

10 April 2017

Market Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

LEPIDICO LTD – SUPPLEMENTARY TARGET’S STATEMENT

Lepidico Ltd (ACN 008 894 442) (ASX: LPD), hereby attaches, by way of service pursuant to section 647(3)(b) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the second supplementary target’s statement of Lepidico Ltd, dated 10 April 2017 in relation to the off-market takeover bid by Lithium Australia NL (ACN 126 129 413) (ASX: LIT) for all the ordinary shares in the Company that Lithium Australia NL and its associates do not already own.

The supplementary target’s statement is prepared under section 644 of the *Corporations Act* and is supplementary to Lepidico Ltd’s target’s statement dated 28 March 2017 and first supplementary target’s statement dated 30 March 2017 and has been given to each of the Australian Securities and Investments Commission and Lithium Australia NL today.

Yours faithfully



Shontel Norgate
Company Secretary

Encl

LEPIDICO LTD
ACN 008 894 442
SECOND SUPPLEMENTARY TARGET'S STATEMENT

1. IMPORTANT INFORMATION

This document is a second supplementary target's statement (**Second Supplementary Target's Statement**) made under section 644 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and is supplementary to the target's statement dated and lodged with the Australian Securities and Investments Commission (**ASIC**) on 28 March 2017 (**Original Target's Statement**) and the supplementary target's statement dated and lodged with the ASIC on 30 March 2017 (**First Supplementary Target's Statement**), both issued by Lepidico Ltd (ACN 008 894 442) (**Lepidico**) in relation to the off-market takeover offer by Lithium Australia NL (126 129 413) for all of the fully paid ordinary shares in the capital of Lepidico (**Offer**).

This Second Supplementary Target's Statement was lodged with ASIC on 10 April 2017. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplementary Target's Statement.

This Second Supplementary Target's Statement must be read together with the Original Target's Statement and the First Supplementary Target's Statement. If there is a conflict between the Original Target's Statement, the First Supplementary Target's Statement and this Second Supplementary Target's Statement, this Second Supplementary Target's Statement will prevail. Unless the context otherwise requires, terms defined in the Original Target's Statement and the First Supplementary Target's Statement have the same meaning in this Second Supplementary Target's Statement.

Please consult your legal, financial or other professional adviser if you do not fully understand the contents of this Second Supplementary Target's Statement. A copy of this Second Supplementary Target's Statement will be available on the Company's website (www.lepidico.com).

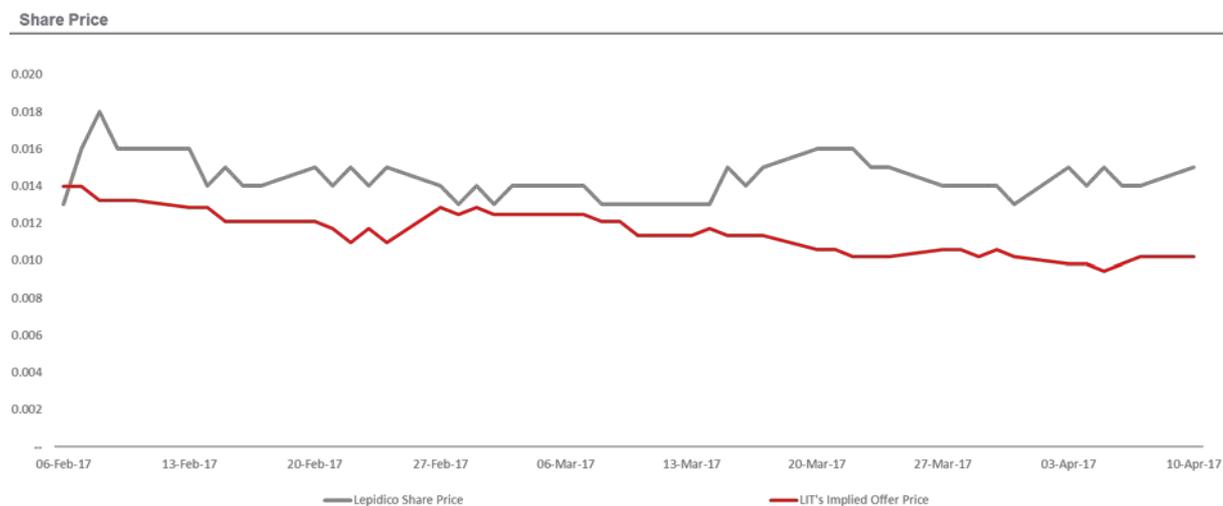
2. REJECTION OF THE OFFER

On the basis of the information outlined in the Original Target's Statement, the First Supplementary Target's Statement and this Second Supplementary Target's Statement, your Directors continue to unanimously recommend that Lepidico Shareholders **REJECT** the Lithium Australia Offer.

Lithium Australia's Offer for your Lepidico Shares continues to trade at a significant discount to Lepidico's Share price. As at 10 April, Lithium Australia's closing share price implied an Offer price of only \$0.010 per Lepidico Share; Lepidico's closing price of \$0.015 per Share represents a 47.2% premium to Lithium Australia's implied Offer price. This is before allowing for an appropriate premium for control to apply to a takeover offer for your Company which BDO, the Independent Expert, has assessed to be between 30% and 40%.

Furthermore, as noted in the Original Target's Statement, since 7 February 2017, the day after Lithium Australia announced its intention to make a takeover offer for your Company, Lepidico's Shares have consistently traded above the implied Offer price. This trend continues (see Figure 1 below) and reinforces the highly opportunistic nature and inadequacy of the Lithium Australia Offer.

Figure 1: Lepidico's Share Price Performance vs. LIT's Implied Offer Price (Source: CapIQ)



Accordingly, your Directors are steadfast in their opinion that the Offer is **NEITHER FAIR NOR REASONABLE**, as confirmed by BDO, the Independent Expert, and unanimously recommend that Lepidico Shareholders **REJECT** Lithium Australia's ill-conceived and inadequate Offer.

If you have any questions regarding the Offer, please call Lepidico's information line on 1300 048 130 for callers within Australia or on +61 3 9415 4656 for callers outside Australia, or your professional financial adviser.

3. **LEPIDICO DIRECTORS RESPOND TO LITHIUM AUSTRALIA'S SECOND SUPPLEMENTARY BIDDER'S STATEMENT**

The Lepidico Board has noted Lithium Australia's claims, and more importantly what Lithium Australia has failed to outline in its Second Supplementary Bidder's Statement, and addresses each below in turn.

1. **BDO confirms its view that Lithium Australia's takeover Offer is neither fair nor reasonable**

Lithium Australia engaged Leadenhall Corporate Advisory Pty Ltd (**Leadenhall**) to undertake a review of the Independent Expert's Report prepared by BDO.

In its report, Leadenhall claims to have analysed BDO's Independent Expert's Report and, from the basis of its evaluation, has made a number of assertions in relation to the valuation methodology used and the conclusions reached by BDO.

Lepidico is pleased to advise that BDO has confirmed that it has reviewed both Lithium Australia's Second Supplementary Bidder's Statement and the attaching report prepared by Leadenhall. BDO has confirmed in a letter to the Board of Lepidico that **there is no information contained in either document which would cause BDO to amend or change its analysis, methodology, or opinion.**

Your Directors recognise the substantial body of work and analysis that the Independent Expert's Report is based on and the credibility of BDO as an industry leader in its field of expertise. Lithium Australia's Second Supplementary Bidder's Statement and the report by Leadenhall represent more rhetoric than substance based on Leadenhall's own admission: "*We have not undertaken any independent*

analysis nor have we had access to any underlying documents or the financial models used by BDO."

Lepidico observes that Leadenhall was not engaged to prepare an independent expert's report and is not independent. If Lithium Australia wants to critique BDO's Independent Expert's Report and make an informed recommendation to Lepidico's Shareholders, then they should engage an independent expert to prepare a full form independent expert's report.

2. Lithium Australia's takeover Offer has received minimal acceptances

Since the takeover Offer opened on 16 March 2017, almost four weeks prior to the date of its Second Supplementary Bidder's Statement, Lithium Australia has only received 52 acceptances in addition to the pre-bid acceptances that represent only 0.26% of Lepidico's Shares on issue.

The fact that Lithium Australia says in its Second Supplementary Bidder's Statement that it is pleased with this outcome emphasises its board's lack of ambition and emphasises its poor judgement in its flawed takeover Offer for your Company.

3. Lepidico's Entitlement Offer has been well supported by Shareholders

Lepidico's clearly articulated strategy to undertake a Feasibility Study for its proposed Phase 1 L-Max[®] Plant is being financed by its current Entitlement Offer which continues to be well supported by Shareholders both in terms of participation in the Entitlement Offer and unsolicited interest to participate in a shortfall offer. Lepidico's major shareholder, Strategic Metallurgy, has made a substantial contribution to the Entitlement Offer and the other Directors have participated to their fullest extent possible. Shareholders are encouraged to register their interest for any shortfall shares.

The Entitlement Offer will close at 5:00pm (AWST) on 12 April 2017.

Take-up under the Entitlement Offer to date has been sufficient for Lepidico to commit funds to exploration programs at Alvarroes in Portugal, PEG009 at Pioneer Dome in Western Australia and Lemare in Quebec following an extension to the initial exploration period to 31 August 2017.

Lepidico is pleased that a number of shareholders who entered into pre-bid acceptance agreements with Lithium Australia, have seen the clear value case of participating in the Entitlement Offer at a substantial premium to the implied takeover bid price. Your Board welcomes these shareholders back onto the Lepidico Share register.

Lepidico notes Lithium Australia has again observed in the Second Supplementary Bidder's Statement that Lepidico Shareholders who participate in the Entitlement Offer may not be able to sell their Shares into the Lithium Australia takeover bid because of the condition that it does not extend to new shares issued under the Entitlement Offer.

What Lithium Australia again fails to outline is that the implied takeover Offer price is 21.6% below the Entitlement Offer price at which Shareholders are committing new funds to Lepidico.

4. Lithium Australia has yet again avoided answering your Board's vital questions to be able to understand its business

Lithium Australia continues to refuse to respond to the valid commercial, financial and technical questions posed by Lepidico on behalf of Shareholders in both the Original Target's Statement and the First Supplementary Target's Statement.

The Lepidico Board continues to harbour significant concerns about the viability of Sileach™, and Lithium Australia's business model and financing capabilities given its existing commitments, which calls into question the future value of the Lithium Australia shares being offered to Lepidico Shareholders.

Lithium Australia reported \$6.0 million in cash as of 31 December 2016 with an estimated \$2.15 million in cash outflows for the quarter ending 31 March 2017. Lepidico Shareholders need to be aware that should Lithium Australia's expenditures continue at the rate outlined for the March 2017 quarter it will need to raise substantial new funds before the end of the September 2017 quarter if it is to remain solvent.

Lithium Australia has now confirmed that the element fluorine is employed as part of its Sileach™ process. Lepidico continues to be concerned that the Sileach™ process chemistry uses hydrofluoric acid and that there are fatal flaws to the attempted commercialisation of this process.

5. Lithium Australia should abort its ill-fated takeover Offer for Lepidico

Prior to midnight (AWST) on 18 April 2017, Lithium Australia's board needs to decide whether or not to extend their ill-conceived and inadequate scrip takeover Offer for Lepidico.

Given the extremely low level of acceptances to date, Lithium Australia's board should allow the Offer to close. Any other course of action defies logic.

Your Board seriously questions whether Lithium Australia shareholders want the Offer to be extended when Lithium Australia appears to only aspire to be a minority shareholder of Lepidico.

4. INFORMATION IN RELATION TO THE TARGET

Since the lodgement of the First Supplementary Target's Statement, Lepidico has released to ASX the following announcements.

31 March 2017	Extension of Closing Date for Entitlement Offer
3 April 2017	99.9% Lithium Carbonate Produced from Mini-Plant Trial
6 April 2017	Drilling starts at Separation Rapids

5. **DIRECTOR'S AUTHORISATION**

This Second Supplementary Target's Statement has been approved by a resolution passed by the Directors of Lepidico Ltd.

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

Signed for and on behalf of
Lepidico Ltd
Gary Johnson
Non-Executive Chairman