



**Breakaway
Research**

May 2017

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www.breakawayresearch.com

Company Information

ASX Code	LPD
Share Price (26 May 2017)	A\$0.013
Ord Shares	2,035m
Options	151.75m
Market Cap undiluted	A\$26.5m
Est. Cash (26 May 2017)	A\$4.0m
Cash from option exercise	A\$3.5m
Total Debt	A\$0.0m
Enterprise Value	A\$20.9m

Directors

Chairman (Non-Executive)	Gary Johnson
Managing Director (Executive)	Julian "Joe" Walsh
Director Exploration (Executive)	Tom Dukovcic
Director (Non-Executive)	Mark Rodda

Substantial Shareholders

Strategic Metallurgy Pty Ltd	17.5%
Lithium Australia	15.9%

Source: Lepidico Limited

Company Details

Address	Level 1, 254 Railway Parade, West Leederville WA 6007
Phone	+618 9363 7800
Web	www.lepidico.com

Price Chart



Source: Commsec

Lepidico Ltd (LPD)

Next Step - Build A Lithium Resource Inventory!

Recommendation: Speculative BUY

Key Points

- Lepidico or its partners have commenced or are preparing to drill on a number of projects to rapidly build a lithium inventory which can be processed by the Company's patented L-Max® technology. These projects are:**
 - Defining a lepidolite-mica resource at the Alvarrões mine in Portugal.
 - Defining lepidolite-mica mineralisation at the Separation Rapids project in Kenora, Ontario.
 - Testing the PEG009 lepidolite-mica prospect at the Pioneer Dome prospect, WA.
- The building of a resource inventory is now a priority following the Company's positive pre-feasibility study on the Phase 1 development of the L-Max® technology. This technology can extract Lithium (Li) from Li-rich mica minerals such as lepidolite while the industry itself has typically focused on hardrock spodumene deposits or brine deposits.**
- As noted in our earlier research, the pre-feasibility study findings focused on a Phase 1 commercial project as follows:**
 - Production of 3,000 tpa battery grade lithium (LCE)
 - C1 costs at nil after by-product credits.
 - Kenora, Ontario has been selected as a likely site
- Total project value at commissioning is estimated to be around US\$190m using a 10% discount rate and a US\$10,000 per tonne lithium (LCE) price. This equates 3.9 cents per LPD share after a recent capital raising.**
- After potentially establishing a resource inventory by the end of 2017 and in alignment with a completed positive feasibility study, we expect Lepidico will be in a position to commence the Phase I Project development in Kenora, Canada.**

Lepidico ("LPD") owns the L-Max® technology – a technology which enables the extraction of lithium from lithium micas like lepidolite.

The L-Max® technology leaches the lithium in a relatively straightforward process using commonly available reagents. The process produces a number of valuable by-products and this value offsets the cost of producing lithium on a C1 cash cost basis (estimated by the Company's pre-feasibility study). The Company has released project parameters for its DFS and seeks to fast track development for first production in 2019.

Our recommendation is a SPECULATIVE BUY for LPD. The Company has access to valuable technology which could create a leading position in the lithium market in the short to medium term. The next step is developing a resource base to provide feed to its future L-Max® plants and combining this with a positive feasibility study outcome towards the end of 2017 should significantly de-risk the project and translate into a higher share price.



Company Overview

The L-Max® technology is an important competitive advantage for Lepidico ...

Lepidico is an ASX listed company that owns the L-Max® technology. This technology enables the processing (leaching) of lithium chemicals from lepidolite-micas in contrast to traditional lithium producers which process spodumene or petalite mineralisation to produce a concentrate. This provides Lepidico with a unique advantage as lepidolite-mica mineralisation has been ignored in lithium deposits in the past.

Breakaway Research published an initiation report on 15th March 2017 which provided investors with an overview of the L-Max® technology process and evaluated data from the Company's pre-feasibility study. This study proposes the construction of a new plant at Kenora in Ontario, Canada.

Our analysis of the pre-feasibility data indicates robust returns from developing a plant utilising the L-Max® technology and we present this data later in this report. Indeed, the returns are attractive and due largely to the low operating costs which are potentially zero on a lithium (LCE) unit basis after accounting for by-product credits. The encouraging results have lead the Company to:

1. Commence a Feasibility study on the Kenora project with completion due in late 2017.
2. Instigate or participate in drilling campaigns which are designed to outline lepidolite-mica resources capable of providing a concentrate feed to the L-Max® plant from around the world

The Company is now moving to a Feasibility Study and to establish resources ...

With positive outcomes from the above, development of the Kenora plant would commence in mid 2018 and first lithium production would be in 2019.

This report reviews the current drilling campaigns and in particular, Lepidico's intention is to announce lepidolite-mica reserves and resource concurrently with the release of the Feasibility Study later in CY2017. The Company conducted detailed metallurgical and costings in the Pre-Feasibility Study and Breakaway Research believes that the Feasibility study will only firm up but not materially change many of these parameters or estimates announced in the earlier Study.

The PFS was relatively comprehensive in its estimates.

Likewise with the current or proposed drilling campaigns, the projects have observable mineralised zones identified at surface and therefore the drilling is likely to move directly to providing data for resource estimates rather than representing early stage exploration programmes. This is particularly the case with the Alvarroes project in Portugal which is an existing lepidolite-mica quarry.

Likewise, the drilling is relatively low risk ...

Alvarroes Lepidolite Mine, Portugal

The Alvarroes Mine is owned and operated by Grupo Mota which mines lepidolite-mica for the manufacture of ceramics (lithium strengthens ceramics, as in CorningWare). Grupo Mota operates around quarries/mines around Portugal for industrial applications.

Alvarroes is already an operating lepidolite quarry....

On 9 March 2017 Lepidico announced that it had signed a binding terms sheet with Grupo Mota in a deal which could ultimately see Lepidico become the mine operator. In this case Lepidico would continue to provide Grupo Mota with 20,000 tpa lepidolite-mica but double or triple production with the remaining 20,000 to 50,000 tpa available for concentrating and shipping to Lepidico's proposed L-Max® plant at Kenora.

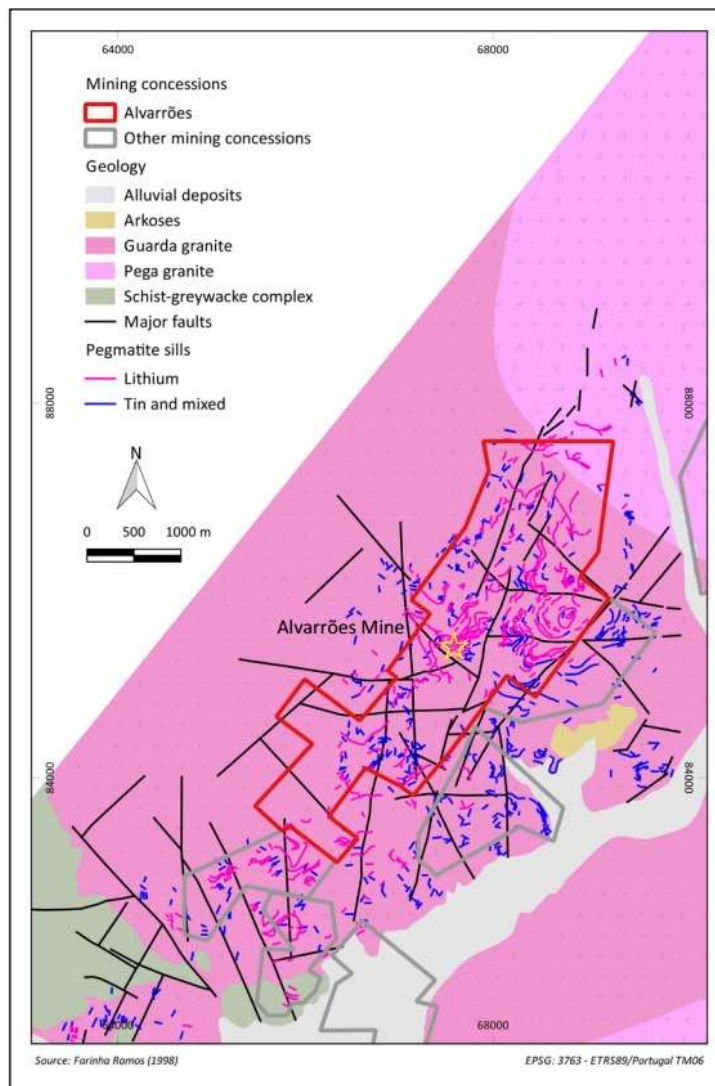
The initial part of the agreement involves Lepidico spending EUR 250,000 which is expected to be met by the current drilling programme.



Figure 1. The location of Alvarrões lepidolite mine, Portugal. (Source: Company).

The mineralisation occurs in numerous pegmatite veins which range between 10 cm to an estimated 8 m thick, dip around 15 degrees to the northwest and are hosted in the Guarda granite. The curvy traces of these pegmatites evident on the following map reflect their topographical outcrop on rolling hills rather than actual curvature in the pegmatites (Figure 2).

Alvarroes has numerous lepidolite rich pegmatites which range up to 8 m thick and are shallow dipping ...



Lepidico will initially target a 4-5m thick pegmatite sill and will drill vertical holes to establish down dip continuity. However the continuity of the pegmatites is already well established from surface exposure in the existing pits and in outcrop (observable 1km along strike and 500m down dip continuity).

Figure 2. (left) Pegmatite outcrops in the Alvarrões lepidolite mine, Portugal. (Source: Company).

Lepidico has designed a 25 hole drill programme to test mineralisation continuity (see Figure 3). The programme was designed to identify areas for infill drilling that would enable the Company to define a JORC Code compliant mineral resource estimate during the September quarter 2017.

This resource would then be converted to reserve status to meet the concentrate sourcing

requirements of the proposed Phase 1 L-Max® to be constructed at Kenora, Ontario.



At Alvarrões the Company believes there could be an exploration target of 1.5 Mt – 2 Mt of lepidolite-rich pegmatite grading 1.0% - 1.5% Li₂O. A resource of this size is potentially capable of producing 300,000t - 600,000t of lepidolite concentrate, or 10 – 20 years of lepidolite-mica feedstock for the Kenora Phase 1 L-Max Plant.

There is an exploration target of 1.5 – 2 Mt of lepidolite-rich pegmatite grading 1.0% to 1.5% Li₂O....

Underground mining could involve having development in ore and reducing mining costs....

Existing mining operations and the envisaged small footprint of proposed underground mining could mean reduced time for permitting.

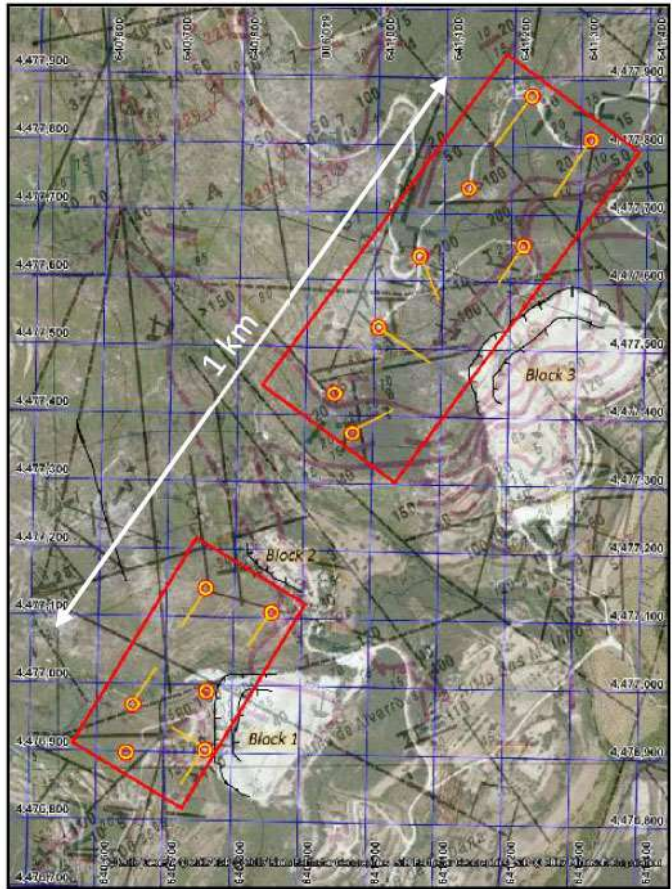


Figure 3. (left) Proposed drilling at Alvarrões lepidolite mine, Portugal. (Source: Company).

Extraction of the lepidolite-rich pegmatites is envisaged to involve shallow underground mining (room and pillar) with a portal into the hill. As such mining would follow the pegmatite sill, so that nearly all development would be in ore.

Because mining permits are currently in place for existing operations, the Company anticipates that permitting for a proposed underground mine could be achieved in a reduced time frame.

Lepidico would establish a concentrator on site for processing the pegmatite ore and produce a lepidolite-rich concentrate for shipment.



Figure 4. Rig set up on the first drill hole at Alvarrões lepidolite mine, Portugal. (Source: Company).



Peg 9, Pioneer Dome

The Peg 9 lepidolite prospect is located within the Pioneer Dome Lithium-Caesium-Tantalum (“LCT”) Project which is situated 30 km north of Norseman and 150 km south of Kalgoorlie, WA. The project is owned by Pioneer Resources (ASX: PIO). On the 23rd of February 2017 Lepidico announced a farm-in agreement cover the Peg 9 Prospect within Pioneer Resources’ overall LCT project area.

The PEG009 prospect represents a prospective lepidolite-mica target ...

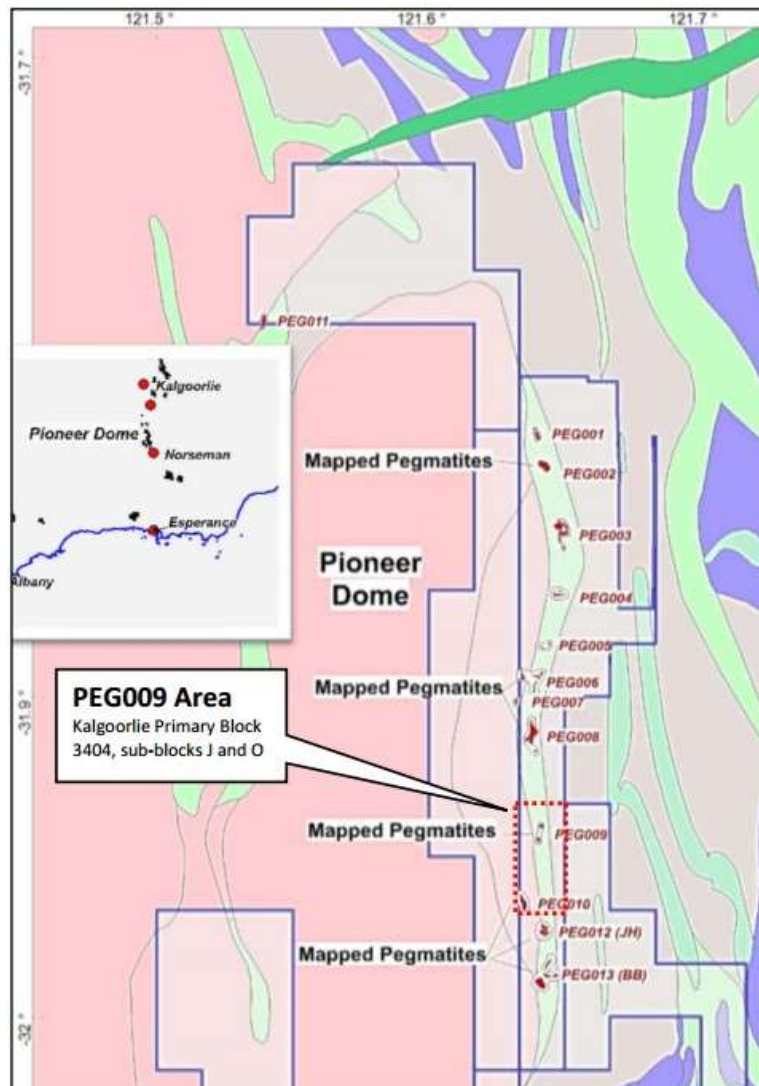
Under the terms of the farm-in, Lepidico can earn a 75% interest in the Peg 9 prospect by delineating an Indicated Resource of at least 500,000 tonnes grading at least 1.2% Li₂O within two years. Lepidico believes that a resource of this size could be capable of providing approximately 5 years of concentrate feed to a Phase 1 L-Max[®] plant.

Lepidico has already conducted bench scale metallurgical testing of Peg 9 lepidolite-bearing pegmatite and recorded the following recoveries:

- Mineralised samples grading 2.8% Li₂O were upgraded to 3.6% Li₂O concentrate with a recovery of 99%.
- This concentrate was subject to the L-Max[®] process and a 90% recovery is estimated to process the concentrate to a high specification battery grade lithium carbonate grading 99.7% Li₂CO₃.

Bench-scale testwork demonstrates the lepidolite-mica is highly suitable for processing using L-Max[®] technology...

There are also potentially caesium and rubidium credits in the residue.



The Peg 9 area covers approximately 3.5 km of strike of a lepidolite-rich pegmatite zone...

Figure 5. PEG009 prospect within Pioneer Resources’ broader LCT project, WA. (Source: Company).



The Peg 9 prospect sits within a forestry reserve and any proposed drilling requires a flora and fauna survey. This survey was recently completed and established that there were no endangered species within the proposed drilling area. The Company is now preparing a Conservation Management Plan for approval by the Department of Parks and Wildlife, with final approval for the commencement of drilling expected in June 2017.

Separation Rapids Lithium Project

The Separation Rapids Lithium Deposit is located 80 km north of Kenora in Ontario, Canada. This is potentially a world-class LCT-type fractionated pegmatite deposit, similar in scale to the Tanco (Canada) and Bikita (Zimbabwe) pegmatites. Separation Rapids is owned by Avalon Advanced Materials Inc. (TSX: AVL).

Avalon and Lepidico announced a non-binding letter of intent (“LOI”) on 6 February 2017 where Avalon would sell a minimum of 15,000 tpa lepidolite-mica concentrate to Lepidico for processing in its planned Phase 1 L-Max[®] plant to be located also near Kenora. This Phase 1 L-Max[®] plant is the subject of Lepidico’s Feasibility Study scheduled for completion by the end of CY17.

Avalon is due to complete a 2,000 metre diamond drilling program at its Separation Rapids, the results of which it will use to update its 2016 NI 43-101 Mineral Resource estimate, which was based on 2001 drilling data and which only considered petalite mineralisation. This resource is outlined below.

Avalon is currently drilling the Separation Rapids Lithium Deposit...

Class	Tonnes	Li ₂ O	Total Feldspar	Ta ₂ O ₅	Cs ₂ O	Rb ₂ O
	(Mt)	(%)	(%)	(%)	(%)	(%)
Measured	4.03	1.32	39	0.006	0.017	0.343
Indicated	3.97	1.26	39	0.007	0.025	0.362
Measured plus Indicated	8.00	1.29	39	0.006	0.021	0.352
Inferred	1.63	1.42	39	0.008	0.016	0.36

Original resource estimates ignored lepidolite mineralisation as a source of Li...

Figure 7. Petalite Resource at Separation Rapids Lithium Project. Source: http://avalonadvancedmaterials.com/projects/separation_rapids/

Importantly this resource represents total lithium in all mineralisation and the estimation ignored any lepidolite-mica rich mineralisation given the lack of processing options for treating lepidolite-mica at that time.

Our understanding is that the mineralisation is based on four zones (6a, 6b, 6c, and 6d), all containing petalite with varying amounts of lepidolite. However Zone 6d contains the highest proportion of lepidolite and this zone will be included in the revised Mineral Resource estimate.

Under the non-binding LOI, the lepidolite-mica mineralisation could be mined concurrently with the petalite mining. The lepidolite-mica mineralisation would be concentrated and toll treated by Lepidico at its proposed Phase 1 L-Max[®] plant at Kenora on an ‘arms-length’ basis.

In comparison the petalite mineralisation will be concentrated and then treated by Avalon’s proposed plant which is designed to treat petalite mineralisation on an adjacent site at Kenora. Avalon is in the stages of designing a smaller demonstration plant.



Having its own sources of lepidolite-mica concentrate places Lepidico in a better negotiating position with Avalon....

A negotiation position for Lepidico with Avalon is that Lepidico has alternative supplies of lepidolite-mica concentrate to Avalon’s Separation Rapids supply. This is to ensure Lepidico receives acceptable commercial terms to purchase the lepidolite-mica concentrate.

Hence, the Company’s focus on fast tracking the Alvarrões project to be able to provide available reserves and also the testing of Peg 9. While we expect Avalon will provide reasonably commercial terms, in the longer term Lepidico may consider establishing new L-Max® plants to process Alvarrões and potentially Peg 9 mineralisation in other parts of the world.

Recapping Feasibility Study Parameters

Lepidico released the findings of its Pre-feasibility study on the Kenora Phase 1 L-Max® plant on the 27th February 2017 (see Breakaway Research report dated 15 March 2017). Its positive findings encouraged the Company to immediately commence its Feasibility Study (“DFS”) with the following parameters:

- Plant throughput 29,000 tpa of lithium-mica concentrate
- Production of 3,000 tpa lithium carbonate equivalent (LCE, battery grade)
- Average targeted C1 Costs of nil or negative after by-product credits
- Average targeted C3 Costs in the US\$1,000 to US\$2,000 /t range after by-product credits and amortisation of expected development and sustaining capital
- Estimated study costs of US\$5 m and Development Capital Expenditure of US\$35-40 m including 20% contingency
- By-products include sulphate of potash (SOP), caesium, tantalum concentrate and sodium silicate

The PFS findings encouraged Lepidico to immediately commence the DFS ...

It is important to appreciate that Lepidico’s business model involves the ability to source lepidolite-mica concentrate from a number of sources including third party suppliers like Avalon or its own supplies. However, the value is inherent in the low cost processing using the 1 L-Max® technology which sets the Company apart from other lithium producers.

As previously described, the Lepidico’s Phase 1 project potentially involves Avalon producing a lepidolite-mica concentrate at its Separation Rapids Lithium Deposit and selling it to Lepidico for treatment in Lepidico’s Phase 1 L-Max® plant at Kenora (see Fig 8).

The value Lepidico stems from the low cost processing technology and not necessarily having to ‘own’ the source of the lepidolite concentrate ...

Responsibility	Parameter	Value/Quantity
Avalon/third party suppliers produce a Li rich concentrate	Ore processed (tpa)	61,790
	Grade (Li ₂ O)	2.2%
	Recovery	96%
Purchased from Avalon/third party suppliers by Lepidico	Lepidolite concentrate purchased (t)	29,000
	Grade (Li ₂ O)	4.50%
	Recovery	94%
	Conversion factor to Li metal	0.464
	Contained lithium metal (t)	569
	Conversion factor to lithium carbonate	0.188
Produced by Lepidico	Lithium Carbonate production (t LCE)	3,028

Figure 8. Relationship with feedstock source to Lepidico’s proposed processing facility at Kenora location map (Source: BR, Company)

Breakaway Research has provided some of the key tables from the pre-feasibility findings and which were summarised in our earlier report. Figure 9 provides details of the quantities of by-products it expects to produce in conjunction with 3,000 tpa of Lithium Carbonate. These quantities reflect the number of elements in lepidolite mica in comparison to other lithium bearing minerals - spodumene and petalite.



Product	Annual Production (tpa)
Lithium Carbonate (>99.5%)	3,000
Sulphate of Potash (SOP) (>95% K ₂ SO ₄)	3,000-4,000
Sodium Silicate (40wt% solution at SiO ₂ :Na ₂ O ratio of 2)	40,000-50,000
Caesium (as metal contained in formate)	10-100
Tantalite Con (30% Ta ₂ O ₅)	20-25

Figure 9. Forecast lithium carbonate production and by-products from the Phase 1 project. (Source: Company)

By-products are more prevalent in treating lepidolite in comparison to other sources of Li...

Sodium silicate is not well known but is a widely used product and is used in adhesive, drilling fluids, concrete and general masonry treatment products, detergent auxiliaries, used in water treatment, used in refractories and in dyes.

In terms of costs, the Company has completed investigations to a relatively high level of confidence. It forecasts a total unit cost of US\$1,129 per tonne of lepidolite concentrate processed as outlined in Figure 10. This includes the cost the lepidolite concentrate provided by a third party source and its transportation to the Lepidoco's proposed L-Max[®] processing plant at Kenora.

Item	US\$/t of concentrate processed
Concentrate purchase	350
Concentrate transport	4
Inbound consumables logistics	144
Consumables FOB	286
Processing costs other	186
Sales, marketing, and outbound logistics	55
General and administration	104
Total Unit Cost	1129

Figure 10. The composition of the estimated US\$1,129/t processing costs. (Source: Company)

Unit processing costs have been estimated at US\$1129 per tonne of lepidolite concentrate treated ...

Operating costs are a key component of the project economics. These are summarised in Figure 11. Not surprisingly with the level and the value of the by-products, the C1 cash costs are forecast to be below zero on a per tonne of Lithium Carbonate production basis.

Parameter	Unit	Value
Plant throughput (concentrate)	tpa	29,000
Lithium Carbonate Production	tpa	3,000
LiC C1 cost (co-product basis)	US \$/t	4,000-5,000
LiC C3 cost (co-product basis)	US \$/t	5,000-6,000
LiC C1 cost (net of by-product credits)	US \$/t	less than zero
LiC C3 cost (net of by-product credits)	US \$/t	1,000-2,000

Figure 11. Estimated production costs for the Phase 1 DFS. (Source: Company)

C1 costs are less than zero when by-product credits are factored in...



Details on estimated Capex have also been reported by the Company and we have reproduced these estimates in Figure 12. These have also incurred a relatively high level of rigour with a comparison of supplier quotes on key items.

Phase 1 capex is estimated at US\$44.1m...

Item	US\$m
Feasibility Study and 2017 Owners Costs	5.0
L-Max [®] plant direct costs	18.7
L-Max [®] plant services	4.6
Infrastructure	2.6
Indirect costs	6.7
Contingency at 20%	6.5
Total	44.1

Figure 12. Capital costs estimates for the Phase 1 project. (Source: Company)

The cost curve below indicates that the Phase 1 project is extremely competitive on a C1 and C3 basis net of by-product credits.

Lepidico's position on the cost curve would be extremely competitive ...

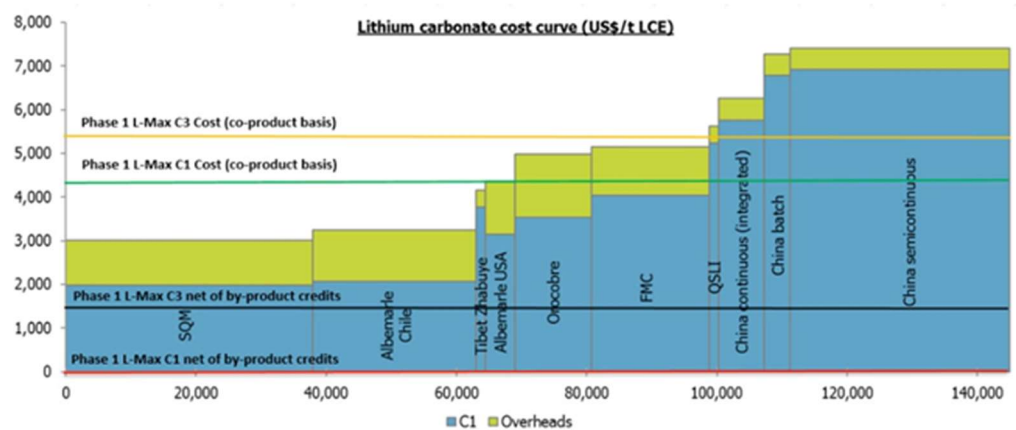


Figure 13. The Phase 1 positioning on a lithium production cost curve. (Source: Company)

Indicative Valuation of the proposed L-Max[®] plant (Phase 1)

The detailed cost and operating parameters reported by the Company on Phase 1 DFS provides analysts with data to conduct a preliminary valuation.

We have estimated a valuation based on discounting expected cash flows in perpetuity and using a 10% discount rate. This is summarised in Figure 14 and indicates our assessed valuation for the Phase 1 DFS project involving the construction of a plant in Kenora, Ontario and sourcing the lepidolite concentrate from the Separation Rapids Lithium project nearby. Using a LCE price of US\$10,000/t, we estimate that the project has a value around US\$190 m although we caution that it is based on PFS parameters.



Valuation based on discounted perpetual cash flows	
Annual Lithium Carbonate (LCE) production (t)	3,000
Lithium price (US\$/t)	10,000
Gross revenue (US\$m pa)	30.00
<i>Less</i>	
Li concentrate processed	15,000
C3 operating costs (after by-product credits) US\$ per LCE t	2,000
Total operating costs (US\$m pa)	6.00
Annual sustaining capex (US\$m pa)	1.1
Annual cash flow (US\$m pa)	28.9
Effective tax rate*	20%
Post-tax cash flow (US\$m pa)	23.12
NPV at 10% discount rate (US\$m)	231
<i>Less</i>	
Capex for Phase 1 project (US\$m)	44.1
NPV at 10% discount rate (US\$m)	187.1

Our valuation on PFS estimates is around US\$187m ...

Figure 14. Phase 1 Project Valuation (Source: BR)

* We have used a 20% tax rate to reflect a realistic tax rate that would be applicable after D&A deductions and reinvestment.

This provide a 3 times uplift to the Lepidico share price if it is assumed that Lepidico will raise the US\$44.1m required to finance the project at its current share price (unlikely). This is outlined in Figure 15.

This uplift would be expect to occur as the project meets critical milestones such as a positive DFS, securing financing, and project development.

NPV at 10% discount rate (US\$m)(from above)	187.1
AUD/USD	0.74
NPV at 10% discount rate (A\$m)	252.8
Lepidico enterprise value (EV)	20.9
Dilution in raising capex (assume 100% equity financed)	59.6
Lepidico - fully diluted to finance Phase 1 Project	80.5
Multiple uplift on EV	3.1

This NPV represents a 3.1 times uplift in value...

Figure 15. Project value in comparison to the enterprise value of Lepidico. (Source: BR)

The encouraging feature of this valuation is that it is only represents the Phase 1 project and doesn't assess the value of Phase II expansion or the ability to replicate this business model with other projects as outlined in the next section.

In Figure 16, we have adjusted the number of Lepidico (LPD) shares on issue to reflect a situation where the entire Phase 1 capital is funded by a share issue at the current share price. This has also been diluted for LPD issued options. The value per share is 3.9 cents, a substantial premium to the current share price.



The Phase 1 project represents 3.9 cents per Lepidico share when developed...

Shares & options now on issue (m)	2187.7
Additional shares need to finance Phase 1 (A\$m, net of cash raised from option exercise)(m)	4313.2
Total shares on issue post financing (m)	6500.9
Project NPV at 10% discount rate (A\$m)	252.8
Value per share (A\$)	0.039

Figure 16. Project value on a per LPD share basis after financing by a share issue at \$0.013 share price (Source: BR)

Market Capitalisation & Enterprise Value

The enterprise value of Lepidico is estimated at A\$20.1m. The calculation is outlined in Figure 17. The number of shares on issue is very high and LPD will have to consider a consolidation in the future.

It has too many shares on issue and needs to consolidate at some stage...

Parameter		Value
Share price	A\$m	0.013
Shares issued	m	2036.0
Options issued	m	151.8
Market capitalisation (diluted)	A\$m	28.4
Less		
Cash at 31 Dec 2016	A\$m	4.0
Cash raised from option exercise	A\$m	3.5
Add		
Debt	A\$m	0
Enterprise value	A\$m	20.9

Figure 17. Enterprise value calculation

Options issued are summarised in Figure 18.

Expiry	Number issued	Exercise Price	Amount Raised
30-Sep-17	27,750,000	0.030	832,500
3-Aug-18	40,000,000	0.018	726,000
31-Dec-18	9,000,000	0.010	90,000
31-Dec-19	50,000,000	0.025	1,250,000
31-Dec-19	25,000,000	0.025	625,000
Total	151,750,000	0.023	3,523,500

Figure 18. Issued options.



Lepidico Director Backgrounds

The Board comprises members which have experience of growing large companies including MD Joe Walsh. The Chairman, Gary Johnson, was instrumental in developing the L-Max® technology and also brings the experience of how to implement it.

*Well experienced Board
and management....*

Mr Johnson has over 30 years' experience in the mining industry as a metallurgist, manager, owner, director and managing director possessing broad technical and practical experience in the strategies required to create successful mining companies. He is the managing director of the consulting business, Strategic Metallurgy Pty Ltd, and a director of Antipa Minerals Ltd and St Georges Platinum and Base Metals Ltd. He is also Lepidico's major shareholder.

Mr Walsh is a resources industry executive and mining engineer with over 25 years' experience working for mining companies and investment banks. Joe was the General Manager Corporate Development with Pan Aust and was instrumental in the evolution of PanAust from an explorer in 2004 to a US\$2+ billion, ASX 100 multi-mine copper and gold company. Joe also has extensive equity market experience and has been involved with the technical and economic evaluation of many mining assets and companies around the world.

Mr Dukovic is a geologist with over 25 years' experience in exploration and development. He has worked in diverse regions throughout Australia and internationally in southeast Asia and Brazil. During this time he has been directly involved with the management of gold and copper discoveries in Australia and gold in Brazil.

Mr Rodda is a lawyer with twenty (20) years private practice, in-house legal, company secretary and corporate consultancy experience. Mark currently manages Napier Capital, a business established in 2008 to provide clients with specialist corporate services and assistance with transactional or strategic projects. Prior to its 2007 takeover by Norilsk Nickel, Mark held the position of General Counsel and Corporate Secretary for LionOre International, a company with operations in Australia and Africa and listings on the Toronto Stock Exchange (TSX), London Stock Exchange and ASX. Mark is currently a director of Antipa Minerals Ltd.



The market will factor in higher credibility as Lepidico delivers its DFS and concentrate sources in the next 6 months ...

Breakaway's View

Lepidico (LPD) has targeted the end of CY 2017 to firstly, have completed the Definitive Study on its Phase 1 L-Max[®] plant at Kenora, and secondly, to have a number of lepidolite-mica concentrate sources from around the world.

The Company has recently announced it has commenced drilling at Alvarrões, Portugal and is moving towards commencing a drill campaign at PEG009 on the Pioneer Dome project, WA. Avalon is also re-calculating resources at its Separation Rapids lithium project which is expected to be announced in the next few months given the imminent completion of its current drilling programme.

The advanced Alvarrões project and the prospectivity of PEG009 means that Lepidico will have alternate lepidolite-mica concentrate sources for its Kenora L-Max[®] plant than to simply purchase lepidolite-mica concentrate from Avalon's Separation Rapids lithium deposit. While this is likely to be the case, it means that Lepidico will receive normal commercial terms for this concentrate as otherwise it can source its own lepidolite-mica concentrate from Alvarrões.

Lepidico is now advancing towards completing the DFS by the end of CY2017 and which will be supported by internal and external sources of lepidolite-mica concentrate.

Breakaway's recommendation remains a *Speculative Buy* and is based the following factors:

- The robust economics of the Phase 1 project at Kenora which is likely to lead to a steadily increasing share price as this project moves to development
- The market factoring increasing credibility when the Company delivers both the DFS and supporting lepidolite-mica concentrate feedstock sources within the next 6 months
- The medium and longer term potential of ramping production using the L-Max[®] technology which will be valued by the market as a pipeline of projects once there is confidence in the Phase 1 L-Max[®] project at Kenora.

Share price drivers going forward will be largely related to the DFS findings on the Phase 1 Kenora project and the Company's ability to secure project finance. Success at Alvarroes and to a lesser extent, Peg 9, will boost market confidence that Lepidico remains on track to deliver its promises.



Analyst Verification

I, Stephen Bartrop, as the Research Analyst, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

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