

22 June 2022

## LITHIUM POWER INTERNATIONAL TO CONSOLIDATE 100% OWNERSHIP OF MARICUNGA LITHIUM BRINE PROJECT

### HIGHLIGHTS

- LPI to consolidate 100% ownership of the Maricunga brine project, by way of a three-party all-scrip merger with its JV Partners MSB SpA (owner of 31.31% of Maricunga) and TSXV listed Bearing Lithium (17.14%)
- The Transactions increase the current LPI shareholders' proportionate interest in Maricunga from the current 51.55% to ~57.9%<sup>1</sup>
- LPI will consolidate the ~48.45% of the Project that it does not currently own at a valuation which is a discount of ~17.1%<sup>2</sup> compared with LPI's current look through value of Maricunga
- LPI holding 100% ownership of the Project will simplify decision-making and provides the optimal structure to oversee the rapid development of Maricunga
- Consolidation of 100% of the Project's ownership will de-risk the funding pathway and enhance LPI's ability to source capital for the development of Maricunga from a wider range of providers when compared with the existing joint venture ownership structure
- Consideration will be paid in LPI shares thereby allowing the shareholders of the JV Partners to retain exposure to the NPV<sub>8</sub> US\$1.4b Project<sup>3</sup>
- The Transactions have been unanimously endorsed by the Boards of LPI, Bearing and MSB SpA, with the LPI Board (other than Mr Martin Borda who abstained due to him being the ultimate controller of MSB SpA) recommending that LPI shareholders vote in favour of the Transactions at the upcoming shareholder meeting

<sup>1</sup> Based on diluted proforma ownership of LPI assuming LPI 1M VWAP share price as at market close on 21 June 2022 from IRESS.

<sup>2</sup> Refer footnote 1 above.

<sup>3</sup> Refer to the Company's ASX announcement entitled '*Maricunga Stage One DFS delivers an after tax NPV of US\$1.4B*' dated 20 January 2022. The Company confirms that all material assumptions underpinning the production targets, and the forecast financial information derived from such production targets, in this Announcement, continue to apply and have not materially changed.

Lithium Power International Limited (**ASX: LPI**) ("**LPI**" or the "**Company**") is pleased to announce it has entered into definitive binding agreements to consolidate 100% ownership of the Maricunga Lithium Brine project in Chile ("**Maricunga**" or the "**Project**") via two all scrip mergers with its joint venture partners Minera Salar Blanco SpA ("**MSB SpA**") and Bearing Lithium Corp. (**BRZ:TSXV**) ("**Bearing**") (together the "**JV Partners**") (individually the "**Transaction**" or together the "**Transactions**").

The Company currently owns a 51.55% interest in Maricunga, with JV Partners MSB SpA holding 31.31% and Bearing holding 17.14%. The consolidation of ownership will be undertaken via two separate transactions:

- MSB SpA will contribute its 31.31% interest in Maricunga to Delaware company, Salar Blanco, LLC ("**SBD**") (which will be a wholly owned subsidiary of MSB SpA). LPI will consolidate ownership of SBD's interest in the Project via a Delaware merger with SBD ("**SBD Transaction**")
- The Transaction with Bearing for its 17.14% interest will be completed by way of a Canadian Plan of Arrangement ("**Bearing Transaction**")

As consideration for the Transactions, the Company will issue to the shareholders of SBD and Bearing (respectively):

- to acquire SBD, 161,556,061 ordinary LPI shares to merge with SBD, under the terms of the SBD Transaction; and
- to acquire Bearing, 0.70 ordinary LPI shares:
  - for every Bearing common share on issue, for a total of 76,340,416 LPI shares; and
  - for every Bearing option ("**Option**") or Bearing warrant ("**Warrant**") that is exercised prior to completion of the Bearing Transaction up to a maximum of 18,204,798<sup>4</sup> LPI shares assuming all Options and Warrants are exercised<sup>5</sup>.

The interests of MSB SpA and Bearing in Maricunga will be acquired at a discount to the estimated see-through market value of Maricunga based on LPI's traded price. The discount reflects LPI's position as a majority shareholder and operator, the benefit of LPI's enhanced and liquid share register relative to its JV Partners, and the respective ownership shareholdings of Bearing and MSB SpA in Maricunga. The Transactions have been structured with reference to LPI's 1 month volume weighted average price ("**VWAP**") which the Company believes is a stable reference point upon which to consider the

<sup>4</sup> Based on a fully diluted Bearing basis whereby all Bearing Options and Warrants are exercised, note that not all Options and Warrants are in-the-money currently.

<sup>5</sup> The Options and Warrants that are not exercised prior to completion of the Bearing Transaction will remain outstanding and exercisable after the Transaction into LPI ordinary shares based on the Exchange Ratio, but otherwise on the same terms.

Transactions. As a result, current LPI shareholders will increase their proportionate interest in Maricunga from 51.55% to ~57.9%<sup>6</sup>.

The weighted average discount at which the combined Transactions have been undertaken relative to LPI's look through value is<sup>7</sup>:

- 17.1% based on LPI's 1-month VWAP
- 18.5% based on LPI's 2-month VWAP
- 19.6% based on LPI's 3-month VWAP

Based on the number of ordinary shares LPI may issue under the Transactions<sup>8</sup> the proforma ownership of LPI will comprise ~57.9% LPI current holders, ~26.7% MSB SpA<sup>9</sup> and ~15.5% Bearing securityholders (including Option and Warrant holders). The Transactions will, following completion, result in LPI owning 100% of the Project and position the Company to aggressively pursue the rapid development of Maricunga. The Transactions, together with LPI's previously announced demerger of its WA lithium exploration assets ("**WA Demerger**")<sup>10</sup>, will transform LPI into a focused developer of the wholly owned Maricunga project.

***Lithium Power's Chairman, David Hannon, said:***

*"We are extremely pleased to have reached an agreement with both MSB SpA and Bearing to consolidate 100% ownership of Maricunga. The updated DFS released on 20 January 2022 demonstrates that Maricunga could be one of the lowest cost producers of lithium carbonate in the world, with the Project's strong economics underpinning a highly attractive asset."*

*This transaction is a highly logical step for LPI. By assuming full control of the Project, LPI will create a strong platform from which to develop and fund Maricunga. We look forward to continuing to deliver long-term value for all LPI shareholders, including MSB SpA and the new Bearing shareholders."*

<sup>6</sup> Assumes diluted LPI shares outstanding and assumes that all in-the-money Bearing Options and Warrants based on the LPI 1M VWAP and Implied Bearing Offer Price as at market close on 21 June 2022 are exercised prior to completion of the Transactions.

<sup>7</sup> Based on diluted proforma LPI using market data as at market close on 21 June 2022 from IRESS.

<sup>8</sup> Refer to footnote 6 above.

<sup>9</sup> Excludes the ~16.3m shares in LPI already held by Martin Borda (MSB SpA's controller) as at the date of this announcement.

<sup>10</sup> Refer LPI ASX Announcement titled "*LPI to Demerge its WA Hard Rock Lithium Assets*" dated 12 January 2022.

## Benefits of the Transactions

- **The Transactions are accretive to LPI on a Maricunga ownership basis**
  - Currently LPI holds a 51.55% interest in Maricunga; under the consolidation existing LPI shareholders will hold a ~57.9%<sup>11</sup> interest in the proforma diluted share capital of the Company when it comes to hold a 100% interest in Maricunga
  - The Transactions therefore increase current LPI shareholders interest in Maricunga by ~12% on a relative basis<sup>12</sup>
  - Provides shareholders of all JV Partners ongoing exposure to the high-quality Project via a continued shareholding in LPI
  - The Bearing Transaction implies a 42.9% premium to the 1 month VWAP<sup>13</sup> for Bearing shareholders, allowing them to realise a significant premium for their Bearing shares whilst retaining long-term upside exposure through their newly issued LPI shares
- **Proforma LPI will benefit from enhanced scale and control of Maricunga**
  - Significantly enhances LPI's attributable production to 15.2ktpa of battery grade lithium carbonate from Maricunga based on the 2022 DFS<sup>14</sup>
  - Consolidating 100% ownership under LPI provides the optimal structure to oversee the rapid development of the Project by streamlining decision making
  - The Transactions will simplify and de-risk the funding pathway for Maricunga and will greatly enhance the Company's ability to source capital from a wider range of providers to fund development in the lead up to Final Investment Decision. This in turn can potentially deliver enhanced returns to shareholders

LPI will continue to meet any capital calls made by Minera Salar Blanco S.A. (the entity which holds 100% of Maricunga) ("MSB") on behalf of all JV Partners from 1 January 2022 until completion of the Transactions according to the annual budget approved by the MSB Board. In the event either of the Transactions do not complete, then the counterparty to the incomplete transaction will be liable for their pro-rata capital calls that LPI has made on their behalf during the aforementioned period. The capital calls will be covered by way of a shareholder loan from LPI to MSB which will accrue interest at a rate of 3.5%p.a.

<sup>11</sup> Refer footnote 6 above.

<sup>12</sup> That being the increase from 51.55% to 57.9%.

<sup>13</sup> Based on market data sourced from IRESS as at market close on 21 June 2022 including the Bearing cash distribution on a diluted basis. For more information on the cash distribution see section titled Bearing Transaction.

<sup>14</sup> Refer footnote 3 above.

## SBD Transaction

LPI has executed an Agreement and Plan of Merger with MSB SpA and SBD (“**Merger Agreement**”), under which LPI will acquire a further 31.31% interest in Maricunga in exchange for ~161.6m newly issued ordinary shares in LPI. The newly issued LPI shares value the 31.31% stake in Maricunga at ~A\$75.0m<sup>15</sup>. The SBD Transaction will be effected by way of a merger between LPI and SBD under Delaware law (“**Merger**”). Prior to completion of the Merger, MSB SpA's current 31.31% interest in Maricunga will be transferred to SBD, and will subsequently vest in LPI under the Merger. On completion of the Merger, SBD will cease to exist.

In addition, SBD will propose and implement a scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) seeking ancillary orders of the court in support of the Merger (“**Ancillary Scheme**”).

The SBD Transaction is conditional on LPI shareholder approval which will be sought at an extraordinary general meeting (“**EGM**”) expected to be held in August 2022. LPI have appointed BDO Corporate Finance Ltd. to undertake an Independent Expert’s Report (“**IER**”) on the SBD Transaction, the IER will be provided to LPI shareholders with the notice of meeting (“**NOM**”) for the EGM.

### **Conditions of SBD Transaction**

The SBD Transaction is conditional upon the following key conditions:

- Approval from LPI shareholders for the purposes of section 611 (item 7) of the *Corporations Act 2001* (Cth), given that MSB SpA will obtain a relevant interest in 20% or more of the total LPI shares on issue, as well as for purposes of the ASX Listing Rules (including Listing Rule 10.1 and, if required by ASX, Listing Rule 11.1) given that MSB SpA is a related party of the Company (as it is controlled by Mr. Martin Borda, a director of LPI)
- The Ancillary Scheme being approved
- The receipt of all necessary governmental and regulatory approvals and consents, and there being no governmental order restraining or prohibiting the SBD Transaction
- There being no material adverse effect in respect of, nor any breach of representation or warranty by, LPI or SBD
- Other conditions that are customary for this type of transaction

Completion of the SBD Transaction is not conditional upon the Bearing Transaction being completed.

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<sup>15</sup> Based on A\$0.464 per LPI share, being the 1M VWAP as at market close on 21 June 2022.

As a result of the SBD Transaction (and subject to, among other things, receipt of the shareholder approval described above), LPI Non-Executive Director, Martin Borda, will hold a relevant interest in proforma LPI of 29.3%<sup>16</sup> comprising ~177.8m shares in LPI.

**Martin Borda, Director of Lithium Power, commented:**

*'I am excited to consolidate ownership of Maricunga in a logical transaction that places the Company ideally to pursue the development of the Project and greatly enhances LPI's ability to deliver the full value of the Maricunga project to LPI's shareholders.'*

**Bearing Transaction**

LPI has executed an Arrangement Agreement providing for a Plan of Arrangement under Canadian law ("**Arrangement**") with Bearing, who owns a 17.14% interest in Maricunga, whereby LPI will issue 0.70 fully paid ordinary shares in LPI per each Bearing common share ("**Exchange Ratio**"). The Bearing Transaction will be completed via the Arrangement and will be subject to Bearing securityholder approval, court approval in Canada and other conditions precedents as detailed further below.

In addition to the LPI shares issued as consideration, as a part of the Arrangement Bearing will distribute its excess available cash, if any, to Bearing shareholders after accounting for certain expenses including outstanding debts and costs incurred by Bearing prior to, and as a result of, completion of the Bearing Transaction. Bearing have forecast that it will distribute ~C\$2.6m in aggregate once all Bearing forecast costs have been paid (noting this remains subject to change).

Based on the Exchange Ratio, LPI's 1M VWAP share price of A\$0.464/sh and the exchange rate between Canadian and Australian dollars of ~1.110<sup>17</sup>, together with the estimated C\$2.6m Bearing intends to distribute to its shareholders on completion of the Bearing Transaction, this implies a value per Bearing share of ~A\$0.346 (C\$0.312) ("**Implied Bearing Offer Price**"). Based on the respective LPI and Bearing share prices described below this implies a premium of<sup>18</sup>:

- 42.9% to the 1-month VWAP
- 42.2% to the 2-month VWAP
- 43.6% to the 3-month VWAP

<sup>16</sup> Based on diluted shares outstanding using the LPI 1M VWAP share price as at market close on 21 June 2022 and includes Martin Borda's current ~16.3m LPI shares held.

<sup>17</sup> Based on market data as at market close on 21 June 2022 sourced from IRESS describing Australian dollar value of a Canadian dollar.

<sup>18</sup> Based on diluted shares outstanding based on market data as at market close on 21 June 2022 from IRESS.

The Bearing Transaction:

- Is accretive to LPI shareholders on a Maricunga ownership basis
- Allows Bearing shareholders to maintain exposure to the Project through a continued shareholding in a larger proforma LPI with greater liquidity

Bearing has ~26m Options and Warrants outstanding. Options and Warrants which are not exercised prior to completion of the Bearing Transaction will remain outstanding and will automatically become exercisable for LPI ordinary shares based on the Exchange Ratio, provided such Options or Warrants are exercised after completion of the Bearing Transaction. If the Options or Warrants are exercised before the Bearing Transaction completes, those holders that receive the Bearing common shares issued on exercise will participate in the Arrangement with all other Bearing shareholders and LPI will issue 0.70 ordinary LPI shares for each such Bearing share on issue. Any Option or Warrant which is not exercised prior to completion of the Bearing Transaction shall continue to be governed by and be subject to the terms of the applicable Option or Warrant certificate save that they will instead automatically become exercisable for LPI ordinary shares (as opposed to Bearing shares) based on the Exchange Ratio, subject to compliance with the ASX Listing Rules.

The distribution of available excess cash to Bearing shareholders under the Arrangement does not include cash received from the exercise of Options or Warrants post the announcement of the Bearing Transaction. Any funds received by Bearing from the exercise of its Options or Warrants between announcement of the Bearing Transaction and completion are to remain in the business on completion of the Arrangement for the benefit of proforma LPI.

As consideration for the Bearing Transaction, LPI may issue up to ~76.3m LPI shares for Bearing's common shares on issue, and up to a maximum ~18.2m LPI shares for the Options and Warrants assuming all Options and Warrants are exercised prior to completion of the Bearing Transaction. If all Options and Warrants are exercised and converted to Bearing common shares prior to effectiveness of the Arrangement, ~C\$5.3m (~A\$5.9m<sup>19</sup>) would remain in Bearing. Currently only ~24.9m Options and Warrants are in-the-money based on the Implied Bearing Offer Price, and if these are exercised, the total number of LPI shares issued under the Bearing Transaction would be ~93.8m and the funds received from exercising the Options and Warrants would be ~C\$4.9m (~A\$5.4m<sup>20</sup>).

**Conditions of Bearing Transaction**

The Bearing Transaction is conditional upon the following key conditions:

- Approval from Bearing securityholders of the Arrangement

<sup>19</sup> Based on AUD CAD FX of 1.110 as at 20 June 2022 based on data sourced from IRESS.

<sup>20</sup> Refer footnote 19 above.

- Approval of the Arrangement from the Canadian court
- Completion of the SBD Transaction
- Bearing's dissenting shareholders shall have exercised dissent rights with respect to no more than 5% of total Bearing shares
- Approval by LPI shareholders for purposes of ASX Listing Rule 7.1 (unless ASX has provided a waiver from such requirement) and, if required by ASX, Listing Rule 11.1
- No material adverse change/breach of representation or warranty (in relation to both LPI and Bearing)
- Other conditions which are customary for this type of transaction

The Arrangement Agreement also contains customary Bearing fiduciary out provisions permitting Bearing to terminate the agreement to pursue a superior proposal but provided LPI has been given a five business day right to match. Should Bearing terminate the Arrangement Agreement in these circumstances it will be required to pay LPI Termination Fees of up to C\$2.5m ("**Termination Fee**"). A Termination Fee is also payable if Bearing shareholders do not approve the Arrangement at a time when another competing acquisition proposal is announced and within 12 months thereafter if any acquisition proposal is consummated by Bearing.

It is noted that if Bearing proposes to consummate a competing superior proposal that would have the effect of a change of control in respect of Bearing, the MSB shareholders agreement will be in full force and any transaction will be subject to the restrictions in that agreement on transfers of shares in MSB and change of control of MSB shareholders. The three JV Partners have granted each other waivers of those restrictions to permit the Bearing Transaction and SBD Transaction to occur but those waivers do not extend to alternative transactions involving the MSB shareholders or material changes to the terms of the Bearing Transaction or SBD Transaction.

If the Bearing Transaction does not complete due to either Bearing shareholders or LPI shareholders voting the transaction down (to the extent such approval is required from LPI shareholders), then the company whose shareholders voted the Transaction down must make a C\$1m payment for the reimbursement of expenses to the counterparty. LPI must also make this C\$1m reimbursement payment to Bearing if the Bearing Transaction does not complete due to the SBD Transaction being terminated or not completed prior to the end date.

***Gil Playford, Chairman and CEO of Bearing commented:***

*'The Bearing Board of Directors are in unanimous agreement with our MSB Joint Venture Partners, Lithium Power International (LPI) and Mr. Martin Borda the owner of MSB SpA to consolidate our ownership in MSB for an equity interest in ASX listed LPI, which will hold 100% of the Project. The Officers and Directors have agreed to vote in favour their stock and recommend to the Bearing*



*Shareholders to vote in favour of the Transaction at the Annual and Special Shareholders Meeting to be held in early September. The Board firmly believes the Bearing shareholders will benefit from the numerous advantages of consolidating 100% of the Project into LPI as well as substantially improved liquidity of LPI.'*

### Other Key Terms

The Merger Agreement and Arrangement are otherwise on terms and conditions that are customary for a transaction of this nature, including that LPI has agreed to conduct its business in the ordinary course prior to completion of the Transactions.

The WA Demerger will be completed after the Transactions and as such should the Transactions complete Bearing and SBD shareholders will be able to participate in the Demerger.

### Timetable

<b>Distribution of LPI NOM and IER</b>	<b>July 2022</b>
<b>LPI EGM to Approve the Transactions</b>	<b>August 2022</b>
<b>Bearing Shareholder Meeting to Approve the Bearing Transaction</b>	<b>August / September 2022</b>
<b>Completion of the SBD Transaction</b>	<b>September 2022</b>
<b>Completion of the Bearing Transaction</b>	<b>September 2022</b>

### Proforma Holding

Post completion of both Transactions, using LPI's 1-month VWAP, LPI shareholders will hold a 57.9% interest in the diluted proforma Company that holds 100% of the Project. Under a scenario where the maximum number of shares are issued under the Transactions LPI current shareholders will hold a ~57.7%<sup>21</sup> interest in the proforma Company.

<sup>21</sup> Assuming all Bearing Options and Warrants are exercised prior to completion of the Transactions.

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Entity	Maximum Number of Shares Issued	% Interest in Proforma LPI
LPI Current Ordinary Shareholders	349.1m <sup>22</sup>	57.7%
SBD LPI Shares	161.6m	26.7%
Bearing Shareholders	94.5 <sup>23</sup>	15.6%
<b>Total LPI Ordinary Shares Outstanding</b>	<b>605.2m</b>	<b>100%</b>
Martin Borda Relevant Interest	177.8m <sup>24</sup>	29.4%

### Board of Directors' Recommendation and Voting Support

The Transactions have been approved by the Board of Directors of both LPI and Bearing, with the LPI Board (other than Martin Borda who abstained due to his interest in the SBD Transaction) recommending that LPI shareholders vote in favour of the Transactions at the upcoming shareholder meeting. Shareholders of Bearing, representing 10.3% of the Bearing shares on issue have indicated their support, via support agreements, for the Bearing Transaction by confirming they intend to vote in favour of the Arrangement.

### Advisors

Treadstone Resource Partners acted as strategic and financial advisor to LPI in relation to the Transactions. Ashurst acted as Australian legal advisor, Stikeman Elliott LLP acted as Canadian legal advisor, and Pillsbury Winthrop Shaw Pittman acted as US legal advisor to LPI in relation to the Transactions. EY acted as the Australian, US and Canadian tax advisor to LPI in relation to the Transactions.

### Maricunga Lithium Brine Project

The Project is located 170km northeast of Copiapó in Salar de Maricunga 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<sup>25</sup>, 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

<sup>22</sup> Does not include LPI's current share appreciation rights outstanding

<sup>23</sup> Shows fully diluted Bearing shares including all Options and Warrants, some Options and Warrants are not currently in-the-money based on the Implied Bearing Offer Price.

<sup>24</sup> Includes Martin Borda's current LPI shareholding of ~16.3m LPI shares.

<sup>25</sup> Refer to footnote 3.

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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 OPEX of US\$3,718 per tonne not including credit from 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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