

MEDIA RELEASE

LPI.ASX

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LITHIUM POWER FINALISES DETAILS OF THE MARICUNGA JOINT VENTURE IN CHILE AND SUCCESSFUL CAPITAL RAISING

- Lithium Power finalises Maricunga Lithium Brine Project Joint Venture structure and earn-in milestones
- Decision made to acquire and exercise the Option Rights to acquire to the Optional Tenements
- Final resource drilling program and feasibility activities underway at Maricunga Lithium Brine Project, with first exploration diamond hole completed
- Successful institutional placement to raise \$12 million in two tranches, together with Share Purchase Plan seeking to raise \$2 million, of which the first \$1 million is underwritten
- Lithium Power will be fully funded for Phases 1 and 2 of the development of the high-grade Maricunga Lithium Brine Project over the next 12 months

Lithium Power International Limited (ASX: LPI) (“LPI” or “the **Company**”) is pleased to provide an update of the developments since the announcement dated 13 September 2016, on the execution of the Joint Venture (“**JV**”) agreement with Chilean-based Minera Salar Blanco (“**MSB**”) and Minera Li (“**MLi**”) for the acquisition, exploration and development of the high-grade Maricunga Lithium Brine Project in Chile.

The Company also announces a successful two tranche institutional placement (“**Placement**”) of approximately 31.58 million fully paid ordinary shares at an issue price of \$0.38 (38 cents) (“**Offer Price**”) to raise approximately \$12 million (before costs). LPI will also offer all eligible shareholders the opportunity to acquire up to \$15,000 of shares at the Offer Price via a share purchase plan (“**SPP**”), of which the first \$1 million is underwritten. In addition, certain Board members will seek shareholder approval to acquire \$500,000 worth of shares, on the same terms as the Placement, at the Company’s annual general meeting (“**AGM**”), to be held in Sydney on or around 28 November 2016.

Shares issued under the Placement and SPP will be offered with free attaching options, exercisable before 24 November 2017 at an exercise price of \$0.55 (55 cents) (“**Options**”). The Options will be allocated at a ratio of 1 Option for every 1 new share subscribed for under the Placement and SPP and will be offered under a separate transaction-specific prospectus to be issued by the Company. The issue of the Options will be subject to shareholder approval at the Company’s AGM.

LPI’s shares will resume normal trading on ASX at the commencement of trading on 14 October 2016.

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Joint Venture Finalisation

LPI advises that the following details have now been finalised and agreed with our JV partners in connection with the initial Shareholders Agreement and Investment Agreement relating to the Maricunga Lithium Brine Project, which was announced to the market on 13 September 2016.

- LPI has established a wholly-owned Chilean based subsidiary, Lithium Power Inversiones Chile SpA (“**LPI Chile**”), which is a 50% shareholder of the newly formed Maricunga JV entity “NewCo”, with MSB and Li3 holding 32.3% and 17.7% respectively.
- The Cocina 19-27 tenements, Lito 1-6 tenements, Blanco tenement and Camp1 tenement (“**Initial Tenements**”), formerly owned by MSB and MLi, have now been vended into NewCo.
- LPI Chile has confirmed its intention to acquire from MSB the three options (“**Option Rights**”) over the San Francisco, Salamina and Despreciada tenements (“**Optional Tenements**”). The Initial Tenements and Optional Tenements together comprise the Maricunga Lithium Brine Project. The key details of the transaction are as follows:
 - As consideration for the acquisition of the Option Rights (which give the holder the right to acquire 100% of the interests in the Optional Tenements), LPI will issue to MSB 16 million ordinary shares in LPI, subject to LPI shareholder approval at the Company’s AGM. These shares will be voluntarily escrowed until 24 June 2018.
 - After extensive review and due diligence on the Optional Tenements, LPI Chile has resolved to exercise the Option Rights. The exercise price of the Option Rights will be USD\$5,220,000, which will be paid out of the proceeds of the Company’s capital raising.
 - Concurrent with the exercise of the Option Rights, the Optional Tenements will be transferred to NewCo by LPI Chile. It is noted that the Optional Tenements have been held by the same family group through four generations, and are granted under the “1932 old mining code” which allows the immediate exploitation of lithium.
 - It is expected that the exercise of the Option Rights and payment of the exercise price of USD\$5,220,000 will occur on or before 21 October 2016.
- The Maricunga exploration and development program, and the corresponding earn-in amounts and milestones, have been agreed between the JV partners as follows:
 - LPI to provide NewCo with initial capital of USD\$8,380,000 (funded from a combination of LPI’s current cash reserves and the proceeds of the capital raising) to facilitate Phase 1 and 2 of the Maricunga JV development program over the next 12 months.
 - Project milestones to be completed during this period include: 16 exploration wells, 2 pumping test wells, new JORC lithium resource report, construction of the lithium carbonate and potash pilot plants, construction of the evaporation ponds, camp & other infrastructure, plus preparation work for the Environmental Impact Assessment (“**EIA**”) and Definitive Feasibility Study (“**DFS**”).
 - The initial earn-in payment of USD\$8,380,000, to be made by 30 November 2016, comprises:
 - a) Secured loan to NewCo of up to USD\$3,920,000 (an increase of USD\$420,000 has been agreed from the amount of USD\$3,500,000 announced on 13 September 2016), to be drawn down by NewCo as required until 30 November 2016. The proceeds of the loan will be used to fast-track the current lithium resource drilling program at Maricunga, which

has already commenced. Under the JV agreement, the loan will be converted into equity in NewCo (forming part of LPI Chile's 50% interest in NewCo), following completion of the other initial JV requirements including: the issue of LPI shares to MSB in consideration for the acquisition of the Option Rights; the exercise of those Option Rights; and the transfer of the Option Tenements into NewCo by LPI Chile.

- b) Payment by LPI of a further USD\$4,460,000 to NewCo to cover other operational expenses required to meet project milestones over the next 12 months, as listed above.
- A final earn-in payment of USD\$13,620,000 to NewCo will be made in stages from November 2017 until December 2018, to fund a full DFS report and the EIA approval (Phase 3).
- Any further funding required for the Maricunga JV beyond this final earn-in payment is to be provided on a pro-rata basis by the three JV partners.
- Under the JV agreement, LPI holds 50% of the voting rights in NewCo from the outset. The Board of NewCo will be split between LPI, MSB, Li3, based on each company's respective shareholding. An expert Technical Committee will be advising the Board during the development period.

The proceeds of the capital raising, together with the Company's available cash, are expected to fully fund Phases 1 and 2 of the exploration and appraisal of the Maricunga Lithium Brine Project, and are also expected to provide sufficient working capital to fund the next 12 months of the Company's planned exploration program at its Western Australian projects.

Drilling Results at Maricunga Project

Diamond drilling is currently underway on the 18-hole program approved by LPI and its JV partners. The first exploration drill hole is now completed, reaching a depth of 160 meters. The second drill hole has now started, with almost 40m drilled so far. The drill rate has averaged 30m/day, faster than the 22m/day originally projected. Core geological samples are now being analysed in a controlled laboratory environment. A second drill rig has arrived on site to drill the first pumping test well, as a twin to the first exploration hole. The results of the drilling and pump test program will be announced as they become available. Once completed, these results will provide the basis for a new JORC lithium resource estimate, covering all the tenements held by the Maricunga JV as outlined above.



Figure 1: Maricunga drill hole #1



Figure 2: Pumping test drill rig arrives on site

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Capital Raising

Placement

The Company has undertaken a successful two-tranche share placement to professional and sophisticated investors to raise approximately \$12 million through the issue of approximately 31.58 million new, fully paid ordinary shares at the Offer Price of \$0.38 (38 cents) per share.

The Offer Price represents a discount of:

- 18.3% to the last closing share price of LPI shares on 11 October 2016 of \$0.465; and
- 11.0% to the 10 day volume weighted average price of LPI shares trading on ASX up to and including 11 October 2016.

Approximately 16.76 million shares will be issued under tranche 1 of the Placement (53.1% of the total shares issued under the placement), utilising the Company's existing placement capacity under ASX Listing Rule 7.1.

Approximately 14.82 million shares will be issued under tranche 2 of the Placement (46.9% of the total shares issued under the placement), which is conditional on shareholder approval (for the purposes of ASX Listing Rule 7.1) and will be voted on at the Company's AGM to be held in Sydney on or around 28 November 2016.

The shares issued under the Placement will comprise approximately 22% of LPI's total issued share capital (on an undiluted basis) after the Placement and SPP has been completed (including the 16 million shares to be issued to MSB).

Share Purchase Plan

A share purchase plan will also accompany the Placement, under which eligible LPI shareholders will be able to acquire additional shares in the Company. The Company is seeking to raise \$2,000,000 under the SPP, of which the first \$1,000,000 is underwritten by Blue Ocean Equities Pty Limited (subject to shareholder approval).

Shareholders on the Company's share register at 7pm on Thursday, 13 October 2016, whose registered address is in Australia or New Zealand, will be entitled to subscribe for up to \$15,000 worth of shares through the SPP, subject to the terms and conditions of the SPP which will be set out in an SPP offer booklet to be dispatched to shareholder on or around Friday, 28 October 2016.

The issue price for shares under the SPP will be the same as the Offer Price, which is \$0.38 (38 cents). The SPP offer period is expected to be open from Friday, 28 October 2016 and will close on Friday, 18 November 2016, subject to the Company's absolute discretion to amend these dates. Participation in the SPP is optional and the Company reserves the right to scale back applications and/or raise additional funds under the SPP, subject to demand.

Options

Shares issued under the Placement and SPP will be offered with free attaching Options, exercisable before 24 November 2017 at an exercise price of \$0.55 (55 cents). The Options will be allocated at a ratio of 1 Option for every 1 new share subscribed for under the Placement and SPP, and will be offered under a separate transaction-specific prospectus to be issued by the Company. Shares issued under the Placement and SPP will otherwise rank equally with existing shares of the Company.

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In accordance with the terms of its mandate letter with Blue Ocean Equities Pty Limited, 2 million Options will also be issued to Blue Ocean Equities Pty Limited as part-payment for services provided in connection with the Placement and SPP.

The issue of Options will be subject to shareholder approval at the Company's AGM for the purposes of Listing Rule 7.1. The Company also intends to seek quotation of the Options, subject to the ASX Listing Rules.

About the Placement and SPP

Further details in relation to the Placement and SPP, including important notices and key risks, is set out in an investor presentation released to ASX on 14 October 2016. The information in the "Disclaimer" and "Risks" sections of the investor presentation applies to this announcement as if set out in full in this announcement.

Capital raising timetable

The indicative timetable for LPI's capital raising is set out below. These dates are indicative only and are subject to change at the Company's complete discretion.

Event	Date
SPP Record Date	Thursday, 13 October 2016
Announcement of Placement and SPP and re-commencement of trading of shares on ASX	Friday, 14 October 2016
Settlement of tranche 1 of Placement	Wednesday, 19 October 2016
Issue and trading of Shares under tranche 1 of Placement	Thursday, 20 October 2016
Lodgment of prospectus in connection with offer of Options with ASIC	Friday, 28 October 2016
Dispatch of SPP offer booklet and Options prospectus	Friday, 28 October 2016
SPP offer opens	Friday, 28 October 2016
SPP offer closes	Friday, 18 November 2016
Last date for receipt of applications for Options from SPP participants	Friday, 18 November 2016
Annual General Meeting	Monday, 28 November 2016
Settlement of tranche 2 of Placement and SPP	Wednesday, 30 November 2016
Offer of Options under prospectus closes	Wednesday, 30 November 2016

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Event	Date
Issue of Shares under tranche 2 of Placement, SPP, Options and issue of Shares to MSB	Thursday, 1 December 2016
Trading of all Shares and Options	Monday, 5 December 2016

Lithium Power International's Chief Executive Officer, Martin Holland, commented:

"The Board of LPI is pleased to have agreed details on the final Maricunga JV structure with our Chilean partners Minera Salar Blanco and Li3 Energy. Further, LPI has committed to exercise the Option Rights held on the San Francisco, Salamina and Despreciada tenements. This is critical for the project, as consolidation of these properties is an important step in its future development.

The JV's technical advisory committee, which includes LPI's Chilean-based Director, Dr Luis Ignacio Silva and LPI's lithium brine specialist, Mr Murray Brooker, have finalised the phased exploration plan and budget, to allow the project to commence its lithium drilling & appraisal program.

We are delighted at the outcome of the Company's successful capital raising. We look forward to reporting the results of the exploration program as they become available during Q4 2016, leading to a new JORC resource statement and lithium pilot plant construction in 2017."

Maricunga Lithium Brine Project Overview

The Maricunga lithium brine project is regarded by the JV partners as the highest quality pre-production lithium project in South America, with characteristics comparable to the world-leading Atacama brine deposit (which sits at the bottom of the global lithium cost curve). Maricunga is located 170km north-east of the mining town of Copiapo and 250km from the Chilean coast. It is adjacent to International Highway 31, which connects northern Chile and Argentina. LPI remains the only ASX-listed company with exposure to a lithium brine resource in Chile.

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