



## ASX/Media Announcement

Perth: 20 February 2017

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# Letter to Shareholders providing a further Board response to Lithium Australia's Intentions - TAKE NO ACTION

Attached is a letter that is being posted to shareholders.

### Further Information

For further information, please contact

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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<sup>®</sup> 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<sup>®</sup> 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 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; ownership of the Euriowie project near Broken Hill in New South Wales; joint venture agreements with ASX-listed Crusader Resources (ASX:CAS) in Brazil; and ongoing discussions with Latin Resources (ASX:LRS) aimed at leveraging L-Max<sup>®</sup> in Peru and Argentina to jointly evaluate lithium opportunities.

20 February 2017

## Shareholder Update and Board Response to Lithium Australia's Intentions

Dear Shareholder,

**The Board of Lepidico reiterates its previous advice to shareholders to TAKE NO ACTION until further information is received from LIT**

The Board and management of Lepidico Ltd (ASX: LPD) ("Lepidico" or the "Company") are pleased to advise shareholders that the Company remains on track for achieving its strategic objective to become a sustainable lithium producer via a portfolio of lithium-bearing assets and the exploitation of its 100%-owned L-Max<sup>®</sup> processing technology.

### Operations Update

Since the start of calendar year 2017, the Company has provided several updates to the market on progress relating to LPD's L-Max<sup>®</sup> technology including:

- Successful production of battery grade lithium using L-Max<sup>®</sup> technology (16 Jan 2017)
- L-Max<sup>®</sup> delivery of high lithium recoveries (25 Jan 2017)
- LPD's lithium alliance with Avalon Advanced Materials (6 Feb 2017)
- Release of innovation patent certification for L-Max<sup>®</sup> (8 Feb 2017)
- Recommencement of drilling at the Lemare Lithium Project in Quebec, Canada (16 Feb 2017)

### Prefeasibility Study Update and Timing

The previously announced Prefeasibility Study ("PFS") for 'Phase 1 L-Max<sup>®</sup> Commercial Plant' remains on track for completion this quarter. The objective of the PFS is to design a Plant at sufficient scale to be economically robust at a lithium carbonate price of US\$8,000/t and to prove that L-Max<sup>®</sup> is technically viable under commercial operating conditions. A recent mini-plant trial ran continuously and stably for five days and produced 10kg of lithium carbonate, a further demonstration of robust process chemistry. Results will be available mid-March.

The PFS remains on track for completion by the end of March. Subsequent feasibility study work will be subject to securing new funds.

### Key Milestones and Upcoming Newsflow

Over the next three months, the Company anticipates providing material updates to the market in relation to the following activities:

- Phase 1 L-Max<sup>®</sup> Plant PFS results
- Feasibility Study mini-plant trial results
- Commencement of Mineral Resource drill program by Avalon at Separation Rapids, Canada
- Drill results from Phase 2 program at Lemare, Canada
- Agreements over two further lepidolite deposits as potential Phase 1 Plant feed-sources
- Phase 1 L-Max<sup>®</sup> Plant Definitive Feasibility Study commencement subject to funding

### Response to LIT's stated intention to make an unsolicited and conditional offer for all LPD shares

As previously announced, the Company became aware through an announcement to the ASX on 6 February 2017 that Lithium Australia NL (ASX: LIT) ("LIT") intends to make an unsolicited and conditional scrip offer to purchase all of the fully paid ordinary shares in Lepidico.



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ASX: LPD

It is the Board's view that the announcement by LIT is highly opportunistic in light of Lepidico's significant near-term news flow, in particular the pending release of the PFS (as per the above update).

The LPD Board reiterates that the announcement by LIT is an intention at this stage and is dependent on a number of conditions. Lepidico shareholders should continue to **TAKE NO ACTION** until further notice is provided by the Company.

Furthermore, your Board believes there are compelling reasons why Lepidico shareholders should be cautious of any future offer to them that involves the receipt of LIT shares.

An evaluation of announcements made to the ASX by LIT over the past year has revealed that in a number of instances information, which is key to understanding the potential commercial viability of certain LIT assets and projects, has been absent.

Of note, in December 2016 the LIT Quarterly Report advised:

*"...exceptional results in continuous Sileach™ pilot plant run";*

*"...that lithium has been produced from the Sileach™ process";*

*"Sileach™ pilot-plant commissioning on...spodumene concentrates completes successfully";*  
*and*

*"...that its Sileach™ halogen process produces battery grade lithium carbonate."*

Such milestones as these should mean that a comprehensive fundamental dataset has been generated for each project initiative and can therefore be summarised in a logical and coherent manner. From a review of LIT's ASX announcements, it appears that LIT is yet to release a representative summary of such data to the market, as was provided by Lepidico for its test work results announced to the ASX on 16 and 25 January 2017.

Lepidico has made a direct request to LIT to clarify its position with respect to key data that is important for the market to be aware of, assuming it is available. The information requested is for the "Sileach™ pilot plant run" undertaken during the December 2016 quarter and if available the more recent run on spodumene concentrate as referred to in its December 2016 quarterly, and includes:

- Mineralisation head grades to flotation
- Flotation recovery
- Concentrate feed grades
- Total process recovery from concentrate to lithium carbonate
- Major reagent suite
- By-products produced and associated recoveries

It is Lepidico's view that this data is essential for shareholders, and the market generally, to make an informed decision on the possible future viability, or not, of LIT's assets and processes.

The Board of Lepidico will keep shareholders updated with any material information provided by LIT in relation to this matter and LIT's proposed offer.

Yours faithfully,



Mr Gary Johnson  
Chairman