



LEPIDICO

Perth: 20 March 2020

Shareholder Update, Recent Market Volatility & Australian L-Max® Patent Granted

Dear Shareholder,

Over recent weeks shareholder communications received by Lepidico Ltd (ASX: LPD) (“Lepidico” or the “Company”) have risen, along with capital markets volatility. There are a number of common themes from these enquiries which have prompted me to write to you today, to ensure that all shareholders are equally informed. Prior to responding to these queries however, it is important to state that the health, safety and wellbeing of our people, staff and contractors, is of paramount importance at all times. Additional precautions have been taken associated with the coronavirus pandemic including suspension of business travel, along with a move to working from home and adherence to local safety protocols in the jurisdictions in which we operate.

What are your views on recent equity market volatility?

Periods of extreme market volatility occur infrequently, with recent previous examples being the 2008’09 Global Financial Crisis and the “dot-com bust” in 2001. Lepidico’s directors and executive management were all involved in the mining industry during these periods in a wide variety of capacities and as such have considerable collective experience to draw from in navigating the Company through the prevailing market environment. Shareholders are advised to seek professional advice with regards to their investments and the outlook for capital markets.

How have business risks changed as a result of the current economic downturn?

Specific to the Lepidico business, the most evident risks associated with these volatile capital markets and associated coronavirus uncertainty are delays in the medium term to finalising agreements with third parties. However, it is important to note that constructive discussions continue with prospective offtake partners for the planned products from the Phase 1 chemical plant and samples continue to be prepared and dispatched for analysis.

The Company had \$3.4 million in cash at the end of February 2020 and a tax credit related to current R&D activities is expected in September 2020. Nonetheless, to ensure the business remains resilient through these challenging market conditions austerity measures are being put in place. All non-essential activities have been curtailed. Essential feasibility study and corporate functions are continuing, with cash resources sufficient to sustain the business to late calendar 2020. It is also important to note that project finance providers continue to engage well with the Company.

Is there likely to be an impact on Lepidico’s business plan?

Lepidico’s business plan is based on a well-honed five year strategic plan that contemplates market cycles and aims to ensure that the business remains robust throughout. Strategy fundamentals are founded on the Company’s proprietary process technologies, which provide a competitive advantage in the production of lithium hydroxide from certain mica and phosphate minerals without employing expensive pyrometallurgical techniques. Furthermore, Lepidico now has direct ownership of lithium mica Resources under an awarded Mining License, providing an inhouse supply of concentrate. As such the business plan remains solid, with no material amendments envisaged.

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Is the Phase 1 Project Feasibility Study going to be delayed now?

The Feasibility Study for the vertically integrated Phase 1 Project is very close to completion now, so it is unlikely that there will be a delay to the key results being delivered as previously advised in May 2020. Mine designs for the two open pits at Karibib are close to completion, while operating and capital costs estimates along with the inaugural Ore Reserve estimate are well advanced and due to be finalised in May.

Are product offtake parties continuing to engage?

Lepidico has a Letter of Intent with BASF SE for the purchase of lithium hydroxide monohydrate from the integrated Phase 1 Lithium Chemical Project. Constructive discussions continue, with a product sample in the advanced stage of manufacture prior to dispatch for testing. Good progress is being made with marketing activities for the sale of sulphate of potash (SOP) and amorphous silica to consumers in the United Arab Emirates and the greater region. Samples of amorphous silica have been prepared and dispatched to potential customers. SOP samples are now being prepared following consultation with prospective off-takers as to their individual requirements. Interest in caesium and rubidium compounds continues to grow, for application in North America, Europe and Asia.

Are lenders and strategic investors engaging in the current economic environment?

Recent discussions with a range of commercial lenders and development finance institutions suggests that it is business as usual – aside from travel restrictions – and there is no evidence of lending liquidity drying up like it did in the 2008'09 GFC. Constructive discussions also continue with a number of prospective strategic investment groups. It is noteworthy that over the past year financial stakeholders have become far more discerning when it comes to environmental, social and governance factors. Lepidico's integrated Phase 1 Project benefits from having excellent sustainability credentials that includes a carbon footprint estimated to be one of the lowest in the industry, offering an opportunity to contribute to the decarbonisation of the lithium-ion battery manufacturing supply chain, crucial for reducing the embodied emissions of electric vehicles (EVs).

Lepidico expects to be able to provide a progress update on its debt financing strategy shortly.

Is lithium chemical demand going to be materially affected?

Many industry commentators continue to state that the medium to longer term fundamentals for lithium chemical demand remain extremely strong. EV sales have declined recently though, due to the removal of subsidies in China last year and more recently the economic impacts of the coronavirus. EV demand is expected to pick up along with economic activity, particularly in Europe, driven by adjustments beginning in 2021 to the European Union CO₂ emissions penalty formula that requires auto manufacturers to increase EV sales substantially to avoid fines.

What is the status of Lepidico's process technologies?

Lepidico is pleased to announce that its L-Max[®] process technology, the subject of International Patent Application PCT/AU2015/000608, has achieved another milestone with the Australian Patent Office issuing a Deed of Letters Patent. The Deed of Letters Patent represents the second patent granted to Lepidico for its L-Max[®] process technology with the US patent granted in September 2019. National and regional phase patent applications are well advanced in other key jurisdictions. Patent application processes also continue to advance for Lepidico's other proprietary processes including LOH-Max[™].

In summary, Lepidico has created and assembled the foundations for a new vertically integrated lithium chemical business based on the Karibib lithium mica Mineral Resources in Namibia and the Company's proprietary process technologies that have been demonstrated at pilot scale. A recent streamlining of business priorities means that the Company is funded for all key activities through until late in calendar 2020. The Company is on track to complete the Phase 1 Feasibility Study and is making good progress on offtake for its products and in assembling a project financing package. We will continue to monitor the coronavirus pandemic and adjust working protocols accordingly to ensure the continued health and safety of our people.

Your continued support of our Company is greatly appreciated and I wish you well during these challenging times.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J. Walsh', written in a cursive style.

Mr Joe Walsh
Managing Director

Further Information

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About Lepidico Ltd

Lepidico Ltd is an ASX-listed Company focused on exploration, development and production of lithium chemicals. Lepidico owns the technology to a metallurgical process that has successfully produced lithium carbonate from non-conventional sources, specifically lithium-rich mica minerals including lepidolite and zinnwaldite. The L-Max[®] Process has the potential to complement the lithium market by adding low-cost lithium carbonate supply from alternative sources. More recently Lepidico has added LOH-Max[™] to its technology base, which produces lithium hydroxide from lithium sulphate without by-product sodium sulphate. The Company is currently conducting a Feasibility Study for a 5,000 tonne per annum (LCE) capacity Phase 1 lithium chemical plant, targeting commercial production for 2021. Work is currently being undertaken to incorporate LOH-Max[™] into the Phase 1 Plant Project engineering. Feed to the Phase 1 Plant is planned to be sourced from the Karibib Lithium Project in Namibia, 80% owned by Lepidico where a predominantly Measured and Indicated Mineral Resource of 11.24 Mt grading 0.43% Li₂O, (including Measured Resources of 2.20 Mt @ 0.57% Li₂O, Indicated Resources of 6.66 Mt @ 0.38% Li₂O and Inferred Resources of 2.37 Mt @ 0.43%, at a 0.15% Li₂O cut-off) is estimated (ASX announcement of 30 January 2020).

Forward-looking Statements

All statements other than statements of historical fact included in this release including, without limitation, statements regarding future plans and objectives of Lepidico, are forward-looking statements. Forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Lepidico that could cause Lepidico's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this release will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. Lepidico does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this release, except where required by applicable law and stock exchange listing requirements.