

**ASX RELEASE**

25 October 2022

# Activity Report for the Quarter ended September 2022

Lithium Power International Limited (**ASX:LPI**) ("**LPI**" or "**the Company**") is pleased to provide shareholders with an overview of quarterly activities for the period ending 30 September 2022 ("**Quarter**", "**Reporting Period**"), including subsequent events that might have a significant impact between 30 September 2022 and the date of issuance of this Report.

## HIGHLIGHTS

- The consolidation of ownership of the Maricunga Lithium Brine Project by way of a three-party all-scrip merger with our JV partners – MSB SpA (owner of 31.31% of Maricunga) and Bearing Lithium (17.14%) – advanced as planned during the quarter and is expected to close during November.
  - An EGM of shareholders has been called for the 28th of October 2022 to seek approval of the consolidation transaction.
  - The consolidation will significantly de-risk the project's funding and create a simple and transparent investment vehicle.
  - The outcome is expected to boost returns to LPI's current shareholder base by lifting their proportionate ownership from 51.55% to 57.9% of the Maricunga Project.
- MSB continues with its project financing process, which is being assisted by Treadstone and Canaccord. Several expressions of interest in relation to debt and equity funding have been received, which are being reviewed by LPI management and Canaccord. The process will progress as expected during the upcoming months.
- Significantly increased tenement holdings in Western Australia, to become the largest coverage in the Greenbushes Region and adding to the region profile by acquiring additional exploration tenements in the Eastern Goldfields, WA.
- Demerger and subsequent listing of the Western Australia holding company to be deferred until Q1 2023 with the consolidation of MSB taking precedent and was a prerequisite to the demerger.
- Successful raise of \$AU25m through a single tranche placement to institutional, sophisticated and professional investors. Funds will be primarily used to progress and accelerate the development of the Maricunga project.

## CONSOLIDATING 100% OWNERSHIP OF MARICUNGA

The consolidation of ownership of the Maricunga Lithium Brine Project by way of a three-party all-scrip merger with our JV partners – MSB SpA (owner of 31.31% of Maricunga) and Bearing Lithium (17.14%), advanced as planned during the quarter and is expected to be closed during November.

An EGM of LPI shareholders has been called for 28th October 2022 to seek approval of the consolidation transaction.

### ■ Highlights of the MSB ownership Consolidation are as per below:

- 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>
- The consolidation will significantly de-risk the project's funding and create a simple and transparent investment vehicle.
- Consideration will be paid in LPI shares thereby allowing the shareholders of the JV Partners to retain exposure to the NPV8 US\$1.4b Project.<sup>2</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.
- To affect the transaction, LPI will issue approximately 161.6m ordinary LPI shares to MSB SpA as consideration for LPI merging with MSB SpA's wholly-owned subsidiary, a newly formed Delaware limited liability company called SALAR BLANCO LLC (SBD), that will hold MSB SpA's 31.31% interest in Maricunga; and
- To merge with Bearing, LPI will issue 0.70 ordinary LPI shares for every Bearing common share on issue and for every Bearing option or Bearing warrant that is exercised following completion of the Bearing Transaction. The maximum number of LPI shares the Company may issue under the Bearing Transaction is 94.5m.



1 Based on diluted proforma ownership of LPI assuming LPI 1M WAP share price as at market close on 21 June 2022 from IRESS.

2 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.

Figure 1: LPI's Corporate Structure post Consolidation

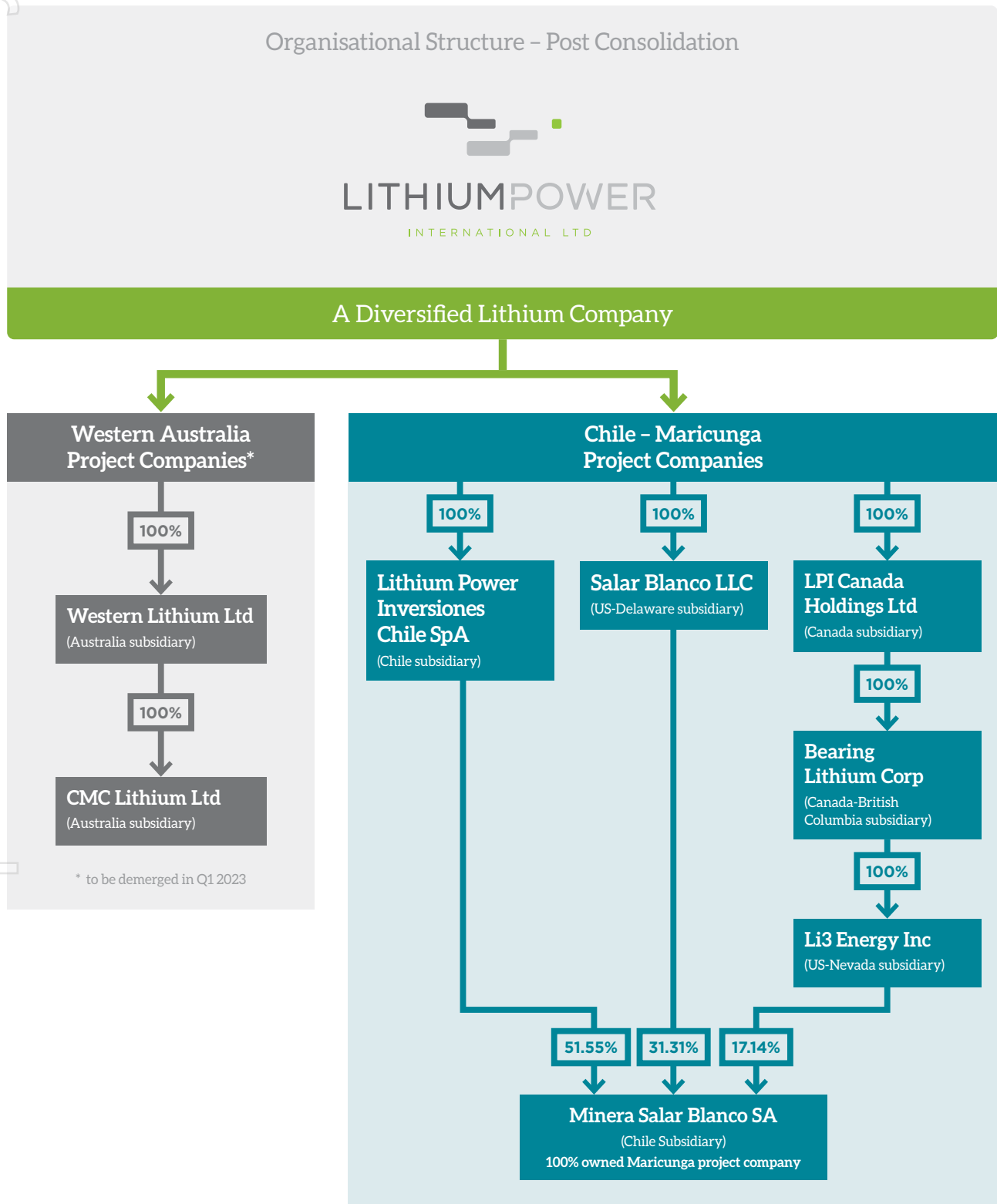




Figure 2: Indictive Capital Structure post Consolidation

	Maximum Number of Shares	% Interest in Proforma LPI
<b>LPI Current Ordinary Shareholders @ 26 September 2022</b>	<b>391,201,126</b>	
<b>MSB Consolidation Shares Issued</b>		
LPI Current Shares on issue	391,201,126	60.44%
SBD LPI Shares	161,556,061	24.96%
Bearing Shareholders	94,545,214	14.61%
<b>Total LPI Ordinary Shares Outstanding – Post Consolidation</b>	<b>647,302,401</b>	<b>100.00%</b>
<b>Martin Borda Relevant Interest</b>		
LPI Current Shareholding – Minera Salar Blanco SPA	16,227,273	2.51%
SBD LPI Shares	161,556,061	24.96%
<b>Total Martin Borda Relevant Interest</b>	<b>177,783,334</b>	<b>27.47%</b>

Figure 3: Pro forma consolidated balance sheet post Consolidation as at 30 June 2022 (unaudited)

	LPI 30 June 2022 \$	Pro forma consolidated \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	6,428,908	6,271,430
Receivables	138,663	2,465,631
Other	1,125,729	436,277
	7,693,300	9,173,338
Assets of disposal groups classified as held for sale	4,585,737	4,585,737
<b>Total current assets</b>	<b>12,279,037</b>	<b>13,759,075</b>
<b>Non-current assets</b>		
Investments in Minera Salar Blanco SA	30,378,797	–
Property, plant and equipment	6,164	6,164
Exploration and evaluation	–	127,358,894
Other non-current asset	–	35,981
<b>Total non-current assets</b>	<b>30,384,961</b>	<b>127,401,039</b>
<b>Total assets</b>	<b>42,663,998</b>	<b>141,160,114</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	666,426	1,365,501
Employee benefits	94,584	140,010
Provisions	–	445,426
	761,010	1,950,937
Liabilities directly associated with assets classified as held for sale	36,582	36,582
<b>Total current liabilities</b>	<b>797,592</b>	<b>1,987,519</b>
<b>Total liabilities</b>	<b>797,592</b>	<b>1,987,519</b>
<b>Net assets</b>	<b>41,866,406</b>	<b>139,172,595</b>
<b>Equity</b>		
Issued capital	89,392,042	184,550,633
Foreign currency translation reserve	4,004,810	13,117,254
Share-based payments reserves	7,221,077	11,936,724
Accumulated losses	(58,751,523)	(70,432,016)
<b>Total equity</b>	<b>41,866,406</b>	<b>139,172,595</b>

## MARICUNGA PROJECT (MSB) OPERATIONAL UPDATE

### ■ Mitsui Memorandum of Understanding (MOU)

The Mitsui due diligence process has continued, with the legal, commercial and Japan based process testing due diligence completed. Mitsui representatives have visited Chile for site visits and technical /educational meetings. Discussions continue on the final terms of the definitive agreement which will largely be in line with the overall structure outlined in the Non-Binding MOU. Further visits from Mitsui representatives are expected over the coming months to enable terms of the agreement to be finalised on a timely basis.

### ■ Project Financing

The Company continues with its project financing process, which is being assisted by Treadstone and Canaccord. Several expressions of interest in relation to debt and equity funding have been received, as alternatives to the Mitsui non-binding MOU which are being reviewed by LPI management and Canaccord. The process will progress as expected during the upcoming months with updates provided to shareholders in due course.

### ■ GEA Brine Testing for Process Optimizations

As advised last quarter, Maricunga brine has been shipped to GEA in Germany for additional process testing to refine the process design. The brine was received by GEA mid-quarter and results of the latest optimizations introduced will be available by the end of the current quarter.

### ■ Sustainability in Design – ESG Update

As previously advised the Maricunga project has an exceptional ESG profile that aims first to set new standards for social relationships and also to achieve carbon neutrality once the operation beds down. Certification process led by Deloitte continues. Phase 1 of the process has been finalized, which involved a detailed audit of all the internal procedures and operational processes with the objective to identify deficiencies and structured the future metrics that will be used once the project starts its operations.

The company will continue working with Deloitte as its main advisor and auditor for its ESG strategy on an ongoing basis.

LPI's ESG strategy involves much more than just isolated actions on different areas (such as energy provision, etc.). Its main objective is to take adequate account of social license, that is, the perception by stakeholders that a business or industry is acting in a way that is fair, appropriate, and deserving of trust. In summary, the strategy needs to be consistent with the company business model to address properly and through an integral view, the different Environmental (climate change, water management, biodiversity conditions, etc.), Social (Community engagement and participation, labour practices, etc.) and Governance (business ethics, etc.) aspects.



Figure 4: Location of LPI/MSB Maricunga Lithium Brine Project – Chile



## INCREASED TENEMENT HOLDINGS IN WESTERN AUSTRALIA

As reported last quarter the Company announced that it had two signed agreements to acquire four tenements which will significantly increase its overall holdings in Western Australia.

The purchase of CMC Lithium was completed at the end of last quarter. CMC Lithium's Greenbushes project in Western Australia adds an extra 365km<sup>2</sup> of prospective ground around Talison Lithium's Greenbushes Mine, making LPI the largest tenement holder in the region.

During this quarter LPI completed the previously announced acquisition of two tenements in the Eastern Goldfields of WA from Lysander Lithium. The pre-requisite transfer of all tenement titles and assignment of associated agreements were completed during this quarter. The acquisition was completed by the settlement of the transaction by way of cash and the issue of LPI ordinary shares.

## DEMERGER OF THE WA ASSETS

The acquisitions described above support the Company's ability to demerge its WA hard-rock exploration assets into a separate company, Western Lithium Ltd and its strategy of unlocking the value of these assets, through an ASX listing.

The demerger of Western Lithium could not occur until after completion of the Maricunga consolidation transaction, however preparation for the demerger has continued by the conversion of the holding company from a Proprietary Limited company to an unlisted Limited company, the adoption of a new constitution, the securing of a new office in West Perth as a cost-effective base for operations and other preparatory work.

Several interested parties have approached the Company with the view of being a cornerstone investor in the demerged company, further validating the prospectivity of the land held by Western Lithium, particularly in the Greenbushes region. The company will consider these as the demerger process continues.

LPI expects to call an Extraordinary General Meeting to gain shareholder approval of the demerger in mid-first quarter CY2023 and complete the demerger thereafter.

## WESTERN AUSTRALIA OPERATIONS

The company has commenced a recruitment drive for Senior Geologists to manage the Greenbushes exploration program ahead of drilling programs planned for the summer months of 2023.

Further assessment of the project land, including the newly acquired exploration holdings, is being carried out to further identify the drilling targets. A comprehensive exploration program is being developed to be included in the demerger prospectus, with a drilling program to commence immediately after the completion the demerger and subsequent new listing.



## CORPORATE UPDATE

### CAPITAL RAISE

On 9 September 2022, the Company successfully raised through its broker, Canaccord Genuity AU\$25m (before costs).

The raise was priced at AU\$0.60 per share resulting in the Company issuing 41,666,667 fully paid ordinary shares in the Company to professional and sophisticated investors under the institutional placement.

The pricing for the placement the share was based on the previous trading of the company as per below, representing a less of a discount to current trading price than would often be the case of an institutional placement.

PREVIOUS TRADING	OFFER PRICE DISCOUNT	
<b>Last price (7 September 2022)</b>	<b>A\$0.695</b>	<b>13.7%</b>
5-day VWAP	A\$0.632	5.0%
10-day VWAP	A\$0.618	3.0%

The Company was pleased with the interest and over-subscription of the placement and welcomes a number of new Australian and North American based funds to the share register.

### CAPITAL STRUCTURE

There were changes to the Capital Structure at the end of the Quarter from the previous quarter as follows:

- 41,666,667 fully paid ordinary shares in the Company to professional and sophisticated investors under the institutional placement;
- 389,611 Shares to Lysander Lithium Pty Ltd for consideration for the completion of the acquisition of Eastern Goldfield, Western Australian exploration tenements; and
- 6,000,000 Share Appreciation Rights (“SARs”) issued to the following MSB Chile-based executives as Long-Term Incentives
  - 3,000,000 SARs issued to Mr Francisco Bartucevic,
  - 1,800,000 SARs issued to Mr Andres Lafuente and
  - 1,200,000 SARs issued to Mr Tarek Halasa.
- 391.2M Ordinary Shares on issue; and
- 18.5M Share Appreciation Rights on Issue

### ANNUAL REPORT

The audited Annual Report and the annual Corporate Governance Statement was signed off by the Company's auditors Ernst Young (EY) , and the LPI Board on 14 September 2022.

The audit release was brought forward to allow the audited accounts and additional information, including the EY reviewed proforma balance sheet (Figure 3 – above) to be provided to the MSB Joint Venture partners to finalise the disclosure requirements for the MSB share consolidation.



## EXTRAORDINARY GENERAL MEETING (EGM)

An EGM of shareholders has been called for 28 October 2022.

Resolutions to be presented for approval to the LPI shareholder are as follows:

<b>Resolution 1</b>	Approval of SBD Transaction and the issue of Consideration Shares to Minera Salar Blanco SpA
<b>Resolution 2</b>	Approval for the issue of Share Appreciation Rights to an Executive Director – Mr Cristóbal Garcia-Huidobro
<b>Resolution 3</b>	Approval for the issue of Share Appreciation Rights to an Executive Director – Richard Crookes
<b>Resolution 4</b>	Approval for the issue of Share Appreciation Rights to an Executive Director – Mr Andrew Phillips
<b>Resolution 5</b>	Approval for the issue of Director Options to a Non-Executive Director – Mr David Hannon
<b>Resolution 6</b>	Approval for the issue of Director Options to a Non-Executive Director – Mr Russell Barwick
<b>Resolution 7</b>	Approval of the issue of Employee SARs to the Participating Executives
<b>Resolution 8</b>	Approval for the issue of Adviser Options to Treadstone

Shareholders are encouraged to lodge their proxy votes online or attend the EGM either in person or virtually via the online facility. Instructions for virtual logon for the EGM are attached as an appendix to this report.

## ANNUAL GENERAL MEETING (AGM)

An AGM of shareholders has been called for 14 November 2022.

Resolutions to be presented for approval to the LPI shareholder are as follows:

<b>Resolution 1</b>	Remuneration Report
<b>Resolution 2</b>	Re-election of Russell Barwick as Director
<b>Resolution 3</b>	Re-election of Martin Borda as Director
<b>Resolution 4</b>	Ratification of issue of Shares under the Placement
<b>Resolution 5</b>	Ratification of issue of Shares to Lysander Lithium
<b>Resolution 6</b>	Adoption of a New Constitution (Special Resolution)

As with the EGM Shareholders are encouraged to lodge their proxy votes online or attend the AGM either in person or virtually via the online facility. Instructions for virtual logon for the AGM are attached as an appendix to this report.

## MARKETING ACTIVITIES

The company conducted marketing programs in the quarter including 121 Mining Investment meetings in Singapore, 19–22 September 2022 and the 121 Mining Investment conference New York, 5–6 October 2022.

The Company has committed to the following investor relations activities during the remainder of 2022.

These events include:

- the IMARC Mines and Money conference Sydney, 17–19 October 2022.
- the 121 Mining Investment conference London, 22–23 November 2022; and
- the Mines and Money conference London, 29 November – 1 December 2022

The company is in the process of finalising its participation in several other conferences in H1 2023.

## APPENDIX 5B

The Appendix 5B quarterly cashflow report for the quarter ended 30 September 2022, is submitted separately.

The Company had a cash balance of AU\$26.5m as of 30 June 2022.

This amount is currently held in the Company's bank accounts in Australia and Chile, in Australian dollars, US dollars and Chile pesos. The Australian dollar equivalents were calculated using the closing foreign exchange spot rate on 30 September 2022.

The major movement in cash for the period was an inflow via the capital raise of \$25m (before costs) and outflows of a capitalised expense of \$893k associated with the workstreams for the two corporate transactions being advanced: the finalisation of the MSB consolidation process and the preparations for the Western Australia demerger. In addition, the company provided working capital funds of US\$1.1m to MSB during the quarter.

Total funds within the Maricunga Joint Venture at the end of the quarter were US\$979k.

## 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	\$206,499	Three months' salary and superannuation paid to the Australian based Directors via the company payroll plus three months' fees for the Chile based LPI Directors paid via LPI's Chile subsidiary company
DHJPLM Pty Ltd    Rental for Sydney office	\$36,000	Mr Hannon is a Director of LPI and shareholder of DHJPM Pty Ltd

## MINING TENEMENTS HELD

The below table lists the mining tenement interests held by the Company at the end of the quarter ended 30 September 2022 and include the addition of the CMC Lithium and Lysander tenements as described above.

Location / permit name	Permit / exploration number	Registered holder	Area in hectares	Permit term expiry	Interest contractual right
<b>Chile</b>					
<b>Maricunga, Chile</b> – Cocina – 10/27	Old Code (1932) 03201-2110-19	MSB / LPISPA	450	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – San Francisco – 1/10	Old Code (1932) 03201-0006-2	MSB / LPISPA	425	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Despreciada – 6/7	Old Code (1932) 03201-0007-0	MSB / LPISPA	100	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Salamina – 1/3	Old Code (1932) 03201-0005-4	MSB / LPISPA	150	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Litio 1 – 1/29	New Code (1983) 03201-6516-4	MSB / LPISPA	131	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Litio 2 – 1/30	New Code (1983) 0321-6517-2	MSB / LPISPA	143	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Litio 3 – 1/30	New Code (1983) 03201-6518-0	MSB / LPISPA	286	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Litio 4 – 1/60	New Code (1983) 03201-6519-9	MSB / LPISPA	300	NA	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Litio 5 – 1/60	New Code (1983) 03201-6520-2	MSB / LPISPA	297	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Litio 6 – 1/60	New Code (1983) 03201-6521-0	MSB / LPISPA	282	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Blanco	New Code (1983) – N/A	MSB / LPISPA	1,800	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Maricunga, Chile</b> – Camp	New Code (1983) – N/A	MSB / LPISPA	100	N/A	MSB 100% of which LPISPA owns 51.6%
<b>Australia</b>					
<b>WA Greenbushes</b> – Balingup	E70/4763	Western Lithium	19,132	17/03/2026	100%
<b>WA Greenbushes</b> – Brockman Hwy	E70/4774	Western Lithium	5,052	21/03/2026	100%
<b>WA Greenbushes</b> – Greenbushes	E01/0003	Western Lithium	2,851	Application pending	100%
<b>WA Greenbushes</b> – Wellington	E70/6093	Western Lithium	2,002	Application pending	100%
<b>WA Greenbushes</b> – Nannup #1	E70/4845	Western Lithium/CMC	285	12/10/2026	100%

Location / permit name	Permit / exploration number	Registered holder	Area in hectares	Permit term expiry	Interest contractual right
<b>WA Greenbushes</b> – Wiliga #1	E70/4846	Western Lithium/CMC	6,850	Extension Pending	100%
<b>WA Greenbushes</b> – Wiliga #2	E70/5281	Western Lithium/CMC	7,426	Application Pending	100%
<b>WA Greenbushes</b> – Nannup #2	E70/5684	Western Lithium/CMC	21,944	Application Pending	100%
<b>WA East Pilbara</b> – Pilgangoora	E45/4610	Western Lithium	6,714	17/10/2026	100%
<b>WA East Pilbara</b> – Tabba Tabba	E45/4637	Western Lithium	6,412	11/05/2027	100%
<b>WA East Pilbara</b> – Strelley	E45/4638	Carnaby Resources Ltd	6,421	11/05/2027	LPI retains all Li rights
<b>WA Eastern Goldfields</b> – White Foil	E15/1772	Western Lithium/Lysander	1,124	Ministerial approval received 15/07/2022	100% – Awaiting assignment of Heritage Agreements before completion of transaction
<b>WA Eastern Goldfields</b> – Yerilla	E1250	Western Lithium/Lysander	10,390	Ministerial approval received 15/07/2022	100% – Awaiting assignment of Heritage Agreements before completion of transaction

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

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