



DESERT LiON ENERGY

August 29, 2018

To Our Shareholders:

In 2017, we set forth on an ambitious plan to become the next low-cost lithium producer, with an execution plan that included financial, technical and operational de-risking milestones. These de-risking milestones were structured in phases; (i) Phase 1 - production of concentrate from the historic ROM stockpiles at Rubicon and Helikon; (ii) Phase 2 - large scale concentrate production; and (iii) Phase 3 - lithium carbonate production.

Our Achievements

We achieved several significant milestones in Q2 2018, including:

- produced and sold the largest shipment of lithium concentrate to have ever left Africa;
- completed a 19,500-metre exploration drilling program and over 7,000 hours of engineering and testwork;
- strengthened the management team with the appointment of Johan Coetzee as Chief Operating Officer; and
- most recently, received an initial 10-year mining licence for Phase 2 production.

I am proud of the work accomplished to date and I strongly believe the asset is fundamentally sound, as shown by the test work completed and the beneficiation results our offtake partner, Jiangxi Jinhui Lithium Co. Limited, has achieved to date.

Going forward, we aim to further de-risk the project with the publication of Desert Lion's maiden Mineral Resource Estimate (MRE) and Preliminary Economic Assessment (PEA), which is expected in September.

Challenges

Unfortunately, we have also encountered significant challenges in Q2 2018. Lithium spot prices within China and the rest of the world has declined dramatically in 2018. Since our first shipment, lithium carbonate pricing in China has decreased more than 40%; this impacts the business, as the price of Desert Lion's product is linked to the Chinese price for lithium carbonate. We expect continued volatility in the near-term before experiencing a correction, which is forecasted by major producers in the first half of 2019 and is supported by strong underlying fundamentals for the commodity.

The path to publishing the Company's maiden MRE and PEA has also been slow. Delayed timelines coupled with the significant time required to process data from this year's drill program has resulted in a delay to the MRE and PEA publication schedule. Despite these delays, I am confident that the release of the technical report is imminent.

Focused on the Long Term

I am honoured to be working with the Desert Lion Board, who has been instrumental in guiding the strategy of the company. Together we have de-risked and advanced the development of the Rubicon and Helikon mines, at an impressive rate. I am also mindful of the challenges that pose a risk to the project and the business and as such I will continue to focus on developing the asset in a responsible manner, which concurrently positions the company for long-term growth.

I would like to thank Desert Lion investors, employees and our community and government stakeholders for your continued support. I look forward to updating you on future developments.

Sincerely,



Tim Johnston
President and CEO