 2016	LIT partners with lithium explorer MetalsTech
18 October 2016	LIT and LEX complete Lake Johnston Lithium rights transfer
17 October 2016	Appendix 3B
14 October 2016	LIT advises RC drilling program planned at Electra Project
13 October 2016	Discovery in Sonora Mexico
12 October 2016	LIT commences continuous Li carbonate production at ANSTO
6 October 2016	LIT launches Share Purchase Plan
6 October 2016	Notice under ASIC Class Order CO 09425
5 October 2016	CAZ: Exceptional Results in Sileach Pilot Plant Run
4 October 2016	LIT successful Sileach pilot test results
3 October 2016	Appendix 4G
3 October 2016	Annual Report to shareholders

## Annexure C – Lepidico's ASX announcements

Since 30 September 2016 (being the date on which the most recent audited financial statements of Lepidico for the year ended 30 June 2016 were lodged with the ASX), the following announcements have been made by Lepidico to the ASX.

Date Lodged	Description of Document
1 March 2017	Letter to Shareholders - LPD Going From Strength to Strength
27 February 2017	Lepidico confirms L-Max IP Rights Secure
27 February 2017	Updated Presentation Materials
27 February 2017	Positive Phase 1 L-Max Plant Pre-Feasibility Study
27 February 2017	LIT: Lithium Australia and Lepidico settle litigation
23 February 2017	LIT: Proposed LPD Takeover Bid and Pre Bid Acceptance Update
23 February 2017	PIO: Lepidico to Farm-in to Pioneer Dome PEG009 Lepidolites
23 February 2017	Lepidico signs lithium-mica farm-in with Pioneer Resources
22 February 2017	Half Year Accounts
20 February 2017	Shareholder Update and Board Response to LIT's Intentions
16 February 2017	Drilling to Recommence at Lemare Lithium Project
9 February 2017	Innovation Patent Certification released for L-Max
8 February 2017	Substantial Shareholder Notice Concerns
7 February 2017	Becoming a substantial holder for LPD
6 February 2017	Receipt of unsolicited intention to make a takeover offer
6 February 2017	PWN:PWN Enters Agreement with LIT Regarding LPD Shareholding
6 February 2017	LIT: Lithium Australia takeover bid for Lepidico
6 February 2017	Lithium alliance with Avalon Advanced Materials Inc.
31 January 2017	Quarterly Activities and Cashflow Reports
25 January 2017	L-Max Delivers High Recoveries and Battery Grade Lithium Ca
16 January 2017	L-Max Produces Battery Grade Lithium Carbonate
13 January 2017	Expiry of 5m Unlisted 3c Options
15 December 2016	Change of Director's Interest Notice

<b>Date Lodged</b>	<b>Description of Document</b>
14 December 2016	LIT: LIT response to counterclaim
13 December 2016	Counterclaim Lodged Against LIT
6 December 2016	Euriowie Exploration Update
2 December 2016	Appendix 3B - Listed Options Exercise / Expiry
2 December 2016	Appendices 3Y x 4 (AGM Incentive Option Issue)
2 December 2016	Constitution
30 November 2016	Company Secretary Appointment/Resignation
28 November 2016	Change of Company Name and ASX Code
28 November 2016	Appendix 3B
25 November 2016	Results of Meeting
25 November 2016	2016 AGM - Presentation Materials
25 November 2016	2016 AGM - Chairman's Address
25 November 2016	AGM update - Option Exercise Prices
24 November 2016	High Grade Lithium Drill Results at Lemare
18 November 2016	Lithium Alliance with Argo Metals and Viking Mines
14 November 2016	Platypus Minerals Appoints Chief Financial Officer
8 November 2016	Commercialisation of L-Max remains on track
28 October 2016	Notice to holders of 3.5c PLPO Options Expiring 1 Dec 2016
26 October 2016	Quarterly Activity and Cashflow Reports
24 October 2016	Appendix 4G
24 October 2016	Annual Report to shareholders
24 October 2016	Company Name to be changed to Lepidico Ltd
24 October 2016	Notice of Annual General Meeting/Proxy Form
5 October 2016	Response to ASX Price Query
30 September 2016	Appointment of Joint Company Secretary
30 September 2016	2016 Financial Report