

LPI.ASX

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UPDATE ON LPI'S MARICUNGA LITHIUM BRINE PROJECT IN CHILE

HIGHLIGHTS

- Chile is expected soon to release a new lithium policy that LPI believes will be supportive of private developers and may also involve the option of partial State equity collaborations.
 - Work at LPI's Maricunga lithium brine project continues to ensure high ESG standards, on the back of the fully approved and awarded environmental and social permits.
 - A major program is underway to explain Maricunga's project plans at all levels of government, local communities and the Chilean public.
 - Funding discussions are ongoing with financial institutions and potential strategic partners/off-takers. Letters of Intent for debt financing have been received covering more than 70 per cent of expected CAPEX.
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Dear Stakeholder

Lithium Power International Limited (**ASX: LPI**) ("**LPI**" or the "**Company**") is pleased to provide an update on the status of its Chile Maricunga lithium brine project.

Chile's Latest Moves on Lithium Policy

Chile is now expected to release its national lithium policy ("**NLP**") before the end of April. This policy is critical to establishing the parameters to expand the nation's already world-scale lithium mining sector. It is understood that the Mining Minister, Marcela Hernando, the Finance Minister, Mario Marcel, and the Economy Minister, Nicolas Grau, strongly support the move because of the expected boost to the nation's economy via joint public-private industry collaborations.

LPI expects to play a significant role in the future of the Chilean lithium industry, through its plans to develop the low-cost, high-grade Maricunga project.

The long-anticipated Government announcement is intended to generate significant investment in the lithium industry, including from global participants. Demand for the battery mineral is growing strongly as clean energy replaces carbon-based fuels. Chile wants to retain its position as a leading world producer of lithium at a time of rapid growth elsewhere, including from Australia. Chile has very large reserves of lithium for further production expansion, including LPI's Stage One of its Maricunga project, which is the largest, most advanced and fully permitted pre-construction lithium project in Chile.

The Government's broad plan is the result of extensive consideration and consultation. The plan deals with technological transitions that need to be undertaken, the formation of new R&D government bodies and of a national lithium company, something that has been promoted by Chilean President Boric. It is also expected to include clarifications on tax regimes that will apply to lithium companies under different circumstances. The government has said that once the policy was released, legislative processes to establish a state-owned company would be submitted to the Congress. Existing state-owned mining companies, Enami and Codelco, will operate in its place until the new National Lithium Company (NLP) is created.

LPI understands that it will be recognised as Chile's next lithium producer, through its wholly owned subsidiary Minera Salar Blanco (MSB). Executives have been active in the lead up to the release of the NLP, engaging with the Mining Ministry, Foreign Affairs Ministry, Invest Chile and indigenous communities. LPI expects to continue working with the public sector to jointly participate in developing the lithium industry in Chile.

"This will be a very welcome outcome," LPI's chief executive officer Cristobal Garcia-Huidobro said. "It is expected to create certainty for the substantial lithium developments that are now expected to be developed in Chile. The government has consulted with a broad range of interests to ensure that the country has an effective regulatory framework. The Maricunga project will be part of this process, with its exceptional ESG profile setting new standards for social relationships. It will be one of the first lithium operations to achieve carbon neutrality."

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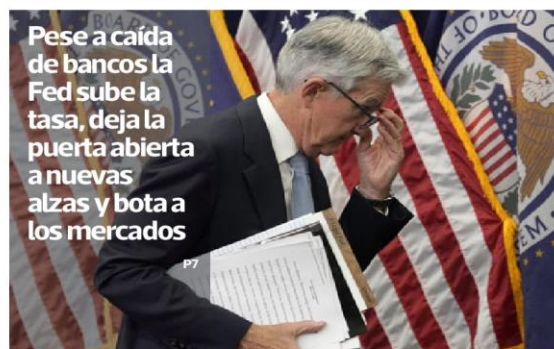
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José Miguel Berguño, SQM



Ignacio Melech, Albemarle



Cristóbal García Huidobro, Salar Blanco

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Figure 1: MSB is regarded as a main player in Chile's lithium sector, along with SQM and Albemarle. (in picture after the session at the Senate with Mining Minister Hernando).



Figure 2: MSB's Chairman Russell Barwick with LPI/MSB CEO Cristobal Garcia-Huidobro during a meeting in Santiago with Mining Minister Hernando in March.



Figure 3: MSB's Chairman Russell Barwick interview on one of the main newspapers in Chile.

Project Financing

Financing activities are ongoing with financial institutions and potential strategic partners / off-takers regarding funding for the Maricunga project. Initial LOI's for debt financing have been received covering, in some cases, up to 70 per cent of capital expenditure. Along with its financial advisor, Canaccord, LPI will continue to evaluate different financial alternatives during this process, particularly following announcements by the US, recently adopted a new policy that considers Chile as a friendly country in which to do business.

(<https://www.whitehouse.gov/briefing-room/statements-releases/2022/02/22/fact-sheet-securing-a-made-in-america-supply-chain-for-critical-minerals/>).

Other Activities

Activities at Maricunga have continued, with the objective of preparing the company for the start of construction once project financing is completed by the end of the year. The company is working closely with its ESG advisor and its auditor Deloitte on the certifications for those involved with the project, including with the indigenous communities. The project is aggressively aiming to be the first carbon neutral lithium producer in Chile.



Figure 4: A solar generation project is being evaluated on the land of indigenous communities to complement, and later replace, other energy supplies to the project.



Figure 5: The MSB team along with local indigenous people have been collecting seeds for transplantation during construction.

Maricunga Lithium Brine Project

The Maricunga Project is located 170km north-east of Copiapó in Salar de Maricunga, located in the Atacama Region of northern Chile. In January 2022, LPI announced the results of its updated Definitive Feasibility Study (“DFS”) for the Stage One Maricunga Lithium Brine Project, which supports 15,200 t/a production of battery grade lithium carbonate for 20 years. The DFS provides for a project NPV (leveraged basis) of US\$1.4B (after tax) at an 8% discount rate, providing an IRR of 39.6%, a 2-year payback and estimated steady-state annual EBITDA of US\$324 million.

The study confirmed that Maricunga could be one of the world’s lowest-cost producers of lithium carbonate, with an operating cost of US\$3,718 per tonne not including revenue credits from a potassium chloride by-product. The project will have an exceptional ESG profile, aiming to achieving carbon neutrality once the operation beds down, setting new standards for social relationships.

Authorised for release by the Board of Directors of Lithium Power International Limited.

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