

30 August 2017

## **RLC has drilling permits and will seek funds to drill.**

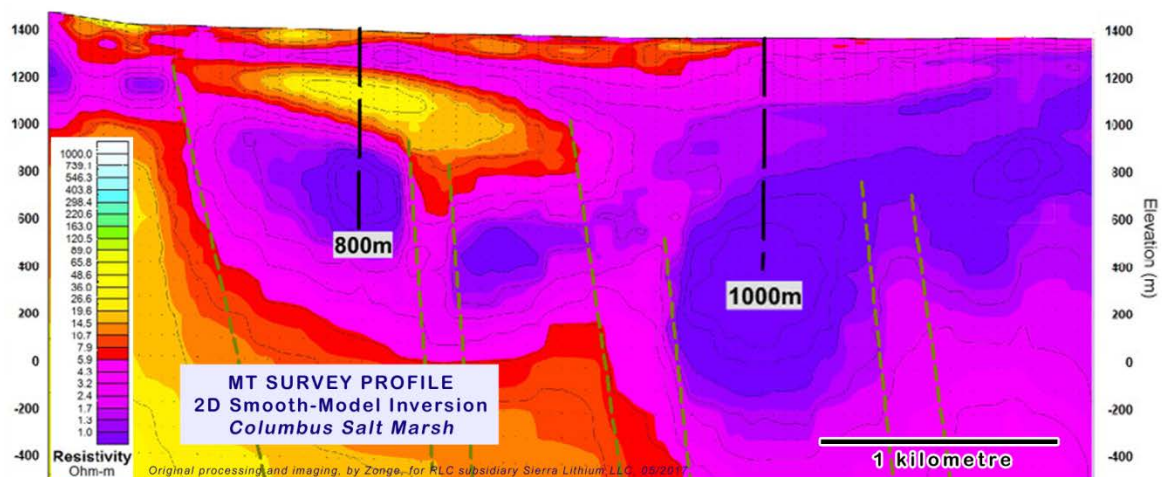
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### Drilling Permits

Reedy Lagoon Corporation Limited has obtained permits to drill 2 holes at its lithium brine project at Columbus Salt Marsh, in Nevada, USA. It has negotiated a contract with Boart Longyear to undertake the drilling which will be entered into once RLC has raised funding for the drilling. Upon issue of MM- waivers by the Nevada Division of Water Resources (expected to occur in about a week) RLC will have rights to pump 5 acre feet (6.17 million litres) of water from each hole for testing purposes.

The drilling program at Columbus Salt Marsh has been designed based on the result of geophysical surveys (Magnetic Telluric) which identified strong brine targets (*see ASX Release 30 May 2017*).

2 holes (1000m and 800m depth respectively) are proposed, subject to funding.



RLC also has 2 other lithium brine projects with strong targets: Alkali Lake North and Big Smoky South (*see ASX releases 26 and 29 May 2017*).

### Water Rights at Columbus Salt Marsh

In order to process lithium brines RLC will need water rights to pump brines from underground aquifers.

Westwater Resources Inc. (Nasdaq:WWR, ASX:URI) has recently announced that it has “secured all remaining water allocations” for the Columbus Salt Marsh Valley (1,528 acre-feet or 1.88 billion litres per annum). It is possible for this description to be interpreted as meaning that no water rights can be issued to RLC to enable production at its Columbus Salt Marsh project. While it is true that

water rights have been “fully allocated”( that is, that the total amount of water rights allocated equals the perennial groundwater yield in the Columbus Salt Marsh Valley basin), RLC’s directors believe that this does not prevent the Nevada Division of Water Resources from granting RLC a water allocation for production of lithium. Reasons for the directors’ belief are set out below\*.

1. The only producer of lithium in Nevada at present is Albemarle Corporation’s Silver Peak operation. It is located in the Clayton Valley basin, separate from the Columbus Salt Marsh Valley basin. It uses a large quantity of brines (20,000 acre-ft or around 20 billion litres per annum) to produce its lithium by evaporation in extensive evaporation ponds.
2. There are no holders of water allocations for water in the Columbus Salt Marsh Valley basin who have permits to produce lithium using evaporation ponds, and it is unlikely that a permit to produce lithium using evaporation ponds would be granted by Nevada regulators for environmental reasons, particularly if alternative production methods are available.
3. There are alternative production methods available which involve treatment of brines to extract lithium (direct extraction) and work is continuing on developing new ones. Direct extraction does not involve evaporation of the brines and the brine remaining after extraction of lithium will be available to be returned to the underground aquifers. Pilot plant testing by others indicates that direct extraction could consume less than 10% of the brine pumped out of the aquifer for treatment. Using direct extraction and returning the brine to the basin after extracting its lithium will result in a relatively small **net** water allocation being required to produce commercial quantities of lithium. We believe that water regulators are likely to issue additional water allocations where the use involves return of treated brines to the aquifers.
4. Nevada regulators frequently take into account the actual usage of water in a basin compared to allocated water rights. Actual usage may be significantly less than allocated rights and for this reason regulators often “over allocate” water rights by as much as a factor of two. However, if usage increases to the point where total consumption exceeds the perennial groundwater yield from the basin then senior (first in time) water rights holders will have prior right to use their allocation over junior rights.
5. Accordingly a “full allocation” of water rights in a basin does not mean that no additional water rights can be issued.

For completeness, the directors set out the position with respect to water rights for RLC’s projects at its Alkali Lake North and Big Smoky South projects.

#### Water Rights in Alkali Lake area

1. RLC has yet to obtain drill permits for the targets at its Alkali Lake North project.
2. Water is fully allocated in the Alkali Lake area, but there is no existing holder of water rights who consumes all the perennial yield of the Alkali Lake North basin.
3. For the reasons set out above in relation to Columbus Salt Marsh, RLC does not believe that full allocation of water rights will prevent the Nevada Division of Water Resources from granting RLC a water allocation for production of lithium at its Alkali Lake North project with small net consumption.

## Water Rights in Clayton Valley

1. RLC also has applied for permits to drill 2 holes at its Big Smoky South project. The targets identified at the Big Smoky South project are located inside the boundary of the Clayton Valley drainage basin for water right purposes.
2. The position in the Clayton Valley basin is different to that in Columbus Salt Marsh and Alkali Lake. In the Clayton Valley basin Albemarle Corporation Inc. as the holder of existing water rights which consumes all or almost all of its allocation for an evaporation pond method of lithium production has obtained a decision of the State Engineer to the effect that additional water rights will not be granted in the Clayton Valley basin. The State Engineer decided that any use of water rights by others would conflict with the rights of the existing holder's rights because the existing mining operation using evaporation ponds requires use of all of the groundwater available each year. This decision is being appealed.
3. RLC's claims at its Big Smoky South project are mostly within the area treated as Clayton Valley basin for water allocation purposes and so the outcome of the appeal may have important implications for RLC in relation to its ability to produce lithium from this project. However regardless of the outcome of the appeal, the geology of Big Smoky Valley appears to indicate that the targets in RLC's claims are in separate aquifers which source their water from Big Smoky Valley and, if so, water rights allocated in respect of RLC's aquifers would not reduce the amount of water available for Albemarle's operations.

## Summary of Water Rights position

RLC has included the above information on water rights in order that the market may have a better understanding of the issues relating to the development of lithium brine projects in Nevada, particularly the impact of these issues on RLC's projects. Obtaining the necessary permits for mining operations is always a risk regardless of success in exploration.

RLC Directors believe that RLC has good grounds to expect that, if its drilling program at its Columbus Salt Marsh project identifies lithium brines, RLC will be able to obtain water rights for the production of lithium using direct extraction and returning brines to the aquifer.

The position at the Alkali Lake North project is substantially the same as at the Columbus Salt Marsh project.

The position at the Big Smoky South project is more complicated and will require clarification of the issues under appeal or the regulator accepting that the Big Smoky South project's targets are in separate aquifers from those relevant to the amount of water available for use in Clayton Valley.

RLC is preparing to drill at Columbus Salt Marsh once funding is secured.

For more information please contact Geof Fethers on 613 8420 6280

On behalf of the Board

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\*The Directors have consulted with SRK Consulting, a firm with expertise in water rights in Nevada, USA and that firm considers that the directors have reasonable grounds for their belief set out in this Release about the prospect of obtaining water allocations for the production of lithium brine by treatment and return.

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Reedy Lagoon Corporation Limited  
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Issued shares: 175,675,168  
Issued options: 2,700,000 unlisted  
Share price (last traded): \$0.026

Directors and management:  
Jonathan Hamer, Chairman, Non-Executive Director  
Geoffrey Fethers, Managing Director, Co. Secretary  
Adrian Griffin, Non-Executive Director