

## ASX/Media Announcement

Perth: 10 March 2017

### Letter to Shareholders What reagent suite does Lithium Australia use in its Sileach™ process?

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.



ASX: LPD

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10 March 2017

## Letter to Lepidico Shareholders.

### What reagent suite does Lithium Australia use in its Sileach™ process?

Dear Shareholder,

**Lepidico Reaffirms Advice to Lepidico Shareholders to TAKE NO ACTION following lodgement of Bidder's Statement by Lithium Australia, until Lithium Australia answers fundamental questions about its business model and Sileach™ process.**

The Board of Lepidico Ltd (ASX:LPD) (**Lepidico** or **the Company**) reiterates its advice to Lepidico Shareholders to **TAKE NO ACTION** on the **unsolicited** proposed **conditional** scrip takeover offer from Lithium Australia NL (ASX: LIT) (**LIT** or **Lithium Australia**) following receipt of the Bidder's Statement on 2 March 2017.

In summary, under the proposed offer, Lepidico shareholders will be offered one (1) LIT share for every thirteen and one quarter (13.25) Lepidico shares (**Offer**); an offer which is below market value, as at the date of this Letter to Shareholders.

#### **Lepidico Shareholders have a right to know more about Lithium Australia's business model**

To make a fully informed recommendation of a scrip offer, the Board of Lepidico needs to understand the business model and potential risks associated with the scrip (or shares) being offered by Lithium Australia.

In its ASX announcement of 27 February 2017, Lithium Australia stated: *"Sileach™ is differentiated from other processes by its unique chemistry. Essential to the operation of the Sileach™ process is the addition of halogens, a group of reactive elements which attack the chemical bonds in the silicate mineral, causing all metals to go into solution."*

Given the significance of the heavily promoted Sileach™ process to the future success of Lithium Australia, the Board and shareholders of Lepidico have a right to know more about "unique chemistry" utilised by Sileach™ and the halogens, or reagent suite, it employs.

#### **What reagents does the Sileach™ process employ?**

Lepidico's concerns that Sileach™ uses reagents containing fluorine have been confirmed. Lithium Australia recently disclosed in the media that a product of the Sileach™ process is hexafluorosilicic acid and that Sileach™ does not use hydrofluoric acid. This information raises more questions than answers. The lithium bearing mineral spodumene does not contain fluorine, therefore this element must be introduced to the Sileach™ process via a reagent. Lithium Australia still hasn't disclosed what reagent this is, nor the concentrations in which it is used.

Furthermore, while hexafluorosilicic acid may be relatively benign at the very low concentrations, as is sometimes used in water supplies, at higher concentrations it is extremely toxic. Hexafluorosilicic acid has a median lethal dose value of 430mg/kg, making hexafluorosilicic acid toxic on this measure.

In addition, hexafluorosilicic acid is challenging to store and transport, particularly in hot environments such as the Pilbara, as it starts to evaporate and decompose above 20°C, releasing toxic hydrogen fluoride (HF) gas which, on contact with moisture in the air, forms hydrofluoric acid.

Hydrofluoric acid is highly toxic and corrosive, having the potential to impose considerable occupational health, safety and environmental challenges in a processing environment.



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Despite repeated enquiries to disclose the precise reagent suite employed by Sileach™, Lithium Australia continues to refer to the process as being halogen-based, rather than identifying the actual reagents used. Lepidico continues to be concerned that the “reactive elements” referred to by Lithium Australia contain fluorine in a hazardous and toxic form that is prohibitive to process commercialisation.

Lepidico requests Lithium Australia disclose the reagent(s) that Sileach™ employs that contains fluorine and the reagent concentrations that are employed. Now that it is known that hexafluorosilicic acid is a product of the Sileach™ process, Lithium Australia should also provide information on the resultant concentration and quantity of this potentially hazardous chemical, and how it is planned to be disposed of safely. The Board of Lepidico considers that shareholders need clarity on these issues in order to understand the risks and rewards associated with a shareholding in Lithium Australia.

### **If Sileach is truly patent protected then Lithium Australia has no argument against disclosure**

To date Lithium Australia has intimated commercial sensitivity as the reason for not disclosing key aspects of the Sileach™ process that are essential to understand its potential commercial viability. It has stated: *“Lithium Australia is currently subject of confidentiality afforded by various intellectual property laws. Disclosure of further detail may prejudice the outcome of patent applications and as a consequence, exact details of the processing system remain commercial in confidence.”*

Lithium Australia’s intellectual property associated with Sileach™ is protected by its patent applications, rendering this argument moot. Lithium Australia can fully disclose the contents of its PCT application without, in any way, compromising its patent rights, yet it fails to do so.

### **How are you exposed to the risks associated with the Sileach™ process?**

Lepidico, Parkway Resources NL and Pilbara Minerals Ltd all have a potential exposure to Sileach™, either directly, as in the case of Pilbara Minerals Ltd, or via the offer of Lithium Australia shares for Lepidico shares, following Lithium Australia’s lodgement of its Bidder’s Statement.

Shareholders of all three companies, and Lithium Australia, as well as any communities where Lithium Australia plans to develop a Sileach™ facility, such as Port Hedland in Western Australia, have a right to know what reagent suite Sileach™ uses and their associated risks.

Furthermore, Lithium Australia has stated: *“The Sileach™ process has the potential to release the value of stranded lithium silicate deposits – those deposits which have, until now, been quarantined by sub-economic grades”*. Lepidico is concerned that the substantial portfolio of spodumene exploration assets that Lithium Australia has amassed are of low-grade potential, are therefore low quality from a traditional roasting process perspective and therefore unsellable for the price paid. The holding cost of these assets also appears to be high.

### **Why dilute shareholders by acquiring Lepidico when Lithium Australia can already access L-Max® licences?**

On 11 November 2014, Lithium Australia announced that it had entered into an L-Max® licence option agreement and stated: *“securing of the licence agreements was a ‘step change’ point for the Company.”* Via this agreement Lithium Australia has access to three L-Max® licences conditional on it allocating these licences to a specific project, which it has yet to do.

Accordingly, Lithium Australia already has the ability to develop three lithium mica projects that employ L-Max® with no dilution to shareholders to acquire the technology. Aside from mitigating the 2% gross revenue royalty to Lepidico that is associated with these conditional L-Max® licences, and securing long term option value to further licences, there is no apparent logic to Lithium Australia’s attempt to acquire Lepidico. Its offer for Lepidico exposes Lithium Australia shareholders to massive dilution in large part for an asset it already has access to.

### **Shareholders, have a voice**

Shareholders of Lepidico, Lithium Australia, Parkway Resources NL and Pilbara Minerals Ltd all now have a potential exposure to Lithium Australia’s shares and/or its Sileach™ process technology. In the interest of understanding what this means, you have the right to speak out and ask the questions:

- **What reagents does Lithium Australia's Sileach™ process use?**
- **Why is Lithium Australia seeking to dilute its shareholders by acquiring Lepidico when Lithium Australia can already access L-Max® licences?**

It is also worth all Lepidico shareholders being aware that the Board and management of Lepidico has the full support of its largest shareholder, Strategic Metallurgy Pty Ltd.

**Lepidico shareholders should continue to TAKE NO ACTION**

In summary, Lepidico Directors have significant concerns about Lithium Australia's business, the Sileach™ technology – including Lithium Australia's ability to commercialise this technology – and the future prospects of Lithium Australia and its shares.

The Lepidico Board will articulate its concerns on these matters in detail in its Target's Statement.

Until Lepidico Directors provide its shareholders with a formal recommendation, we advise Lepidico shareholders to continue to **TAKE NO ACTION**.

Yours faithfully,

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

Mr Joe Walsh  
Managing Director