

Lepidico Limited: The Global Leader in Lithium Mica Processing

BY ACE INVESTORS / 21 DECEMBER 2021



Reading Time: 5 Mins

By Team Ace Investors

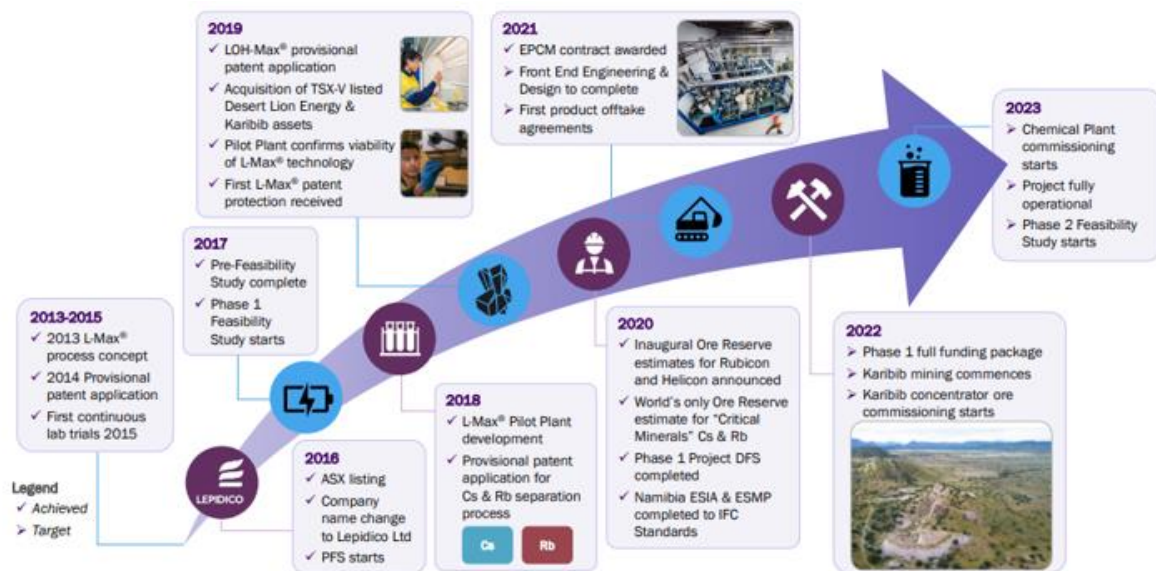
Stock Code	ASX: LPD
Shares O/S	6.22 billion
Closing Price	AUD 0.036
Market Cap	230.18 million
52 High/Low	0.054/0.009
One Year Stock Performance	300%
Avg volume (TTM)	38.42 million
EPS (TTM)	0.00
P/E	740.0
Annual Dividend Yield	-
Franking	-
Last Dividend Ex-Date	-
Last Dividend Pay Date	-
DPS (AUD)	-
ROE %	-

COMPANY OVERVIEW

Lepidico Limited (“**LPD**” or the “**Company**”) is an innovative developer of sustainable lithium hydroxide and other critical minerals and the global leader in lithium mica processing. With a tech-focused, ESG-led business model that is pilot-proven, its first lithium production – from far less contested mineral sources – is due in 2023.

The Phase 1 Project will provide a meaningful contribution to decarbonization of the world's alkali metals supply chains. The Company is also working to grow its business with its second project, Phase 2. Other businesses have already begun to license their patent-protected L-Max® and LOH-Max® technologies providing an avenue for royalty revenues.

Binding Offtake Signed with Traxys – On 16th December 2021, the Company announced that it has entered into a binding offtake agreement for sales-marketing, logistics and trade finance with Traxys Europe S.A. for 100% of the production of lithium hydroxide (5,000tpa) from the Company's planned Phase 1 Project. In addition, Traxys will act as an agent for 100% of the production of caesium sulfate solution (400tpa) from the Chemical Plant. The term of the agreement is the latter of 7 years or the delivery of 35,000mt of lithium hydroxide with an option to extend by mutual agreement.



Source – Company's Report

INVESTMENT RATIONALE:

- Lepidico Has Positioned Its Phase 1 Project as an Early Mover in the New Lithium Demand Cycle** – The Phase 1 Project is on the cusp of transitioning to construction. Development works started in May 2021 with the award of the two EPCM contracts to Lycopodium. Front End Engineering and Design for the Karibib concentrator is close to being finalized. FEED works for the chemical plant are tracking slightly behind, as tenders for long-lead equipment are revised to ensure they conform to project requirements. Lycopodium is also working closely with Abu Dhabi Ports to finalize early services works, which need to meet the stringent requirements of the site operator. The Phase 1 Project will support the world's growing demand for lithium products necessary to address the energy transition, storage, and Electric Vehicle revolutions.

- The Company's products from the chemical plant, whether it be lithium hydroxide, caesium/rubidium, SOP, amorphous silica, or the gypsum residue, have applications that result in decarbonisation, increased energy efficiency, and/or enhanced product yields. Furthermore, the plant is planned to be a zero solid process waste facility and the integrated Project, which includes the upstream operations in Namibia, will collectively have greenhouse gas emissions lower than its vertically integrated spodumene peers. Lepidico continues to identify further opportunities to future-proof its business, exemplified by the planned installation of a hydrogen-enabled boiler, which has the potential to lower greenhouse gas emissions to best in class at around 3t CO₂-e/t of lithium carbonate equivalent.
- **Vertically Integrated from Mine to Lithium Chemical** – The Company plans to continue to implement its strategy to become a vertically integrated alkali metals chemical company through the commercialisation of its proprietary technologies including L-Max®, S-Max®, and LOH-Max® and the ongoing growth, exploration, and development of its portfolio of lithium interests.
- **Market Outlook** - Rapid tightening in the lithium market has continued to be seen, with fundamental supply-demand deficits already emerging for certain lithium products. Leading industry commentator Benchmark Mineral Intelligence (BMI) recently advised that “the lithium deficit in 2025 will be bigger than the industry was in 2016”, when global supply was estimated to be just over 200,000t LCE. In the longer-term demand is forecast by BMI to grow to over 2.3 million tonnes LCE by 2030 with an annual supply deficit approaching as much as 1 million tonnes as producers struggle to bring new projects on stream.

ACE RECOMMENDATION:

Lithium mica minerals, in particular lepidolite, represent an alternative mineral source of caesium and rubidium. Lepidico's process technologies provide an elegant and environmentally responsible solution for the production of caesium and rubidium chemicals. The Company's Phase 1 is designed to produce up to 200t annually of caesium in chemicals and is the world's only new project on the cusp of development.

The Company's strategy remains to fast track the business to free cash flow generation by developing a sustainable lithium business that leverages its proprietary technologies, L-Max® and LOH-Max®. The Company remains committed to developing a sustainable and innovative business that makes quality products for applications that support its collective mission to decarbonise. The Company is focused to build a new vertically integrated alkali metals chemical company differentiated by its ESG-led technologies and non-traditional mineral sources. We recommend the stock as **SPECULATIVE BUY** at the closing price of \$0.036.

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