

ASX RELEASE

29 October 2018

Activity Report for the Quarter ended September 2018

Lithium Power International Limited (ASX: LPI) (LPI or the Company) is pleased to submit its quarterly Activity Report for the period ended 30 September 2018.

HIGHLIGHTS

- The Chilean Joint Venture Company, Minera Salar Blanco S.A. (MSB), submitted the Maricunga lithium brine project's (the Project) Environmental Impact Assessment (EIA) to the Chilean Environmental Authority, Servicio de Evaluación Ambiental (SEA) to be reviewed for approval. This is the culmination of in-depth work during more than two years by MSB employees and consultants and was completed to the highest possible standard. An update on the extensive EIA approval process will be provided as information is received from SEA.
- The Project's Definitive Feasibility Study (DFS) is expected to be finalised and released by the end of December 2018.
- Results from the Preliminary Economic Assessment (PEA) which was released in December 2017, including CAPEX, OPEX, price forecasts and revenues, will be updated in the DFS. Full reserve calculations will also be included for the first time.
- Work by process consultants GEA in Germany, fine tuning the flow circuit and equipment requirements are progressing extremely well.
- MSB is nearing the completion of contractually securing all key infrastructure needed to support the Project with water supply secured for the Project through a long-term lease for the next 20 years.
- The Chilean electricity regulator authorised MSB to use its existing transmission infrastructure for the Project. Negotiations regarding final conditions are ongoing with the owner of the power lines.
- Permits for drilling has been obtained and plans are underway to drill several holes at the Centenario lithium project in Salta province, Argentina. This program will evaluate the potential for significant volumes of brine within LPI's properties indicated by a recent electrical geophysical survey.



HIGHLIGHTS continued

- In Western Australia, the Company is undertaking an extensive soil sampling program over its Tabba Tabba property. This covers a greenstone belt, which has known tantalum and lithium mineralisation along strike from the property. Areas of elevated geochemistry will be followed up with rock chip sampling and drilling.
- LPI increased its ownership in MSB by 1% after paying AU\$1.5 million from existing cash reserves. The Company now owns 51% of MSB.
- On 3 September 2018, the Company appointed Mr Cristobal Garcia-Huidobro and Mr Martin Borda as Non-Executive Directors to further enhance its relationship with MSB. As part of this change, Dr Luis Ignacio Silva resigned from the Board on the same date.
- Mr Cristobal Garcia-Huidobro was subsequently promoted to Chief Executive Officer and Managing Director of LPI on 16 October 2018.
- To further strengthen its Board, Mr Richard Crookes will be appointed Executive Director – Corporate Finance on 1 November 2018.

MARICUNGA PROJECT - CHILE

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

The Maricunga lithium brine project is operated under the Joint Venture Company, Minera Salar Blanco S.A. (MSB).

PROJECT ENVIRONMENTAL IMPACT ASSESSMENT

The Project's Environmental Impact Assessment (EIA) study was submitted to the Chilean Environmental Authority, Servicio de Evaluación Ambiental (SEA) on 14 September after completing extensive field sampling and monitoring campaigns and considering all environmental and local community aspects of the Project.

The EIA is the culmination of more than two years of exhaustive work. The process involved in-depth data gathering, a variety of environmental and engineering studies and monitoring campaigns carried out by experienced company management and consulting experts, including MWH-Stantec, WorleyParsons and Flo Solutions.



Figure 1: The Maricunga and Centenario Projects

The comprehensive, 11,400 page document included complete environmental baseline studies, hydrological and hydrogeological modelling, human, archaeological and fauna and flora characterisation, and impact evaluation. It also included a lengthy process of social engagement with the Colla indigenous communities in the area. In addition, significant consultation took place with regional authorities and local organisations, which were all interested parties in the EIA process.

PROJECT DEFINITIVE FEASIBILITY STUDY (DFS)

The Maricunga DFS is expected to be finalised and released by the end of 2018. The DFS is being prepared by global engineering contractor WorleyParsons. Remaining activities on reserve modelling and engineering for the production plants, being further developed by GEA Messo in Germany, are nearing completion. This confirms the Project as one of the most advanced pre-production lithium brine projects in Chile and in South America.

PROJECT INFRASTRUCTURE

The Project is nearing the completion of contractually securing all key infrastructure needed to support the project. MSB finalised in October 2018, a 20-year water supply contract for the Project. Authorisation has been received from the electricity regulator in October 2018, for access to the existing electricity supply infrastructure. Negotiations with the transmission line owner is ongoing and will be finalised within this quarter.

FINALISATION OF INCREASED JV OWNERSHIP

LPI completed the payment in August 2018 to increase ownership in the Project by 1% of the shares in MSB. The transaction took LPI's ownership of MSB to 51% for the cash purchase price of AU\$1.5 million, paid from the Company's cash reserves. In conjunction with this increase, Martin Borda has joined the Board of LPI as a Non-Executive Director. This further aligns the interests of MSB, and strengthens the relationship between LPI's 51% and the 30.98% share in the Project held by Mr Borda's private investment company, Minera Salar Blanco S.p.A.

STRATEGIC CORPORATE ACTIVITIES

LPI and MSB have received approaches from third-parties during recent months offering project finance, acquisition of equity in the company and/or off-take relationships. It has been the JV's agreed strategy not to progress with potential off-take partnerships or project financing until the completion of the DFS scheduled for the end of 2018. The advancement of any long-term, strategic relationships is a key 2019 objective.

ARGENTINA

CENTENARIO – SALTA PROVINCE, ARGENTINA

The Centenario project is a 70:30 Joint Venture between LPI and Centenario Lithium Ltd. Plans are underway to drill the large target area identified in the electrical geophysical survey undertaken by the Company. Internal analysis of the geophysical survey results is still being completed with discussions being held with drilling companies as to the timing of drilling activities. The geophysical target is believed to represent a significant body of brine. Drilling permits have been received from government agencies.

WESTERN AUSTRALIA

GREENBUSHES – SOUTH WEST, WESTERN AUSTRALIA

The 100%-owned Greenbushes tenements contain large strike lengths of the same rock suite that hosts the adjacent Greenbushes lithium mine, the world's largest lithium producer. The company is taking a systemic exploration approach to identify prospective areas that can be explored in more detail.

Documentation is being prepared to gain Ministerial approval for LPI to explore in the forestry areas of the Greenbushes licences. This process involves numerous stages under the Mining Act, and the Department of Biodiversity, Conservation and Attractions (DBCA). LPI's documentation will cover the activities proposed on these lands.

PILGANGOORA – PILBARA, WESTERN AUSTRALIA

The 100%-owned Pilgangoora tenement is situated adjacent to the Pilbara Minerals and Altura Mining lithium pegmatite deposits, which are currently being developed as mines. Combined, they form one of the largest global lithium pegmatite resources. LPI is exploring for lithium pegmatites in a continuation of the same sequence of rocks immediately west of these projects. Additional soil sampling and mapping will commence at the Pilgangoora property early in the fourth quarter of 2018.

TABBA TABBA AND STRELLEY PROJECTS – NORTH WEST, WESTERN AUSTRALIA

The Tabba Tabba and Strelley properties cover a 20km strike length of highly prospective greenstone units identified through mapping and regional magnetic surveys. The Tabba Tabba project is immediately north-west of FMG's Tabba Tabba project and contains the same greenstone belt that FMG is extensively drilling. This band of mafic rocks extends south-east into the area where De Grey Mining have successfully drilled lithium and gold anomalies approximately 20km to the south-west. The belt hosted a historical tantalum deposit immediately north of LPI's Tabba Tabba property.

Field work during the month confirmed the outcrop of two pegmatite bodies within the Tabba Tabba tenement. Results from rock chip samples and systematic soil sampling activities over these units, and along the Tabba Tabba section of the greenstone belt, will be returned early in the fourth quarter of 2018.



Figure 2: Western Australia Projects

CORPORATE UPDATE

Appendix 5B

The Appendix 5B quarterly cashflow report for the quarter ended 30 September 2018, is submitted separately.

The Company had a cash balance of AU\$21.4 million at 30 September 2018.

This amount is currently held in Company bank accounts in Australia, Chile and Argentina in Australian dollars, US dollars or Argentine pesos. The Australian dollar equivalents are converted at the closing foreign exchange spot rate.

Funds within the Maricunga Joint Venture at the end of the quarter ended, totaled US\$1.8 million. These funds were provided by the Company as part of the Joint Venture Investment Agreement.

Capital Structure

During the quarter, the Company issued 1.8 million fully paid ordinary shares to seven key employees or contractors of MSB. These shares have been issued as a bonus to these individuals, and further aligned LPI's interests with MSB's and cements the strong connection between the companies by giving the employees a stake in the major shareholder.

This bonus was also provided in recognition of the extensive exploration and development work completed and key milestones met on the project during the past two years. LPI has been reimbursed the pro-rata cash value of these shares by the other shareholders in MSB, thus all shareholders have contributed to the payment of this bonus.

Following the issue of these 1.8 million shares, the Capital Structure at the end of the quarter is as follows:

- 262.5 million Ordinary Shares on issue,
- 34.6 million Listed Options on issue at 55cps; and
- 36.3 million Unlisted Options on issue averaging 25cps.

Audited Annual Report for FY2018

The audited Annual Report for the period ended 30 June 2018 was signed off by the Company's auditor Ernst Young and the LPI Board on 27 September 2018 and was released on to the ASX on this same date.

The annual Corporate Governance Statement - Appendix 4G was also released on 27 September 2018, in compliance with the ASX Listing Rules.

Annual General Meeting (AGM) 2018

The AGM for 2018 is scheduled for 2.00pm on Wednesday 28 November 2018.

The Notice of Meeting will be despatched to shareholders by the required notice period.

Changes to the LPI Board

LPI welcomed three new directors since the end of the quarter in review. They were Mr Cristobal Garcia-Huidobro, who was initially appointed a Non-Executive Director on 3 September 2018 and subsequently promoted to Chief Executive Officer and Managing Director of LPI on 16 October 2018.

Mr Richard Crookes will be appointed an Executive Director – Corporate Finance on 1 November 2018, and Mr Martin Borda was made a Non-Executive Director appointed on 3 September 2018. Detailed profiles of Mr Garcia-Huidobro, Mr Crookes and Mr Borda are found below.

The Board also thanks former director Dr Luis Ignacio Silva, who retired from the Board on 3 September 2018, for his valuable service to the company through its embryonic period.

Detailed profiles of Mr Garcia-Huidobro, Mr Crookes and Mr Borda follows:

- **Mr Cristobal Garcia-Huidobro** – Chief Executive Officer and Managing Director

Mr Garcia-Huidobro was appointed a Non-Executive Director of LPI on 3 September 2018 and subsequently was promoted to CEO and Managing Director. He will continue as the CEO and Director of LPI's joint venture company, Minera Salar Blanco S.A. (MSB).

Mr Garcia-Huidobro has an excellent reputation and strong networks in Chile, along with a deep understanding of the operational and political background and requirements of the Project. His appointment has been approved by LPI's joint venture partners in MSB, as required under the joint venture Shareholders Agreement, and was cleared of any potential conflicts of interest.

Mr Garcia-Huidobro was instrumental in the finalisation of the joint venture shareholder and investment agreements, and he leads MSB's exploration and development program of the Project.

Mr Garcia-Huidobro is a qualified civil engineer and holds an M&A certificate from Chicago University, with 18 years' experience in the development and financing of mining, energy, infrastructure, finance and property projects. He was formerly the CIO of Centinela, an investment company with a global portfolio of investments. He has been involved in the development of a wide range of projects mainly related to hydroelectric and wind power generation, oil and gas exploration and production, real estate developments and mining. He also served as a board and committee member on several mining, property and agricultural funds in North and South America.

- **Mr Richard Crookes** – Executive Director – Corporate Finance

The appointment of Mr Crookes brings a focused approach to the securing of project funding for the development of the Maricunga Project into Chile's next lithium mine. Mr Crookes will be responsible for LPI's corporate and project finance function, alongside Mr Cristobal Garcia-Huidobro and LPI's CFO Mr Andrew Phillips, both of whom have participated in significant project finance raisings in the past.

Mr Crookes is a highly regarded Australian resource industry and investment professional and has more than 30 years' experience in the mining and finance sectors. He combines experience in resource industry operations with mining finance and investment expertise and has considerable experience in the South American resource sector.

Mr Crookes is a geologist with deep involvement in all aspects of mining projects, including exploration, mineral resource development, operations, project finance and project management.

After 15 years in the resource industry, Mr Crookes worked for 12 years at Macquarie Bank, where he originated and managed many of the bank's principal investments in exploration and mining companies as well as leading several project finance transactions. His most recent role as an Investment Director for the mining specialist private equity fund manager, EMR Capital, includes significant contributions to the success of two EMR funds during the past six years. These mining finance roles include several investments and transactions in Chile.

Mr Crookes is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM,) a Fellow of the Financial Services Institute of Australia (FINSIA) and a Member of the Australian Institute of Company Directors (AICD).

- **Mr Martin Borda** – Non-Executive Director

As announced to the ASX on 30 August 2018, Mr Martin Borda has been appointed as Non-Executive Director. His appointment was effective on 3 September 2018.

Mr Borda is a successful and well-known businessman in Chile, having more than 40 years' experience in a range of industries in Chile and internationally. He was a major stakeholder from the early development stages of the Project and was instrumental in the establishment of the joint venture company, Minera Salar Blanco S.A., of which he owns 30.98% through a private investment entity. Mr Borda is also the fourth largest shareholder of LPI.

An economist with a degree from Roosevelt University in Chicago, Mr Borda has served on many boards in Chile, including as a Non-Executive Director of Banco Scotiabank and Compania Molinera San Cristobal. He was a founding Director and Executive Chairman of the Santiago Stock Exchange-listed, Multiexport Foods S.A. Multiexport is Chile's second largest salmon farmer and processor and is a major exporter of whole and processed raw and smoked salmon with a focus on the US, Japan and Russia.