

MEDIA RELEASE

LPI.ASX

1 November 2016

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2016

In accordance with Listing Rule 17.5 Lithium Power International Limited ACN 607 260 328 (Company or LPI) provides its Activities Report for the Quarter Ended 30 September 2016.

New licences

As announced during the September quarter, the Company has finalised the granting of new licences in both Western Australia and Argentina.

Pilbara Pilgangoora – Western Australia

The Company was granted exploration rights over its key Pilgangoora tenement in the Pilbara region of Western Australia (E45/4610). The tenement covers 75km², and positions the Company as one of the largest landholders in this hard rock lithium province.

LPI will now focus on commencing its Phase 1 exploration program over the Pilgangoora tenement area during Q4 2016, following the recent completion of a high resolution aeromagnetic survey and systematic field work.

The Company's Phase 1 exploration program at the Pilgangoora tenement will include extensive soil geochemical surveying, using the new aeromagnetic interpretations, to target possible pegmatite formations that sit under alluvial cover. The results of these soil surveys, along with final field observations, will lead to the identification of priority drill targets for the Company's planned Reverse Circulation (RC) drilling program due to commence in Q1 2017.

Centenario Salar - Argentina

The Company has secured three additional tenements in the Centenario Salar in Argentina, expanding the Company's landholding in the region to 53.52 km².

The three newly granted tenements include Centenario 200 (15 km²), and Centenario 201 (14.52 km²), which were listed as "awaiting licence approval" in the Company's prospectus dated 23 May 2016. The Company has also been granted Centenario 3 (8 km²), a new licence applied for directly by the Company. These add to Lithium Power's existing tenement holdings in the region which include Centenario 4 (8 km²), Centenario 5 (8 km²), and Centenario 6 (8 km²).

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Maricunga - Chile Joint Venture

The Company finalised and agreed with its JV partners, in connection to the initial Shareholders Agreement, an Investment Agreement relating to the Maricunga Lithium Brine.

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 annual general meeting in November 2016. 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.
 - The exercise of the Option Rights and payment of the exercise price of USD\$5,220,000 will occur on 21 October 2016.
- The Maricunga exploration 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 exploration and appraisal program over the next 12 months.
 - Project milestones to be completed during this period include: 18 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**”).

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- The initial earn-in payment of USD\$8,380,000 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 by 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. The loan will be converted into equity in NewCo on 30 November 2016 (forming part of LPI Chile's 50% interest in NewCo), following completion of the other initial JV requirements including the exercise of the Option Rights and the issue of shares to MSB in consideration for the acquisition of the Option Rights.
 - b) Payment by LPI of a further USD\$4,460,000 to NewCo over the next 12 months for other operational expenses in order to meet the project milestones 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 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 and Technical Committee for NewCo will be split between LPI, MSB, Li3, based on each company's respective shareholding.

Drilling Results at Maricunga

Diamond drilling is underway on the 18-hole program approved by LPI and its JV partners at Maricunga. Drilling has commenced in the Cocina property, with the first exploration hole (M10) reaching a total depth of 200 metres. M10 encountered substantial sandy intervals with fine to coarse sand from 80-200 metres, which provides further evidence of a thick lithium-bearing sandy sequence within the Maricunga salar. Typically, sand units have drainable brine porosities 5-10 times higher than clay deposits typically found in salars.

LPI management anticipates that the sandy intervals discovered at M10 may potentially add significantly to the existing lithium brine resource* identified in the neighbouring Lito properties, subject to final assay results. As previously announced, the Lito properties hold an average lithium brine grade of 1,250 mg/l, the third highest in South America.

The second exploration hole (M1) is currently underway within Cocina, and has reached a depth of 65m. In addition, drilling has commenced on a pump test well (P4) which will be drilled to 150m. P4 is being drilled alongside M10, with the latter to be used as a monitoring well during the 30 day pump test due to commence in November.

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