

ASX RELEASE

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Activity Report for the Quarter ended June 2020

Lithium Power International Limited (ASX: LPI) (LPI or the Company) is pleased to submit its Quarterly Activity Report for the period ended 30 June 2020.

HIGHLIGHTS

- Due diligence on the Maricunga lithium brine project continues under the Memorandum of Understanding (MOU) between the Chilean State-owned mining company, CODELCO, and the project's joint venture company, Minera Salar Blanco S.A. (MSB).
- The Engineering, Procurement and Construction (EPC) bidding process for Maricunga has advanced. Two major global engineering groups, Worley Parsons and Bechtel, each submitted comprehensive proposals for the project. Both are being evaluated by MSB and its owner's engineering company.
- Financial structuring for the Maricunga project continues, with Treadstone Resource Partners being appointed as LPI and MSB's advisor. Discussions continue with parties on project funding - equity and debt - and off-take agreements. Covid-19, however, has presented challenges with respect to the timings initially expected. The company remains confident that the process will have a positive conclusion within the next few months.
- Following field work conducted in Western Australia (WA) during the past three years, an assessment and rationalisation of the Company's WA tenements has been completed.
- Future exploration is to be focused on the Greenbushes and Tabba Tabba tenements, and the Strelley and Pilgangoora tenements will be divested.
- The Company completed the sale of Strelley to Carnaby Resources Ltd (ASX: CRN) for 1,250,000 fully paid shares in CRN plus an NSR royalty of 1%, while retaining specific mineral rights over the tenement.
- A Program of Works for the exploration of the Greenbushes tenements in Western Australia has been approved by the WA Mining Department. It has been integrated with the Environmental and Conservation Management Plan previously approved, to allow the Greenbushes project to be "exploration ready".

- Reviews and cost reductions have been undertaken of all operational divisions in light of COVID-19. The Company remains focused on minimising costs during this challenging period.

COVID-19 Impact on Operations

LPI has been affected by COVID-19, especially with its operations in Chile, however, it remains in a strong position to further advance its projects in South America and Western Australia.

The Chilean Government announced a reopening process on 18 July following a strict lock down period. The plan consists of five stages, starting from the end of July, with the objective of reaching a full opening before year's end. This timing is indicative and will be subjected to various safety appraisals at each stage of re-opening. Meanwhile, all personnel at MSB continue to work from home and progress continues on every aspect of the project's development. External parties working with MSB are also operating remotely, which has allowed the project to advance.

In Australia, LPI has worked within NSW and Western Australia guidelines. A rationalisation of operating costs in Western Australia has enabled work to continue. However, all field work has been suspended until conditions improve. Corporate costs have also been rationalised to preserve cash.

Maricunga Project – Chile

Chile Joint Venture Company - Minera Salar Blanco S.A.

The Maricunga Project is operated under the Joint Venture Company, MSB. LPI owns 51% of MSB.

The Project is Chile's highest grade and most advanced lithium project outside the Salar de Atacama, and is one of the most advanced and robust projects in South America.

LPI and MSB have a rare combination of elements that have been harnessed to make up the value of the Maricunga project.

These elements are:

- Strategic value from the property's location on the Maricunga Salar, and the important role in the future consolidation of the Salar.
- Operational value based on our excellent locations for plant, equipment, and evaporation ponds, and access to extensive transport infrastructure.
- Economic value that reflects the resources and reserves at the Maricunga tenements, prepared under both NI43-101 and JORC standards.

- Exploration value in the potential for future expansion, because the resource is open beyond the 200m depth limit of the Definitive Feasibility Study (DFS) resource reserve assessment.
- Value from the advanced level and technical quality of the work undertaken. Maricunga is one of the few projects that has submitted a DFS prepared by tier-one engineering company, Worley Parsons. This involved more than four years of extensive field work.
- More than 6,000m of exploration has been undertaken at the Salar, including more than 60 days of pumping tests and more than 18 months operation of pilot ponds. The production process has been developed and proven with GEA Messo of Germany, a lithium industry leader, which produced our first sample of battery grade lithium carbonate at the end of 2018.
- The value from permitting certainty. Maricunga is one of the few global projects with full environmental permits that is ready to start construction.
- An MOU signed with the State-owned company, Codelco, which will define the terms for the negotiation of a definitive agreement to form a new joint venture allowing for the development of the Maricunga Salar into a world-class lithium brine producer.

The Company is focused on the realisation of the value inherent in each of these elements in a way that deploys our funds judiciously and to maximum effect.



Figure 1: The Maricunga and Centenario Project's location within the Lithium Triangle in Chile

CODELCO Due Diligence Progress

CODELCO has continued to advance its due diligence (DD) of MSB's records and technical data associated with the Project. The MSB/LPI project team is working closely with Codelco's advisors and technical team to finalise the terms of a definitive agreement that maximises value for our shareholders. We will provide updates as this process reaches its conclusion.

EIA Approval

MSB received its environmental approval (RCA) for the Maricunga Project on 4 February 2020. The Environmental Impact Assessment (EIA) was submitted to the Chilean Authority, Servicio de Evaluación Ambiental (SEA) in September 2018. It included a comprehensive 11,400-page document, the culmination of more than two years of field and desk work.

A 15-month evaluation process was undertaken by the Chilean environmental authorities before the approval was granted. The Company worked proactively with SEA in responding to queries and requests for clarification or for further information.

Under Chilean regulations, any public claims on the conditions or nature of the approved EIA were to be received by mid-May 2020. They then require responses from SEA and/or MSB. During this public review process, MSB received eight claims on the conditions of the EIA. This was a satisfactory result, considering the comprehensive nature of the EIA documents. MSA and SEA will jointly respond on these claims to an independent committee, which will consider these matters. This review process has no impact on the approval received on 4 February 2020.

The EIA approval represents the final major regulatory milestone in advancing the Project which is now ready to move towards construction.

Engineering, Procurement and Construction (EPC) Bidding Process

The EPC bidding process project continues with two major global engineering groups chosen to provide a comprehensive construction proposal.

Local, specialised engineering company, Cruz y Davila, was engaged to represent MSB as its Owner Engineering Company and is preparing an in-depth report analysing the proposals received.

Project Funding

Discussions and communications with a number of well-established companies regarding product off-take agreements and project finance continue, despite the emergence of COVID-19. These are at an early stage, are at a high level and are entirely normal in light of the quality of the project. Now that the EIA has been confirmed, a major condition for potential funding partners has been satisfied. The finalisation of the Codelco Joint Venture structure will continue moving forward in parallel as these funding opportunities advance.

Argentina

Centenario – Salta Province, Argentina

The Centenario Project is a 70:30 joint venture between LPI and Marquee Resources Ltd (MQR). It is located in the Centenario salar in Salta Province, Argentina, one of the Argentine provinces most in favour of mining development.

Due to Covid-19, no significant activities occurred during the quarter.

The Company is currently in discussions with a third-party to take a strategic position in this project and expects closure during Q3 2020.

Western Australia

The Company's Western Australian (WA) properties (Figure 2) are fully owned by LPI and are located a short distance from the established ports of either Port Hedland or Bunbury.

A review of the tenements was completed by management during the quarter, resulting in the Board adopting the following strategic initiatives.

- Positive results from field work completed throughout 2019 and Q1 2020 have resulted in the decision to focus any future exploration on the Greenbushes and Tabba Tabba tenements. Both demonstrate positive exploration potential for lithium.
- A decision to divest the Strelley and Pilgangoora tenements, which show little potential for economic lithium deposits and have access or other challenges.

Greenbushes – South-west WA

The Greenbushes project is located 250km south of Perth and comprises two properties located immediately north and south of the block that hosts the Greenbushes mine, owned by major lithium producers Tianqi Lithium and Albemarle.

The Environmental Approval Plan prohibits activity in winter months, so, along with COVID-19 restrictions, all field work has been suspended until further notice.

The Company has received approval from the WA Mines Department for its Program of Works (POW) over the Greenbushes project. The POW will enable further exploration to occur in the areas of interest that were identified by the field work conducted in Q4 2019 and Q1 2020.

The POW is operationally valid for a four-year period. That will allow field activities to recommence once there is a resolution to the COVID-19 situation, the seasonal ability to be on-site and an improvement in general lithium market conditions.

Pilbara Projects, WA

No field work was carried out during this quarter on the Tabba Tabba, Pilgangoora or Strelley Projects, however limited desktop analysis and tenement maintenance did occur.

- **Strelley Tenement**

On 14 July 2020, the Company executed a Tenement Acquisition Agreement with ASX-listed company Carnaby Resources Limited (ASX: CNB) to sell the Strelley Exploration Licence E45/4638 under the following terms:

- 1,250,000 fully paid ordinary shares in Carnaby Resources Limited.
- LPI to receive a 1% Net Smelter Return royalty of all gold produced from the tenement: and
- LPI to retain all mineral rights for lithium, caesium, tantalum and tin contained within the tenement.

This transaction allows for value of a non-core tenement to be realised, the receipt of a royalty over any gold produced by CRN in the future, while also retaining rights for lithium and other specific minerals without the cost of conducting an exploration program.



Figure 2: Location of LPI's properties in the Pilbara and South-west region of Western Australia

Corporate Update

Appendix 5B

The Appendix 5B quarterly cashflow report for the quarter ended 30 June 2020, is to be submitted separately.

The Company had a cash balance of AU\$7.14 million as at 30 June 2020.

This amount is currently held in the Company's bank accounts in Australia, Chile and Argentina in Australian dollars, US dollars and a small amount of Chilean or Argentinian Peso's. The Australian dollar equivalents were converted at the closing foreign exchange spot rate.

During the quarter, a capital call of US\$893,000 (AU\$1.3m) was made to MSB, as per the terms of the MSB Shareholders Agreement

Total funds within the Maricunga Joint Venture at the end of the quarter totaled US\$487,000.

Payments to related parties of the Company and their associates

Section 6.1 Appendix 5B description of payments to related parties of the Company.

Directors Fees	\$192k	Fees/salaries paid for the quarter via the company's payroll system or via invoice
DHJPM Pty Ltd – Rental for the Company's Sydney Office	\$36k	DR Hannon is a Director and Shareholder of DHJPM Ltd
Total	\$228k	

Capital Structure

The Capital Structure at the end of the Quarter is as follows:

- 263 million Ordinary Shares on issue, and
- 37.5 million Unlisted Options on issue