

## ASX/Media Announcement

Perth: 1 March 2017

### Letter to Shareholders Lepidico going from strength to strength

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® 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 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® in Peru and Argentina to jointly evaluate lithium opportunities.



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ASX: LPD

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## Shareholder Update

### Lepidico going from strength to strength

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 that the Phase 1 L-Max<sup>®</sup> plant Pre-Feasibility Study (“PFS”) has been completed and full Definitive Feasibility Study (“DFS”) works will commence once funding is secured, as announced to the ASX on Monday, 27 February 2017.

**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.

#### **Major Milestones Achieved: Phase 1 L-Max<sup>®</sup> Plant Project**

Completion of the PFS represents a major milestone in Lepidico’s evolution. The PFS has confirmed the viability of constructing a strategically located Phase 1 L-Max<sup>®</sup> Plant at Kenora, Canada, processing lithium-mica concentrates purchased from third party suppliers. The positive PFS results have also provided the confidence to commit immediately to a DFS, which is expected to take nine months to complete, following funding.

Lepidico plans to undertake a non-renounceable, non-underwritten entitlements offer to allow eligible shareholders to participate in the exciting future developments of the Company. Proceeds from the proposed offer are planned to be used to commence DFS activities for the Phase 1 L-Max<sup>®</sup> Plant, as well as further exploration activities and general working capital. Lepidico will continue to keep shareholders fully informed of further developments relating to a capital raising.

The PFS and DFS planning parameters confirm that L-Max<sup>®</sup> provides a low cost lithium processing alternative when the facilities are strategically located close to sources of the major reagents, as well as markets for by-products. It is also important to note that L-Max<sup>®</sup> utilises a suite of relatively inexpensive, commonly used reagents.

Capital and operating costs have been estimated using ‘first principle’ assumptions and suggest that the Phase 1 L-Max<sup>®</sup> Plant design, as contemplated in the DFS, should be cost competitive. When taking by-product potential into account the Phase 1 Plant should be at the lower end of the global industry cost curve.

#### **Lepidico Confirms L-Max<sup>®</sup> Intellectual Property Rights Secure**

Lepidico confirms that the litigation (being a reference to Supreme Court Action CIV 2908 of 2016) instituted by Lithium Australia against Lepidico’s subsidiary, Li-Technology Pty Ltd, has been settled by mutual agreement.

While the Supreme Court action initiated by LIT has been an impediment to certain Lepidico business initiatives, it has ultimately provided the understanding that the Company was seeking, being that Lepidico’s L-Max<sup>®</sup> Intellectual Property (IP) rights have not been compromised. Lepidico welcomes this outcome and will continue to have in place all the necessary protections of its IP rights.

Lepidico concluded that it was in the best interests of its shareholders to agree to the declarations being sought by LIT in the Action. It therefore made a settlement proposal to LIT's counsel to resolve this matter swiftly, which was accepted by LIT.

The Company wishes to clarify that, for the avoidance of doubt, the Action related to the validity and enforceability of only one of its international licenses (now known as "International Licence No. 1") for a project involving a mineral deposit located in Europe.

This matter is now concluded and Lepidico looks forward to progressing its plans to create shareholder value by becoming a sustainable lithium producer.

#### **LPD's agreement with Pioneer Resources, exploration drilling to commence at Separation Rapids**

Lepidico recently entered into an agreement with Pioneer Resources to acquire a 75% interest in an outcropping lepidolite pegmatite at the Pioneer Dome Project, near Norseman in Western Australia, samples from which have returned excellent L-Max<sup>®</sup> testwork results. This represents a drill-ready target and an opportunity for Lepidico to delineate its own lepidolite Mineral Resource, potentially within just a few months.

Lepidico also has exposure to the lepidolite Resource potential of the Separation Rapids Project in Ontario, Canada, under its Letter of Intent with Avalon Advanced Materials Corp. Exploration drilling at the Separation Rapids Project is due to commence this month.

#### **Update on LIT's stated intention to make an unsolicited and conditional scrip offer for all LPD shares**

The Company has previously advised that it became aware via 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.

The Board remains of the view that the announcement by LIT is highly opportunistic in light of Lepidico's significant near-term news flow, including the release of the PFS results ("Positive Phase 1 L-Max<sup>®</sup> Plant Pre-Feasibility Study") on 27 February 2017.

The Lepidico 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.**

Lepidico notes that LIT has announced that it is undertaking a PFS on a modest scale hydrometallurgical process, lithium carbonate project to be located in Port Hedland, Australia. This project appears to represent a major business initiative for LIT, however very few details about the project have been provided to the market.

For example, based on Lepidico's experience a remote location such as Port Hedland is sub-optimal for the location of a hydrometallurgical plant due to the relatively high cost of transporting consumables and there being no nearby market for bulk by-products, if they are capable of being produced. Until LIT can provide a similar level of disclosure for its PFS to that provided by Lepidico, the Board of Lepidico considers that shareholders should be cautious as to the risks associated with LIT's business model.

Furthermore, LIT has stated that it *"has been successful in developing its own unique halogen based hydrometallurgical process"* (Lithium Australia quarterly Report for December 2016, released 31 January 2017). Lepidico understands that halogen-based reagents tend to be considerably more expensive than sulphuric acid, which Lepidico's L-Max<sup>®</sup> process technology employs.

More importantly however, the term *"halogen chemicals"* is broad in definition and does not clearly identify the reagents used in LIT's process. Some halogen chemicals are hazardous and in some cases highly toxic. As LIT has not referred to its process as a "chloride process", which would employ hydrochloric acid, Lepidico holds considerable concern that LIT is evaluating a process that utilises fluoride-based reagents, which may be highly toxic and difficult to commercialise on occupational health and safety grounds. The Board of Lepidico considers that shareholders need greater clarity on the LIT process to fully understand the risks and rewards associated with the future prospects of LIT.

It is the view of Lepidico's Board that LIT needs to provide further clarity, with regard to its business model and commercialisation plans in order for shareholders, and the market generally, to make an informed decision on the possible future viability, or not, of its assets and processes.

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

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J. Walsh', written in a cursive style.

Mr Joe Walsh  
Managing Director