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Shareholders back Lepidico against Lithium Australia takeover bid

By [Angie East](#)

Lithium Australia NL's attempted takeover of fellow ASX-listed lithium junior [Lepidico Ltd.](#) is failing to gain traction as the [all-scrip bid](#) approaches the [April 18 deadline](#).

Since Lithium Australia officially launched its takeover offer of 1 of its own shares for every 13.25 Lepidico shares held in early March, the company has so far only attained a shareholding of 18.02%.

The majority of that stake was secured through pre-bid agreements with [Parkway Minerals NL](#), which was previously known as Potash West and an initial seed investor in Lepidico. Lithium Australia Managing Director Adrian Griffin is also the chairman of Parkway.

Aside from the pre-bid agreements, only a further 52 shareholders that collectively hold about 0.26% of Lepidico have accepted the offer.

"I think Lithium Australia's takeover has stalled on the starting line," Lepidico Managing Director Joe Walsh told S&P Global Market Intelligence.

Walsh said the key issue with Lithium Australia's bid is that it is a scrip-based offer and based on the company's disclosures, Lepidico could not take a view as to the risks and the potential value proposition of Lithium Australia's business.

"We are absolutely [unable to recommend](#) Lithium Australia scrip because we fundamentally do not know what it represents, in particular with regard to its process technologies, where its disclosures have been less fulsome than we need to be able to determine what those processes are," he said.

Walsh added that Lepidico has put several questions to Lithium Australia regarding its Sileach lithium process technology, but is yet to receive a response.

"We sent our shareholders two letters which outlined the key questions that we saw as being needed to be answered by Lithium Australia for us to be able to assess their process technology and we are still waiting for responses from Lithium Australia to those questions," he said.

Lithium Australia recently [disputed findings](#) in an independent expert report on its takeover offer prepared for Lepidico by BDO Corporate Finance (WA) Pty. Ltd. and hired Leadenhall Corporate Advisory Pty. Ltd. to review the report.

Lithium Australia said in its second supplementary bidder's statement released April 7 that it has identified some potential areas of concern regarding the analysis undertaken and the conclusions reached in BDO's report.

However, Lepidico said in its second supplementary target's statement released April 10 that the report by Leadenhall represents "more rhetoric than substance" based on the corporate adviser's own admission that it has not undertaken any independent analysis or had access to any underlying documents or the financial models used by BDO.

According to Lepidico, BDO also confirmed that there is no information contained in Lithium Australia's second supplementary bidder's statement and Leadenhall's report that would cause it to amend or change its analysis, methodology, or opinion.

Shareholders and the broader market appear to be supporting Lepidico's stance against Lithium Australia's hostile takeover, with shares consistently trading either at the offer price or higher.

Lithium Australia's offer currently values Lepidico at around A\$17.6 million, around 30% less than the company's market capitalization.

Meanwhile, Lepidico also recently launched a 1-for-4 entitlement offer to raise A\$5.7 million, which has received a positive response from shareholders.

"We're very encouraged with the take-up we've had," Walsh said. "The offer is obviously still open and my experience with these things is there tends to be a flurry of acceptances in the closing couple of days."

Walsh added that the offer is not underwritten and he does expect a "degree of shortfall," but Lepidico has received "unsolicited interest" from existing shareholders and new investors in taking up the shortfall.

"The market is providing us with reassurance," he told S&P.

The cash raised from the entitlement offer will be used to fund a definitive feasibility study for the phase one L-Max lithium processing plant in Ontario. Following on from that, Lepidico will undertake a feasibility study on a phase-two plant, which is currently in the scoping study phase.

The company is aiming to be in phase-one production in 2019 and at the same time be in a position to commit to the development of a full-scale phase-two plant.

While Lepidico does not support Lithium Australia's attempted takeover, the company is open to other strategic partnerships.

"We are interested in discussion with a variety of lithium industry players with regard to strategic involvement, be that upstream or downstream," Walsh said.