

ASX/Media Announcement

Perth: 6 April 2017

Drilling starts at Separation Rapids

- **Avalon Advanced Materials Inc. has commenced a 2,000 metre drilling program at its 100% owned Separation Rapids Lithium Project, Kenora, Canada**
- **One objective is to quantify the lithium mineralisation in the resource model associated with lithium micas**
- **The program is expected to be completed over the next 6-8 weeks, following which an updated resource estimate will be prepared**

Lepidico Ltd (ASX:LPD) ("Lepidico" or "Company") is pleased to announce that Avalon Advanced Materials Inc. (TSX: AVL) (OTCQX: AVLNF) ("Avalon") has commenced a 2,000 metre drilling program at its 100% owned Separation Rapids Lithium Project located near Kenora, Ontario. The program is expected to be completed over the next 6-8 weeks, following which an updated resource estimate will be prepared. The drilling program has a number of specific objectives including:

- Quantifying the lithium mineralisation in the resource model associated with lepidolite and other lithium micas versus lithium mineralisation associated with petalite;
- Expanding the existing mineral resource of lithium (petalite) pegmatite mineralisation which is open along strike and to depth;
- Testing an undrilled target area 1 kilometre west of the known resource where a showing of petalite pegmatite sampled by Avalon in 1997 was reported as having yielded 1.56% Li₂O across 8.9 metres; and
- Collecting geotechnical data for groundwater studies and mine planning in advance of permitting for site development.

As announced to the ASX on 6 February 2017, Avalon and Lepidico have entered into a non-binding letter of intent ("LOI") under which it is contemplated that Avalon would sell a minimum of 15,000 tonnes per annum of lepidolite concentrate produced from its planned demonstration-scale pilot plant to be located in Kenora, to Lepidico for processing at its planned Phase 1 commercial lithium carbonate production facility. As part of its Pre-Feasibility Study (PFS), Lepidico evaluated a Phase 1 Plant located in Kenora, near large consumers of L-Max[®] products including lithium carbonate and industrial by-products such as sodium silicate. Following the successful completion of the PFS, Lepidico has commenced a Feasibility Study scheduled for completion by the end of December 2017.

Lepidico's Managing Director, Joe Walsh said, *"Drilling of the lepidolite zones at Separation Rapids represents a major milestone in securing lithium mica feed sources for Lepidico's planned Phase 1 L-Max[®] Plant. Test work on lepidolite samples from Separation Rapids has returned excellent recoveries and produced high-specification battery grade lithium carbonate using Lepidico's L-Max[®] technology. The partnership between Avalon and Lepidico provides the opportunity for lepidolite within the*

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Separation Rapids deposit to provide a new source of lithium battery material to the market and also expedite the commercialisation of L-Max®.”

The announcement by Avalon can be viewed at its website, <http://avalonadvancedmaterials.com>

Further Information

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About Lepidico Ltd

Lepidico Ltd is an ASX-listed Company focused on exploration, development and production of lithium. Lepidico owns the technology to a metallurgical process that has successfully produced lithium carbonate from non-conventional sources, specifically lithium-rich mica minerals including lepidolite and zinnwaldite. The L-Max® Process has the potential to disrupt the lithium market by providing additional lithium supply from alternative sources. The Company is currently conducting a pre-feasibility study for a Phase 1 L-Max® plant, targeting production for 2019. Four potential sources of feed to the planned Phase 1 Plant are being evaluated, one of which is the Separation Rapids deposit in Ontario, Canada in partnership with its owner Avalon Advanced Materials Inc.

Lepidico's current exploration assets include options over the Lemare and the Royal projects, both in Quebec, Canada; an ore access agreement with Grupo Mota over the Alvarrões Lepidolite Mine in Portugal; a farm-in agreement with Pioneer Resources (ASX:PIO) over the PEG 9 lepidolite prospect in Western Australia; ownership of the Euriovie amblygonite project near Broken Hill in New South Wales; and an agreement with ASX-listed Crusader Resources (ASX:CAS) on potential deployment of L-Max® in Brazil and Portugal.