



13 November 2018

**Managing Director's Address**  
**Annual General Meeting**

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Following the acquisition of 3 lithium brine projects completed during the previous report year Reedy Lagoon has conducted drill programs at two of the projects and staked claims to establish a 4<sup>th</sup> project (the Clayton Valley project) adding some 18% to our area under claim in Nevada.

In this report I will outline the Company's strategy followed by a summary of our progress to date and finish with our plans for the coming year.

**Our goals:**

Reedy Lagoon plans to produce lithium for direct sale to battery manufacturers by finding and processing lithium-bearing brine (salty ground water).

**Why lithium brines ?**

Production of battery grade lithium compounds is cheaper from brines with low levels of deleterious solutes than production from mining and processing minerals from rocks. The highest value-add stage of lithium production is the manufacture of battery grade lithium compounds – currently high purity lithium carbonate and lithium hydroxide, for sale to battery manufacturers. By extracting lithium from brine and selling battery grade products Reedy Lagoon will be among the lowest cost producers and in the highest value-add stages of lithium production.

**Our strategy:**

We are concentrating our search for lithium bearing brines in regions with favourable political and social conditions, good supplies of workers and services, and prospective geology. These factors have drawn us to North America and particularly Nevada. Nevada has : a deep mining culture which is strongly supported by well informed regulators who work to facilitate development while administering a well defined and fully transparent mining act; excellent infrastructure including roads and energy; and lithium bearing brine (including some with low levels of deleterious solutes).

Reedy Lagoon intends to be among the early adopters of direct extraction pathways and technologies that enable lithium to be extracted from a brine without the use of extensive evaporation ponds.

**Progress to date:**

In the previous report year Reedy Lagoon completed its acquisition of 3 lithium brine projects in 3 different water catchment basins.

During the 2017/18 year the Company claim staked its 4<sup>th</sup> lithium brine project, its Clayton Valley project, adding some 18% to our area under claim in Nevada, now totalling 12,762 acres (5,164 Ha).

Drilling was undertaken at 2 projects. The drilling at Columbus Salt Marsh intersected extensive thicknesses of volcanic ash in drill hole CBD-01 exceeding known thicknesses of ash in Clayton Valley. The drill hole intersected brine and low tenor lithium in sediments but little lithium was detected in any of the brine we sampled. The drilling at Big Smoky South was unable to pump test or recover brine samples due to low permeability of the host rocks. The drilling was halted at Big Smoky South (drill hole MBD-01) once we

recognised we were too low in the sedimentary sequence to intersect the target aquifer system.

Following completion of the initial drilling at Columbus Salt Marsh and Big Smoky South projects, we have conducted 3D-AMT geophysical surveys on the undrilled projects. These surveys collect significantly more data than the 2D-AMT surveys we completed prior to drilling. The additional data enables better modelling of electrical conductors in the subsurface - "electrical conductors" in our case being interpreted bodies of sediments saturated with salty water, or brine, in which we hope to find dissolved lithium.

As a result of 3D-AMT survey conducted at the Alkali Lake North project our targets identified at Alkali Lake North are better defined and enable us to have greater confidence that a 750 metre drill hole would test the modelled targets rather than the 1,000 metre drill hole planned on the basis of the 2D-AMT model.

The 3D-AMT survey conducted on the Clayton Valley project shows a strong tabular conductor interpreted to be an interval containing brine aquifers located at about 250 metres depth with thickness of 200 metres. Significantly this result matches well with the published reports of the location of the main aquifer system which supports the Silver Peak lithium processing operation located a few kilometres to the south. In addition, our earlier drilling at MBD-01, on the nearby Big Smoky South project, provides evidence of faulting and we postulate faults may separate the northern part of the Clayton Valley basin where Reedy Lagoon's projects are located from the area of the Clayton Valley basin where the Silver Peak lithium processing facility owned and operated by Albemarle is located. Such faulting may have isolated brines in the northern part of the basin from the southern part thereby preventing them from draining into and being drawn into the production wells of Silver Peak.

The Company stands today holding 2 key projects: Alkali Lake North and Clayton Valley. Both projects hold substantial targets warranting drill testing. One project is located within the Clayton Valley Basin the other in an adjacent basin to the north east. Work completed by other companies in the Clayton Valley Basin upgrades our projects. Such as test work by Pure Energy indicating the presence of lithium bearing brines that may respond well to direct extraction technologies.

As for the other 2 projects, the Big Smoky South project provides a good land holding that may assist the Clayton Valley project and has only been investigated at its southern end. Columbus Salt Marsh showed disappointingly low levels of lithium in brines tested below 400 metres depths. However, shallower brines were intersected in CBD-01 but could not be tested because of the condition of the hole.

Plans for the coming year:

Reedy Lagoon is seeking additional brine projects. During the latter half of calendar 2018 Reedy Lagoon has been assessing projects located in Nevada and its neighbouring states as well as in Mexico and Africa.

Additional funding is required. We currently see little opportunity in accessing capital from the equity markets. We have sufficient funds to develop new projects and maintain tenure over existing projects. While new projects may enable additional funds to be attracted in the current market, we believe funding will be best accessed through finding a partner which sees benefit in taking a substantial position in the Company. Such a partner may be an entity seeking expansion into the lithium brine business because it can bring expertise such as water processing. Alternatively it might be a party that understands ground fluid movement giving it an understanding of brine migration. Other funding options include joint ventures for specific projects.

Thank you for attending,  
Geof Fethers