

29 March 2017

ANNOUNCEMENT

Takeover bid for Lepidico Limited First Supplementary Bidder's Statement

Lithium Australia NL (ASX: LIT) (**Lithium Australia**) refers to its off-market takeover offer (**Offer**) for Lepidico Limited (ASX: LPD) (**Lepidico**).

A copy of Lithium Australia's First Supplementary Bidder's Statement is attached pursuant to section 647(3)(b) of the Corporations Act.

Barry Woodhouse

CFO & Company Secretary

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About Lithium Australia

Lithium Australia NL is a dedicated developer of disruptive lithium extraction technologies, and 100% owner of the Sileach™ process for the recovery of lithium from silicates. LIT has strategic alliances with a number of companies, potentially providing access to a diversified lithium mineral inventory. LIT aspires to create the union between resources and the best available technology and to establish a global lithium processing business.

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This is the first supplementary bidder's statement (**First Supplementary Bidder's Statement**) prepared pursuant to section 643 of the *Corporations Act 2001* (Cth) in connection with Lithium Australia NL's (**Lithium Australia's**) off-market takeover bid to acquire all of the ordinary shares in Lepidico Limited (ACN 008 894 442) (**Lepidico**).

This First Supplementary Bidder's Statement supplements, and should be read together with the Bidder's Statement dated 2 March 2017. This First Supplementary Bidder's Statement prevails to the extent of any inconsistency with the Bidder's Statement.

This First Supplementary Bidder's Statement has been prepared by Lithium Australia to ensure that full information has been provided to Lepidico shareholders in respect of the Offer made by Lithium Australia's Bidder's Statement.

Unless the context requires otherwise, terms defined in the Bidder's Statement have the same meaning in this First Supplementary Bidder's Statement.

A copy of this First Supplementary Bidder's Statement was lodged with ASIC on 29 March 2017. Neither ASIC nor any of its officers take any responsibility for the content of this First Supplementary Bidder's Statement.

First Supplementary Bidder's Statement

1 Lithium Australia receives Acceptances under Takeover

Lithium Australia is pleased to advise that all parties to the Pre-Bid Acceptance Agreements have now accepted the Offer under the takeover bid. Lithium Australia has also received additional acceptances from other LPD Shareholders.

Accordingly, as at the date of this Supplementary Bidder's Statement Lithium Australia has received acceptances in relation to 17.86% of the LPD Shares.

This will make Lithium Australia the largest single shareholder in Lepidico.

2 Lithium Australia Declares the Takeover Offer Unconditional

The Offers made pursuant to the Bidder's Statement were subject to various defeating conditions.

As a consequence of receiving acceptances pursuant to the Pre-Bid Acceptance Agreements Lithium Australia has resolved to free the Offers from all conditions. The Offers are thereby unconditional and Lithium Australia will now be processing all acceptances received in accordance with the terms of the Bidder's Statement.

3 Important information on the effect of Lepidico Entitlement Offer on Takeover

Lithium Australia notes the dispatch by Lepidico of its offer document (**Lepidico Offer Document**) in relation to its non-renounceable entitlement offer seeking to raise up to approximately \$5,689,247 (before costs) (**Lepidico Entitlement Offer**).

As noted in the Bidder's Statement the Lepidico Entitlement Offer was a defeating condition under the Lithium Australia takeover bid. Lithium Australia has chosen not to rely on that condition and instead as set out above has declared its takeover Offers unconditional.

Lithium Australia notes that under the terms of the Corporations Act Lithium Australia cannot extend its takeover bid to LPD Shares issued under the Lepidico Entitlement Offer without obtaining a modification from ASIC. At this time Lithium Australia has not made an application to ASIC for a modification but reserves the right to do so at a future date.

Accordingly, LPD Shareholders who take up the Lepidico Entitlement Offer may not be able to sell those LPD Shares into the Lithium Australia takeover bid.

Lithium Australia notes that the Lepidico Offer Document for the Lepidico Entitlement Offer:

- ❖ does not advise LPD Shareholders that they may not be able to sell any LPD Shares taken up in the Lepidico Entitlement Offer into the Lithium Australia takeover bid;
- ❖ does not specify how many new LPD Shares its major shareholder, Strategic Metallurgy Pty Ltd, will be taking up under the Lepidico Entitlement Offer, **but rather says that this shareholder will take up its rights to the extent that it has funds available.**
 - In circumstances where Strategic Metallurgy Pty Ltd is entitled to LPD Shares with an offer price of approximately \$986,000 pursuant to the Lepidico Entitlement Offer, the amount of take up by Strategic Metallurgy Pty Ltd is likely to be material to the total amount raised under the Lepidico Entitlement Offer and consequently also the ability of Lepidico to fund the matters referred to in the Lepidico Offer Document;
 - Specifically, the Lepidico Offer Document states that Lepidico has incurred unbudgeted expenditures as a consequence of the receipt of the Lithium Australia takeover bid and has therefore had to redirect a proportion of its existing cash reserves to deal with the takeover and that in the event that less than full subscription is raised under the Lepidico Offer Document the funds raised will be applied first to the expenses of the Lepidico Entitlement Offer and next to costs associated to dealing with the Lithium Australia takeover bid. By contrast, the intended application of funds by Lepidico referred to in the Lepidico Offer Document does not refer at all to the costs associated with the takeover; and
- ❖ does not provide any information as to the likely magnitude of Lepidico's costs associated with the takeover.

Lepidico's most recent quarterly cash flow report disclosed that at 31 December 2016 it had cash available of \$2,091,000 with estimated cash outflow to the end of March 2017 of \$1,063,000. Subsequently Lepidico announced to ASX that in addition to the expected cash outflow for the March quarter Lepidico had committed an estimated C\$200,000 to exploration at its Lemare Lithium Project which would be payable in April 2017.

If Lepidico is unable to secure significant funding through the Lepidico Entitlement Offer, it is likely Lepidico will require funding from alternative sources in the June quarter if not sooner.

4 Why Lepidico Shareholders should accept the Lithium Australia Offer?

Section 2 of the Bidder's Statement sets out reasons why LPD Shareholders should accept the takeover offer made by Lithium Australia. In addition to the reasons set out in the Bidder's Statement Lithium Australia highlights the following additional reasons to accept the Offer:

1. *The Lithium Australia Offers are now unconditional*

As the Lithium Australia Offers are now unconditional Lepidico Shareholders who accept the Offers will receive LIT Shares (or in the case of Unmarketable Parcels, cash) on or before the earlier of one month after the date of acceptance or 21 days after the end of the Offer Period.

2. *Accepting Lepidico Shareholders won't risk dilution in Lepidico*

Lepidico Shareholders who accept the Offers will not have to face the choice of:

- investing more money in Lepidico under the Lepidico Entitlement Offer, or
- have your holding diluted as a consequence of the Lepidico Entitlement Offer.

Lepidico Shareholders can avoid this choice by swapping their LPD Shares for LIT Shares and still retain exposure to Lepidico's assets through Lithium Australia's holding in Lepidico.

3. *Avoid exposure to Lepidico's short term funding risks*

As noted in the Lepidico Offer Document and as summarised above, Lepidico is incurring unbudgeted expenses in relation to the Lithium Australia takeover bid and will require significant additional funding to continue with its objectives as set out in the Lepidico Offer Document. In circumstances where the Lepidico Entitlement Offer is non-renounceable and non-underwritten and where Lepidico's largest shareholder has not advised how many new LPD Shares it will be taking up, Lepidico faces significant short term funding risks. Lepidico Shareholders who accept the Lithium Australia Offers will have no direct exposure to those risks and will instead receive shares in a well-funded company.

4. *Lepidico does not have a realisable plan to develop L-Max®*

Lepidico's Target Statement confirms that Lepidico does not have a realisable plan for the development of its proposed "Demonstration Scale Plant" which is the basis of its "Pre-feasibility Study":

- ❖ Lepidico has not secured any source of feedstock for its proposed demonstration scale plant;
- ❖ Lepidico has not reached commercial agreement to buy any feedstock¹;
- ❖ The "Pre-feasibility Study" is based on treating materials from a project owned by Avalon Advanced Materials Inc, which does not have a JORC Resource;

¹ Section 3.9 of RW Rice, Independent Technical Report, Technical Assessment for Phase 1 Pre-feasibility Study for L-Max® Lithium Extraction Technology dated 27 March 2017 (Nice Independent Report), an attachment to the Lepidico Target Statement dated 28 March 2017

- ❖ The Independent Consulting Metallurgical Engineer expresses the view that Lepidico’s stated plans are optimistic on timing²; and
- ❖ The Independent Consulting Metallurgical Engineer notes that Lepidico does not have a financing plan³.

5. ***Avoid exposure to Lepidico’s long term funding risk***

In the Lepidico Target Statement, Lepidico’s Independent Expert states that:

“To raise an equivalent US million required to fund the development of the [Lepidico] Project, approximately 5,944,444,444 new Lepidico shares will need to be issued resulting in a total of 7,694,982,035 Lepidico shares on issue”⁴

5 Information in relation to the Bidder

Since the lodgment of the Bidder’s Statement Lithium Australia has released to ASX the following announcements:

Date	Announcement
29 March 2017	LIT declares LPD takeover offer free of defeating conditions
27 March 2017	LIT Investor Presentation March 2017
23 March 2017	LIT and Alix prepare for drilling at Agua Fria
21 March 2017	LIT update on BlackEarth Minerals NL IPO activities
20 March 2017	LIT advises dispatch of Bidders Statement for Lepidico Ltd
16 March 2017	LPD: Non-Renounceable Entitlement Offer
13 March 2017	LIT responds to LPD statements made on 1 and 10 March 2017
9 March 2017	Half Year Accounts
8 March 2017	Appendix 3B
7 March 2017	Register date for takeover bid
3 March 2017	LPD: Lepidico Reaffirms TAKE NO ACTION on LIT Bidder's Statement
2 March 2017	Becoming a substantial holder for LPD
2 March 2017	Bidder's Statement

² Nice Independent Technical Report, Executive Summary point 5 and again at Section 8

³ Nice Independent Technical Report, section 8

⁴ BDO Independent Expert’s Report, dated 27 March 2017 (an attachment to the Lepidico Target Statement dated 28 March 2017) at 10.2 Note 1

Pursuant to section 712 of the Corporations Act these announcements have been lodged with ASIC and are incorporated into this First Supplementary Bidder's Statement. A full copy of the announcements can be obtained free of charge from Lithium Australia during the Offer Period and are also available on the ASX website. If any person receiving the Offer requires any further information in relation to Lithium Australia the directors recommend that they take advantage of the ability to inspect or obtain copies of these documents.

6 Approval of First Supplementary Bidder's Statement

This First Supplementary Bidder's Statement has been approved by a resolution of the directors of Lithium Australia.

Dated: 29 March 2017

Signed for and on behalf of
Lithium Australia by:



Barry Woodhouse
CFO and Company Secretary

