

Lepidico

Drilling tees up Q3/Q4 mineral resource estimates

In a busy Q3, Lepidico (LPD) has announced two sets of drilling results from Alvarrões in Portugal, one set from Lemare in Quebec and the conclusion of a farm-in deal in Western Australia. Edison estimates that the Alvarrões drilling results are indicative of a resource in the order of 0.7-2.3Mt of mineralised material at a grade of 1.10-1.13% Li₂O, with an in-situ value (upon achieving JORC-compliance) of US\$0.5-1.6m. Note that formal mineral resource estimates are expected from both Alvarrões and Separation Rapids in September or October 2017.

Year end	Total revenues (A\$m)	PBT* (A\$m)	Cash from operations (CFO) (A\$m)	Net (debt)/cash (A\$m)	Capex (A\$m)
06/15	0.0	(1.0)	(1.1)	(0.1)	(0.0)
06/16	0.1	(2.3)	(1.0)	0.7	(0.1)
06/17e	0.0	(1.1)	(0.2)	3.3	(2.5)
06/18e	0.0	(2.8)	(4.2)	15.1	(23.1)

Note: PBT is reported.

Resources likely to support Phase 1 development

Upstream lithium mica feed to Lepidico's planned Phase 1 L-Max[®] plant is to be provided from as many as three lepidolite deposits – namely, Separation Rapids (via a concentrate offtake arrangement with Avalon Advanced Materials), the Alvarrões lepidolite mine (via an ore offtake arrangement with Grupo Mota) and/or the PEG009 deposit at Pioneer Dome (subject to 75% farm-in by Lepidico). Of at least as much significance as the direct value of the in-situ resources being drilled therefore is the fact that it is highly likely that the mineral resource updates in September/October will confirm that Lepidico has the 1Mt required to supply a Phase 1 L-Max plant development for in excess of 10 years.

Phase 1 feasibility study ongoing

A trade-off study between Kenora and Sudbury as potential site locations for the plant was completed in July 2017. Suitable enclosed facilities serviced by power, gas and road within established industrial parks close to the rail network have been identified for lease at both locations. However, management reports that, when compared to Kenora, Sudbury may provide substantial operating cost savings and greater access to mining and processing services.

Valuation: 68% premium to current share price

Edison estimates that execution of the PFS according to the operational parameters contained therein will result in free cash flow to Lepidico of A\$26.7m per annum once steady-state production at the Phase 1 L-Max plant has been achieved. Assuming US\$30m (A\$37.7m) of equity financing at the prevailing share price, this implies a valuation for Lepidico of A\$0.0185/share currently (from A\$0.0202/share due to the lower share price and associated dilution, and updated FX). This rises to A\$0.0271 in FY22, based solely on discounting our estimate of (maximum potential) future dividends to shareholders derived from the Phase 1 plant at a rate of 10% per annum (fully diluted) – ie no value is ascribed to the development of the Phase 2 plant or other development options.

Drilling results

Metals & mining

11 September 2017

Price **A\$0.012**

Market cap **A\$25m**

A\$1.2579/US\$

Net cash (A\$m) at end June 2017 3.3

Shares in issue 2,139.5m

Free float 66.68%

Code LPD

Primary exchange ASX

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (7.7) (14.3) 2.7

Rel (local) (6.8) (14.7) (1.8)

52-week high/low A\$0.0 A\$0.0

Business description

Lepidico provides exposure to a portfolio of lithium assets via its wholly owned properties, JVs and IP in Australia, Canada and Europe. Uniquely, it has successfully produced lithium carbonate from non-traditional hard rock lithium bearing minerals using its registered L-Max[®] process technology.

Next events

Feasibility study process design End 2017

Feasibility study report Q2 2018

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[Edison profile page](#)

**Lepidico is a research client of
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Investment summary

Over the course of the past month, following our initiation note (see [Masterful metallurgy](#), published on 4 July 2017), Lepidico has released a number of announcements to the market, including:

- two sets of drilling results from Alvarrões in Portugal (see 'Geological assets' on page 8 for a brief summary of the asset);
- one set of drilling results from Lemare, in Quebec;
- the announcement of a farm-in deal with Maximus Resources over the Moriarty lithium project in Western Australia;
- the award of the engineering project for the provision of engineering services for the company's Phase 1 L-Max plant feasibility study to Lycopodium; and
- an announcement from Avalon Advanced Materials (with which Lepidico has a lepidolite concentrate supply agreement – see page 7) confirming high-grade lepidolite mineralisation at Separation Rapids.

Each is considered separately, below.

Alvarrões

On 20 July, Lepidico announced the results of the first seven drill holes from its diamond drilling programme at Alvarrões. In general, the programme confirmed multiple, lepidolite-bearing, near surface pegmatite sills, which were confirmed over at least 300m of strike and 200m down-dip. The lepidolite content of the sills was typically between 15% and 25% and lithium oxide (Li₂O) grades as high as 1.4% over 3.35m were recorded (hole ALVD04). The drill results were interpreted by Lepidico management as being indicative of a "large lithium mica mineralised system", as a result of which, a second drill rig was mobilised to site and mine planning and geotechnical consultants appointed, with a view to expediting a mineral resource estimate after the completion of the drill programme in August. One month after its initial drill results, on 25 August, Lepidico announced the results of a further three holes (ALVD08-11, with one abandoned hole, namely ALVD-09). As at that date, 17 holes had been completed, for a total advance of 1,042m (an average of 61.3m per hole). All told, the holes identified 12 stacked sills (denoted H-S). Importantly, drilling demonstrated continuity of the thicker sills in Block 1, which were interpreted to extend at least 400m along strike (NE-SW) and 350m down dip (towards the north-west). A conflated summary of the drill holes is provided below and the location of the drill holes overleaf.

Exhibit 1: Alvarrões diamond drill lepidolite-bearing pegmatite significant intercepts, summary

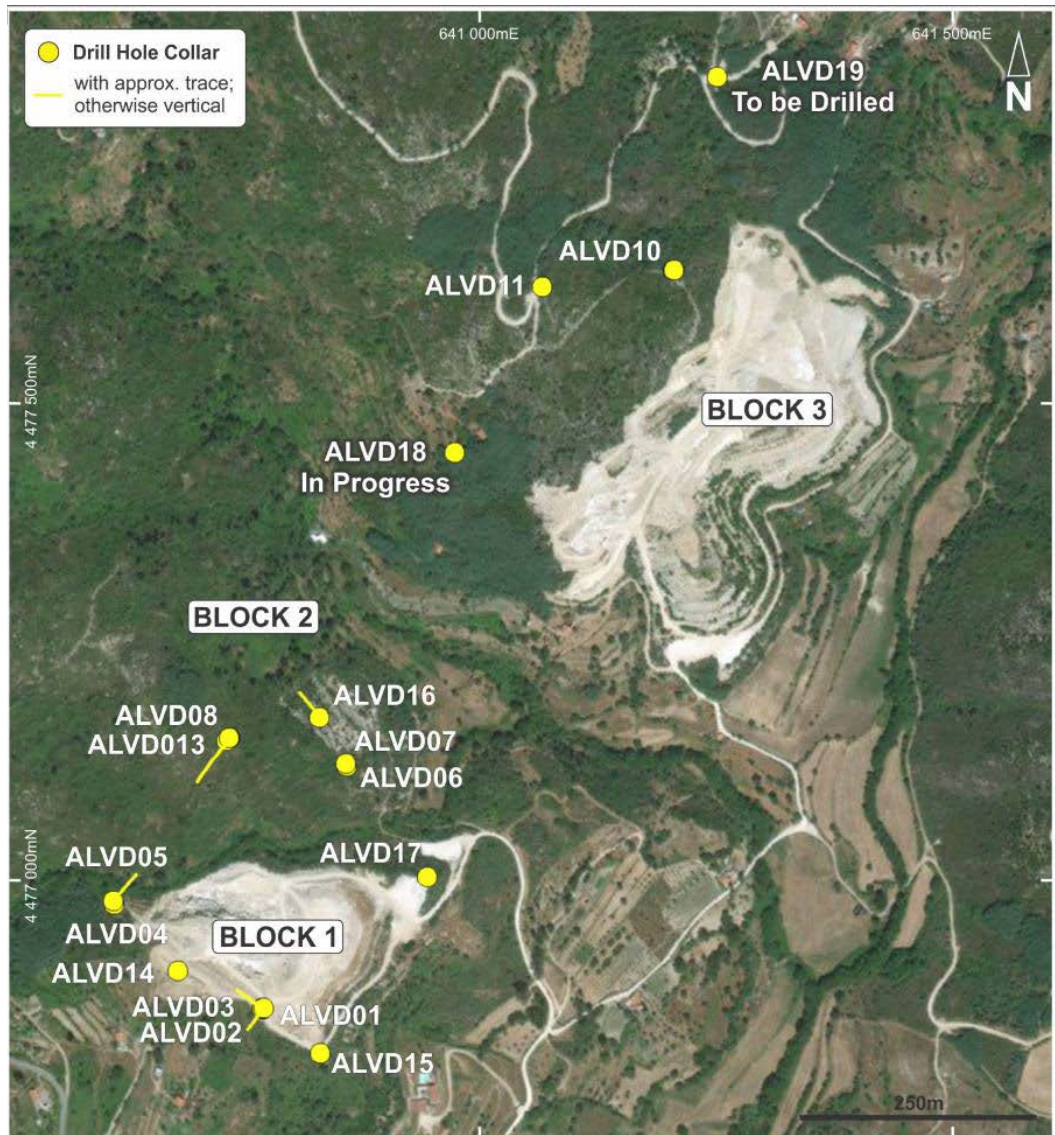
Hole identification	True thickness (m)	Average grade (% Li ₂ O)	Metal content factor (m.%)
ALVD01	4.98	0.71	3.5524
ALVD02	5.96	1.13	6.7063
ALVD03	0.94	0.82	0.7708
ALVD04	10.54	1.20	12.6438
ALVD05	4.56	1.13	5.1628
ALVD06	2.40	1.12	2.6880
ALVD07	4.45	0.76	3.3815
ALVD08	5.10	*1.53	7.8030
Block 1 totals/averages	4.87	1.10	42.7086
ALVD10	4.97	1.38	6.8404
ALVD11	6.76	1.15	7.7435
Totals/averages	5.07	1.13	57.2925

Source: Lepidico, Edison Investment Research. Note: *Includes one sample over limit (>10,000ppm Li) being re-assayed.

Note that, for the purposes of the above table, true widths represent a conflation of all of the separate, individual sample widths. The average grade is weighted by individual sample width.

In all but three holes, the true width of the intersection was reported to be the same as the down-hole interval, indicating that the drill hole intersected the sill at right angles (as desired). All of the holes intersecting at right angles were drilled at a dip of 90°, indicating that the sills are essentially flat-lying.

Exhibit 2: Alvarrões diamond drill hole location



Source: Lepidico

Note that Block 1 has been studied by holes ALVD01-08, while Block 3 has been probed by holes ALVD10-11.

Under the terms of its agreement with Grupo Mota (announced on 9 March 2017), Lepidico is undertaking development expenditure of at least €250,000 over an 18-month exclusive period on Alvarrões with the goal of defining a JORC-compliant mineral resource of >1Mt at a grade of 1.5% Li₂O. In return, Lepidico will have an exclusive/pre-emptive right for three years in which to effect a commercial relationship with Grupo Mota regarding the supply of ore/concentrate from Alvarrões to Lepidico and/or the right for Lepidico to develop and operate a lithium mica mining and concentration project there. To this end, the drill programme was scheduled to be completed by the

end of August, with final assay results anticipated by mid-September ahead of a maiden JORC code-compliant mineral resource estimate at Block 1 around the end of September or the beginning of October.

Edison estimates that holes ALVD01-08 (ie Block 1) cover a surface area of approximately 52,212m². Assuming continuity of mineralisation between the holes implies a volume of mineralised material of 254,079m³, corresponding to a tonnage of 660.6kt at an average density of 2.6t/m³. At an average grade of 1.10% Li₂O, such a tonnage would contain 7,247t of Li₂O, or 17,921t of lithium carbonate equivalent (LCE) at a conversion ratio of 2.4728 LCE:Li₂O by mass. Note that this estimate is, self-evidently, non-JORC compliant and is intended to provide readers and investors with an order of magnitude interpretation of the drilling performed to date only. In our last major sector report, [Gold and other metals: Normalisation augers well for exploration](#), published in October 2016, Edison estimated an in-situ value for non-spodumene lithium of US\$25.72/t LCE, on which basis the delineation of 17,921t LCE JORC-compliant resource would have a value of US\$0.46m.

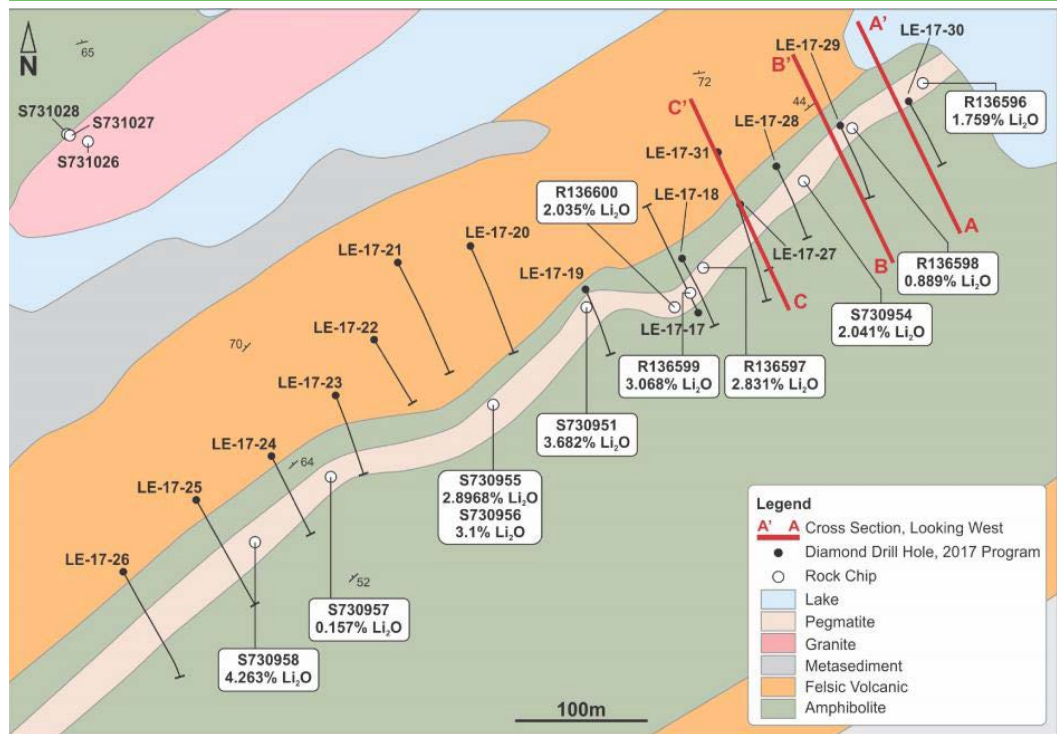
Similarly, assuming continuity of mineralisation across all the holes for which assay results have been provided, Edison estimates that holes ALVD01-11 (ie Blocks 1 and 3 combined) cover a surface area of approximately 171,645m², which, in turn, implies a volume of mineralised material of 869,552m³, corresponding to a tonnage of 2,260.8kt at an average density of 2.6t/m³. At an average grade of 1.13% Li₂O, such a tonnage would contain 25,568t of Li₂O, or 63,225t of lithium carbonate equivalent (LCE). At a global average in-situ value of US\$25.72/t LCE, such a resource should similarly have a value of US\$1.63m. Note that drill hole ALVD18, which is currently in progress, should confirm continuity between Block 1 and Block 3. Hole ALVD19 could determine whether Blocks 1 and 3 are part of a larger mineralised system that, as yet, remains to be drill tested. Either way however, management believes that continuity of mineralisation has now been demonstrated over a sufficient area to establish Alvarrões as a primary feed-source of lithium mica for its proposed L-Max plant with a throughput capacity of 30,000tpa to produce c 3,000t of battery grade LCE, planned to be built in Ontario and currently the subject of a feasibility study.

Note that the mineralised pegmatite system at Alvarrões remains open in all directions, including at depth.

Lemare spodumene

At the same time as it released its Alvarrões results, Lepidico also released results from its second stage of drilling at the Lemare spodumene deposit in Quebec. All told, the programme covered a 600m long extension of the deposit (denoted the SW Extension). A total of 15 holes of NQ core were drilled over 1,527m (an average of 101.2m per hole) on nominal 50m sections along the mapped extension of the spodumene deposit to the SW of the discovery zone drilling last year.

Exhibit 3: Lemare SW Extension, simplified geology showing hole locations



Source: Lepidico

Highlights of the diamond drilling were:

- the deposit was extended by 250m; and
- wide intercepts encountered (eg 33.7m at 0.94% Li₂O and 18.0m at 2.00% Li₂O).

However, drilling to the west of a sharp inflection in the interpreted position of the surface mineralised corridor (ie to the south-west, or bottom right, of hole LE-17-19) failed to intersect the spodumene pegmatite or identified only relatively narrow intervals – albeit this is characteristic of the pinch-and-swell nature of the pegmatites encountered elsewhere at the main Lemare prospect 300m to the north-east across the lake (shown in the upper right of Exhibit 3).

As at Alvarrões, a conflated summary of the drill holes is provided below:

Exhibit 4: Lemare SW Extension, significant intersections (>0.5% Li₂O), summary

	From (m)	To (m)	Interval (m)	True thickness (m)	Li ₂ O (%)	MCF (m.%)
LE-17-17	109.70	111.80	2.10	1.35	1.37	1.85
LE-17-18	11.50	26.80	4.80	3.09	1.57	4.83
LE-17-19	3.00	47.10	7.40	4.76	1.13	5.36
LE-17-27	13.30	36.60	12.20	7.84	1.42	11.17
LE-17-28	22.50	52.80	16.40	10.54	1.59	16.76
LE-17-29	9.60	58.10	39.50	25.39	1.03	26.07
LE-17-30	6.80	42.30	21.00	13.50	2.04	27.54
LE-17-31	62.00	73.00	2.30	1.48	1.52	2.25
Totals/averages			13.21	8.49	1.41	95.83

Source: Edison Investment Research, Lepidico

All holes were drilled at a dip of 50° and, for the purposes of estimating the true thickness of the intersections, Edison has assumed that the pegmatite is oriented in a vertical configuration.

Assuming continuity of mineralisation down to a depth of 83.34m (calculated from hole LE-17-17) implies a volume of mineralised material of 182,214m³, corresponding to a tonnage of 473.8kt at an average density of 2.6t/m³. At an average grade of 1.41% Li₂O, such a tonnage would contain 6,682t of Li₂O, or 16,523t of lithium carbonate equivalent (LCE) at a conversion ratio of 2.4728

LCE:Li₂O by mass. Note that this estimate is, self-evidently, non-JORC compliant and is intended to provide readers and investors with an order of magnitude interpretation of the drilling performed to date only. In our last major sector report, *Gold and other metals: Normalisation augers well for exploration*, Edison estimated an in-situ value for lithium carbonate equivalent hosted in spodumene of US\$124.91/t, on which basis the delineation of 16,523t LCE JORC-compliant resource would have a value of US\$2.06m (excluding any value for by-product contained within lithium mica).

Under the terms of its option agreement with Critical Elements Corp (CRE), LPD is earning up to a 75% interest in the Lemare project. To maintain its position, it had an initial requirement to spend C\$800,000 on exploration by 31 August. With completion of the Stage 2 drilling programme, Lepidico reports that it has met this requirement. Now, in order to complete the earn-in to an initial 50% interest, LPD is required to fund a further C\$1.2m and to delineate a JORC code-compliant resource by 31 August 2018. The company can then earn a further 25% interest by completing a feasibility study and an environmental study on Lemare by 30 June 2020 and by making a payment of C\$2.5m in cash or shares to CRE.

Other developments

Moriarty earn-in

On 21 August, Lepidico announced that it had agreed to earn in to a 75% interest in Maximus Resources' lithium rights in the Spargoville project, located 70km south of Kalgoorlie and 20km south-west of Kambalda in Western Australia and henceforward known as the Moriarty Lithium project.

The project covers 70km² of lithium prospective ground, 20km south of the Mt Marion lithium mine, comprises approximately 15km of strike of mafic and ultramafic rocks of the Norseman-Wiluna greenstone belt and contains the Lefroy, Landor and Larkinvile prospects. Notably, the project contains several known occurrences of lithium-caesium-tantalum (LCT-type) mica (lepidolite) pegmatites at the Lefroy prospect, at which Maximus reported a 200m long pegmatite averaging 3.55%, with a peak value at 4.97%, Li₂O (vs a theoretical maximum of 7.70%). Maximus also reported additional lithium occurrences at the Landor and Larkinvile prospects, while mapping by the Geological Survey of Western Australia showed the presence of pegmatites that are considered to be similar to the pegmatites at Mt Marion.

Consideration for Lepidico's 75% interest is a total of A\$350,000, payable as follows:

- On execution of the term sheet, payment to Maximus of A\$80,000 in Lepidico shares (now completed).
- Six months after execution, payment to Maximus of A\$120,000 is cash or shares (at Lepidico's discretion) at a five-day volume-weighted average price (VWAP).
- One year after execution, payment to Maximus of A\$150,000 is cash or shares (at Lepidico's discretion) at a five-day VWAP.

Finally, Lepidico can secure 100% of the lithium rights at Spargoville by making a payment of A\$400,000 similarly in shares or cash at a five-day VWAP issue price.

L-Max Phase 1 feasibility study engineering services contract

To date, Lepidico has conducted large-scale laboratory tests that have shown the L-Max technology to operate continuously and stably over a protracted period of time. On 27 February 2017, it announced the results of a pre-feasibility study (PFS) into the Phase 1 plant. The study confirmed the viability of constructing a strategically located Phase 1 L-Max plant at Kenora in Ontario,

processing lithium-mica concentrates purchased from third-party suppliers. The study assumed a small-scale, commercial L-Max plant processing a lithium-mica concentrate feed at a rate of 3.6 tonnes per hour (tph) to produce approximately 3,000tpa of battery-grade lithium carbonate and a suite of commercially important by-products. Having received the results of the PFS for the Phase 1 L-Max Plant, Lepidico's strategic imperative is now the advancement of the project to full feasibility study (FS) level and the subsequent development of the Phase 1 plant. To this end, on 3 August, Lepidico announced the appointment of Lycopodium for the provision of process and engineering services for the Phase 1 L-Max full feasibility study. As with the PFS, the objective of the study will be to define an economically and technically viable small, commercial-scale L-Max plant to be built in Ontario that will treat lithium mica concentrate from a variety of sources. In particular, a trade-off study between Kenora and Sudbury, choosing Sudbury as site location, has now been completed. Suitable enclosed facilities serviced by power, gas and road within established industrial parks close to the rail network have been identified for lease at both locations, which will be of considerable benefit to the project. However, management reports that early indications are that Sudbury may provide substantial operating cost savings, as well as greater access to mining and processing services, when compared to Kenora.

In consideration of its services, Lepidico has allotted and issued 45m new and fully paid ordinary shares to Lycopodium. The new shares are subject to escrow restrictions pending completion of the study and are also subject to pro-rata buyback and cancellation provisions (subject to shareholder approval) in the event that the study is discontinued prior to completion.

Separation Rapids lepidolite extension

On 6 February, Lepidico announced that it had entered into a letter of intent with Avalon Advanced Materials, according to which it is envisaged that the latter would sell a minimum of 15,000tpa of lepidolite concentrate (produced from its planned demonstration-scale pilot flotation plant) to the former for processing at its Phase 1 L-Max plant.

In April 2017 Avalon undertook a 2,000m drilling program at Separation Rapids with the aim of:

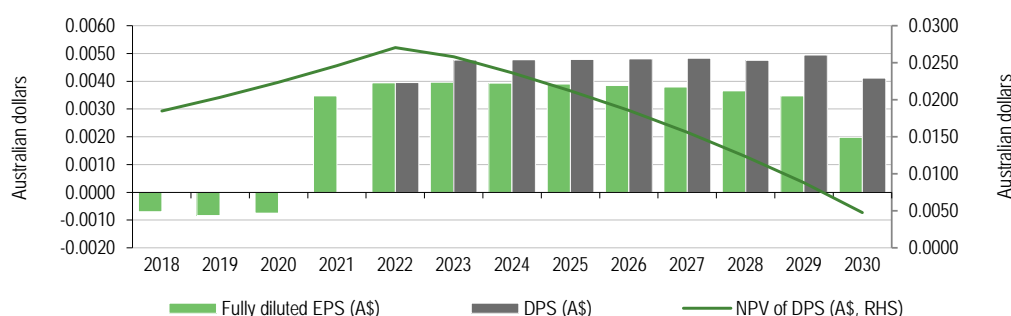
- quantifying the lithium mineralisation in the resource model associated with lepidolite and other lithium micas vs the lithium mineralisation associated with petalite;
- expanding the existing mineral resource of lithium (petalite) pegmatite mineralisation;
- testing an undrilled target area 1km west of the known resource where a showing of petalite pegmatite sampled by Avalon in 1997 was reported as having yielded 1.56% Li₂O across 8.9m; and
- collecting geotechnical data for groundwater studies and mine planning in advance of permitting for site development.

In July, Avalon issued a news release highlighting the results of its spring 2017 diamond drilling campaign at Separation Rapids, which, in addition to its petalite resource, extended the lepidolite zones and confirmed that high-grade lepidolite mineralisation comprises approximately 20% of the known lithium resources with additional blue-sky expansion potential. Self-evidently, this development materially enhances the lepidolite potential of the prospect and confirms it as another potential high-quality source of lithium mica for LPD's Phase 1 L-Max plant. Note that a mineral resource re-estimation at Separation Rapids is scheduled for completion in Q317.

Valuation and financials

Edison's valuation of Lepidico is derived from the discounting of future, real, maximum potential dividends to shareholders and remains ostensibly unchanged since our valuation at the time of our [Outlook note](#) in July 2017, with the exception of adjustments made for Lepidico's updated share price and FX rate (A\$1.2579/US\$). In our base case, we assume US\$30m (A\$34.7m) of equity financing (vs A\$39.8m previously) via the issue of an additional 3.4bn shares in FY18 at the currently prevailing share price of A\$0.012. Note that this is relatively conservative in terms of implied future gearing/leverage and consequent debt/strategic partner-sourced funding requirements, but is justified on the grounds that prudent gearing/leverage ratios are appropriate in relation to the funding of a specific, specialist, novel and unique technology. In this case, the ultimate valuation of Lepidico shares is A\$0.0185 (from A\$0.0202/share) as at the start of FY18, rising to A\$0.0271 in FY22, when the first dividend is potentially payable to shareholders, as depicted below:

Exhibit 5: Edison estimate of future Lepidico EPS and (maximum potential) DPS



Source: Edison Investment Research

Lepidico had A\$1.1m in cash as at 31 March 2017, since which time it has been in receipt of A\$3.7m via the issue of 285.4m shares at a price of A\$0.013/share. The first phase of the company's capital raising was a non-underwritten, non-renounceable one for four entitlement offer, which raised A\$3.1m. The second phase was the shortfall offer, which raised a further A\$0.6m via the pro-rata issue of unsolicited shares to existing shareholders to participate in a shortfall placement. The directors elected not to place the balance of the shortfall, such that net cash as at 30 June was reported to be A\$3.3m.

In the meantime, the estimated cost of the L-Max feasibility study is US\$5m (A\$6.3m vs A\$6.6m previously). As a result, management is currently deploying funds into three value-adding drill programmes in the expectation of raising additional equity at a higher price in the future.

We have made a number of small adjustments to financials, which have no material impact on our forecasts.

Geological assets

Lepidico's current exploration assets include options over the Lemare and the Royal projects, both in Quebec, an ore access agreement with Grupo Mota over the Alvarrões lepidolite mine in Portugal, a farm-in agreement with Pioneer Resources over the PEG 9 lepidolite prospect in Western Australia, ownership of the Euriowie amblygonite project near Broken Hill in New South

Wales and an agreement with Crusader Resources regarding the potential deployment of L-Max in Portugal and Brazil.

All three of Lepidico's planned feed-source targets for the Phase 1 Plant – Separation Rapids, Alvarrões and PEG 9 – are located in stable, mining friendly jurisdictions and close to critical infrastructure, including power, water and transport. Together or separately, these three projects have the potential to provide long-term feedstock for an L-Max processing facility, either at Kenora or elsewhere.

A map of Lepidico's geological assets, including potential sites for Phase 1 and/or Phase 2 L-Max plants is as follows:

Exhibit 6: Map of assets in which Lepidico has an interest including potential L-Max plant locations



Source: Lepidico

Separation Rapids

Separation Rapids is a large LCT-type complex pegmatite owned by Avalon Advanced Materials and situated approximately 70km north of Kenora in NW Ontario. Although the prospect already contains an NI 43-101 compliant petalite resource (which was the subject of a PEA announcement in September 2016), it is also estimated to contain a significant albeit, as yet, non JORC-compliant lepidolite resource.

Samples from outcropping lepidolite-rich sub-zones to the east of the main Separation Rapids petalite resource were provided to Lepidico for laboratory bench tests using L-Max as part of the Phase 1 plant PFS. Excellent results were achieved (including the production of battery-3454r grade lithium carbonate of 99.88% purity). Avalon and Lepidico subsequently entered into a non-binding letter of intent, according to which Avalon will sell a minimum of 15,000tpa of lepidolite concentrate, produced as a by-product from its demonstration-scale pilot petalite flotation plant at Kenora, to Lepidico for processing at its planned Phase 1 commercial lithium carbonate production facility.

PEG 9

PEG 9 occurs within a cluster of 13 pegmatites owned by Pioneer Resources along a 20km trend flanking the eastern edge of the Pioneer Dome (an Archaean granite intrusive within the Norseman-Wiluna greenstone belt). It is located approximately 35km north of the town of Norseman and adjacent to the Coolgardie-Esperance Highway and rail line. The prospect itself contains a number of outcropping pegmatites rich in lepidolite and lithium-muscovite.

The PEG 9 prospect was described by Pioneer as an example of a complex lithium-caesium-tantalum (LCT) type pegmatite, outcropping in two parallel structures over a 200m strike length. Although Pioneer had been primarily exploring for spodumene, rock chip samples returned up to 3.94% Li₂O from lepidolite-rich pegmatite and up to 3.84% Li₂O from a lepidolite-poor, yet micaceous pegmatite. A grab sample from PEG 9 was collected by Lepidico in January that underwent bench scale test work for the L-Max process, producing excellent results, and confirming the amenability of the material as a potential future feedstock for an L-Max processing plant. Lepidico is farming into PEG 9 via a drilling programme. To date, no holes have been drilled at PEG 9, but a maiden drilling programme is scheduled for September 2017, once the required permits have been awarded, with the objective of delineating a 0.5Mt resource at a grade of 1.2% Li₂O or more for Lepidico to earn a 75% interest in the prospect.

Alvarrões

The Alvarrões mining concession is approximately 634ha in size and encompasses most of the known lithium pegmatites in the area, which crops out along the north-eastern slopes of the Serra da Estrela mountains.

The Alvarrões Lepidolite Mine is owned and operated by Grupo Mota, which produces approximately 20,000tpa of lithium minerals from the mine, predominantly lepidolite for the ceramics industry.

Under the terms of its agreement with Grupo Mota, Lepidico is undertaking development expenditure of at least €250,000 over an 18-month exclusive period on Alvarrões with the goal of defining a JORC-compliant mineral resource of >1Mt at a grade of 1.5% Li₂O. In return, Lepidico will have an exclusive/pre-emptive right for three years in which to effect a commercial relationship with Grupo Mota regarding the supply of ore/concentrate from Alvarrões to Lepidico and/or the right for Lepidico to develop and operate a lithium mica mining and concentration project there.

Lepidico's agreement with Grupo Mota was announced on 9 March 2017. Since then, Lepidico has inaugurated a 25-hole diamond drilling programme designed to delineate a JORC resource by September 2017.

Exhibit 7: Financial summary

Accounts: IFRS; year end June; A\$000s		2015	2016	2017e	2018e	2019e	2020e
PROFIT & LOSS							
Total revenues		9	116	0	0	0	18,257
Cost of sales		0	0	0	0	0	(15,746)
Gross profit		9	116	0	0	0	2,511
SG&A (expenses)		(455)	(617)	(617)	(617)	(617)	(617)
Other income/(expense)		0	0	0	0	0	0
Exceptionals and other adjustments	Exceptionals	(16)	(415)	0	0	0	0
Depreciation and amortisation		(5)	(6)	(4)	(1,664)	(3,731)	(4,712)
Reported EBIT		(467)	(923)	(621)	(2,282)	(4,348)	(2,818)
Finance income/(expense)		(18)	(5)	3	17	76	(951)
Other income/(expense)		(559)	(448)	(504)	(504)	(504)	(504)
Exceptionals and other adjustments	Exceptionals	0	(888)	0	0	0	0
Reported PBT		(1,044)	(2,263)	(1,122)	(2,769)	(4,776)	(4,274)
Income tax expense (includes exceptionals)		0	0	0	0	0	0
Reported net income		(1,044)	(2,263)	(1,122)	(2,769)	(4,776)	(4,274)
Basic average number of shares, m		178	465	1,883	3,803	5,570	5,570
Basic EPS (c)		(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
BALANCE SHEET							
Property, plant and equipment		9	4	0	18,263	37,263	42,363
Goodwill		0	0	0	0	0	0
Intangible assets		0	16,204	18,676	21,821	21,821	21,821
Other non-current assets		1,485	715	3,187	6,332	6,332	6,332
Total non-current assets		1,494	16,922	21,863	46,416	65,416	70,516
Cash and equivalents		53	666	3,300	15,129	15,129	15,129
Inventories		0	0	0	0	0	1,521
Trade and other receivables		4	3,870	0	0	0	1,501
Other current assets		0	0	0	0	0	0
Total current assets		57	4,537	3,300	15,129	15,129	18,150
Non-current loans and borrowings		0	0	0	0	23,776	34,877
Other non-current liabilities		0	0	0	0	0	0
Total non-current liabilities		0	0	0	0	23,776	34,877
Trade and other payables		105	614	92	92	92	1,386
Current loans and borrowings		115	0	0	0	0	0
Other current liabilities		40	33	33	33	33	33
Total current liabilities		260	647	125	125	125	1,419
Equity attributable to company		1,292	20,812	25,038	61,420	56,643	52,370
Non-controlling interest		0	0	0	0	0	0
CASH FLOW STATEMENT							
Profit for the year		(1,044)	(2,263)	(1,122)	(2,769)	(4,776)	(4,274)
Taxation expenses		0	0	0	0	0	0
Depreciation and amortisation		5	6	4	1,664	3,731	4,712
Share based payments		450	40	0	0	0	0
Other adjustments		(451)	1,036	(2,472)	(3,145)	0	0
Movements in working capital		(10)	148	3,348	0	0	(1,728)
Interest paid / received		0	0	0	0	0	0
Income taxes paid		0	0	0	0	0	0
Cash from operations (CFO)		(1,050)	(1,033)	(242)	(4,250)	(1,046)	(1,289)
Capex		(9)	(63)	(2,472)	(23,073)	(22,731)	(9,812)
Acquisitions & disposals net		0	32	0	0	0	0
Other investing activities		(563)	(80)	0	0	0	0
Cash used in investing activities (CFIA)		(572)	(111)	(2,472)	(23,073)	(22,731)	(9,812)
Net proceeds from issue of shares		1,505	1,872	5,348	39,151	0	0
Movements in debt		100	(115)	0	0	23,776	11,101
Other financing activities		0	0	0	0	0	0
Cash from financing activities (CFF)		1,605	1,757	5,348	39,151	23,776	11,101
Increase/(decrease) in cash and equivalents		(18)	613	2,634	11,829	0	0
Currency translation differences and other		0	0	0	0	0	0
Cash and equivalents at end of period		53	666	3,300	15,129	15,129	15,129
Net (debt) cash		(61)	666	3,300	15,129	(8,648)	(19,749)
Movement in net (debt) cash over period		(61)	727	2,634	11,829	(23,776)	(11,101)

Source: Lepidico sources, Edison Investment Research

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