

Lepidico

Materially extended Phase 1 opportunity

Exploration update

Metals and mining

On Friday 23 September, Lepidico announced a series of impressive drill results from Helikon 4 (including 34.8m at 1.25% Li₂O) that extend the zone of mineralisation both down dip and along strike to the east towards Helikon 3 and Helikon 2. Drilling will continue, with a view to upgrading the mineral resource estimate at Karibib in October into the measured and indicated categories and thereby extend the Phase 1 operating life of the project from 14 to 20 years and potentially beyond. The upgraded resource will form the basis of a new mine plan at Karibib that will complement the company's chemical plant front-end engineering and design process, which is now scheduled for completion in November once procurement optimisation and design refinements are complete. A final investment decision on the project will then be made, with timing to be advised but possibly in the first quarter of calendar year 2023 (cf anticipated at end-September previously).

Year end	Total revenues (A\$m)	PBT (A\$m)	Cash from operations (A\$m)	Net cash/(debt)* (A\$m)	Capex (A\$m)
06/20	0.0	(10.8)	(4.7)	(0.4)	(7.5)
06/21	4.1	(0.3)	1.0	14.7	(0.6)
06/22	0.0	(7.9)	(5.5)	1.0	(8.6)
06/23e	0.0	(3.4)	(3.3)	8.7	(55.1)

Note: *Historical numbers include Desert Lion Energy convertible.

Lepidico's current resource at Helikon 4 amounts to 1.5Mt at a grade of 0.38% Li₂O in the inferred category, whereas the weighted average grade from the 2022 drill programme is in excess of 0.6% Li₂O. At the same time, a pit optimisation there indicates a strip ratio of less than 2:1, which compares with a life of mine average strip ratio of the project (as currently conceived) of 3.8 to one. As such, the inclusion of upgraded inferred material from the 2022 programme in an updated and modified mine plan holds out the possibility of the project mining and processing around an additional six years of higher-grade material in total (the difference between 14 and 20 years, above) in the earlier years of the project's execution and delaying the proposed cut-back of the Rubicon pit and the processing of lower grade material (hitherto anticipated around year nine of the project). All things being equal, this, in turn, should materially increase the US\$221m NPV₈ that Lepidico announced in its definitive feasibility study in mid-2020, even after making allowance for capex and opex inflation. In the meantime, Lepidico is continuing to proactively manage development risk, with an envisaged one quarter delay in the final investment decision being inconsequential within the context of the value added from the inferred mine life extension.

In our last note on the company ([Coming in sight of the Rubicon](#), published on 5 August 2022), we valued Lepidico at 6.66 Australian cents per share (cf 6.64c/share previously) plus a potential, risk-adjusted 0.63–1.55 cents for a conceptual 20,000tps LCE Phase 2 Plant to take the total aggregate conceptual valuation to 7.29–8.21 cents (fully diluted). This will be updated in a longer note, which will more fully consider the effects of the company's announcement in empirical terms in due course.

26 September 2022

Price **A\$0.0245**

Market cap **A\$159m**

A\$1.5204/US\$

Cash (A\$m) at end-June 2022 8.0

Shares in issue 6,507.2m

Free float 83.2%

Code LPD

Primary exchange ASX

Secondary exchange N/A

Share price performance



Business description

Via its Karibib project in Namibia and unique IP, Lepidico is a vertically integrated lithium development business that has produced both lithium carbonate and lithium hydroxide from non-traditional hard rock lithium-bearing minerals using its registered L-Max and LOH-Max processes.

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