



## **LEPIDICO LTD**

ACN 008 894 442

## **FINANCIAL REPORT 2018**

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## Corporate Directory

### Directors

Gary Johnson (Non-Executive Chairman)  
Julian (Joe) Walsh (Managing Director)  
Tom Dukovcic (Director Exploration)  
Mark Rodda (Non-Executive Director)  
Cynthia Thomas (Non-Executive Director)  
Brian Talbot (Non-Executive Director)

### Joint Company Secretaries

Alex Neuling  
Shontel Norgate

### Registered Office

Level 1, 254 Railway Parade  
West Leederville, WA, Australia, 6007

Telephone: (08) 9363 7800  
Facsimile: (08) 9363 7801  
Email: [info@lepidico.com](mailto:info@lepidico.com)

### Principal Places of Business

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West Leederville, WA, Australia, 6007  
PO Box 1245 West Leederville WA 6901

Level 2, 55 University Avenue  
Toronto, ON, M5J 2H7, Canada

Website: [www.lepidico.com](http://www.lepidico.com)

### Country of Incorporation

Australia

### Auditors

Moore Stephens Chartered Accountants  
Level 15, Exchange Tower  
2 The Esplanade  
PERTH WA 6000

Telephone: (08) 9225 5355  
Facsimile: (08) 9225 6181

### Share Registry

Security Transfer Australia Pty Ltd  
Suite 913, Exchange Tower  
530 Little Collins Street  
MELBOURNE VIC 3000  
PO Box 52 Collins Street West VIC 8007

Telephone: 1300 992 916  
Facsimile: (08) 9315 2233  
Email: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

### Home Exchange

Australian Securities Exchange Limited  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

### ASX Code: LPD

## Directors' Report

The Directors of Lepidico Ltd ("Directors") present their report on the Consolidated Entity consisting of Lepidico Ltd ("the Company" or "Lepidico") and the entities it controlled at the end of, or during, the year ended 30 June 2018 ("Consolidated Entity" or "Group").

### DIRECTORS

The names of the Directors in office and at any time during, or since the end of, the year are:

Mr Gary Johnson	Non-executive Chairman	
Mr Joe Walsh	Managing Director	
Mr Tom Dukovcic	Director Exploration	
Mr Mark Rodda	Non-executive Director	
Ms Cynthia Thomas	Non-executive Director	(appointed 10 January 2018)
Mr Brian Talbot	Non-executive Director	(appointed 10 January 2018)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### CURRENT DIRECTORS

#### Mr Gary Johnson - Chairman (Non-executive)

*Qualifications - MAusIMM, MTMS, MAICD*

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 of the workings and strategies required by successful mining companies. Gary operates his own consulting business, Strategic Metallurgy Pty Ltd, specialising in high-level metallurgical and strategic consulting. He has been a Director of the Company since 9 June 2016.

#### *Special responsibilities:*

Member of Audit and Risk Committee

Member of the Remuneration and Nomination Committee

#### *Other Current Directorships of listed public companies:*

Director of Antipa Minerals Ltd (ASX listed)

Director of St-Georges Platinum and Base Metals Ltd (CSE listed Company)

#### *Former Directorships of listed public companies in the last 3 years:*

Hard Creek Nickel Corporation (TSX listed) (resigned 30 June 2015)

#### Mr Julian "Joe" Walsh - Managing Director (Executive)

*Qualifications - BEng, MSc*

Mr Walsh is a resources industry executive, mining engineer and geophysicist with over 28 years' experience working for mining and exploration companies, and investment banks in mining related roles. Joe joined Lepidico as Managing Director in 2016. Prior to this he was the General Manager Corporate Development with PanAust Ltd and was instrumental in the evolution of the company from an explorer in 2004 to a US\$2+ billion, ASX 100 multi-mine copper and gold company. Joe has extensive equity capital market experience and has been involved with the technical and economic evaluation of many mining assets and companies around the world.

#### *Other Current Directorships of listed public companies:*

None

#### *Former Directorships of listed public companies in the last 3 years:*

None

**Mr Tom Dukovcic - Director Exploration (Executive)**

*Qualifications - BSc(Hons), MAIG, MAICD*

Mr Dukovcic is a geologist with over 30 years' experience in exploration and development. He has worked on a range of commodities in diverse regions throughout Australia and internationally and has been directly involved with the management of gold discoveries in Australia and Brazil.

Tom is a Member of the Australian Institute of Geoscientists and a Member of the Australian Institute of Company Directors. He has been a Director of the Company since 22 April 1999 and brings valuable geological, exploration and management experience to the Board.

*Other Current Directorships of listed public companies:*

None

*Former Directorships of listed public companies in the last 3 years:*

None

**Mr Mark Rodda - Non-Executive Director**

*Qualifications - BA, LLB*

Mr Rodda is a lawyer and consultant with over 20 years' private practice, in-house legal, company secretarial and corporate experience. Mr Rodda has considerable practical experience in the management of local and international mergers and acquisitions, divestments, exploration and project joint ventures, strategic alliances, corporate and project financing transactions and corporate restructuring initiatives. Mark currently manages Napier Capital Pty Ltd, 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 for in excess of \$6 billion, Mark held the position of General Counsel and Corporate Secretary for LionOre Mining International Ltd, a company with operations in Australia and Africa and listings on the TSX, LSE and ASX.

*Special responsibilities:*

Member of Audit and Risk Committee

Chair of the Remuneration and Nomination Committee

*Other Current Directorships of listed public companies:*

Director of Antipa Minerals Ltd

*Former Directorships of listed public companies in the last 3 years:*

Coalspur Mines Pty Ltd (formerly Coalspur Mines Limited) ceased being a listed public company on 20 November 2015

**Ms Cynthia Thomas – Non-Executive Director**

*Qualifications – B.Com, MBA*

Ms Thomas has over 30 years' of banking and mine finance experience, and is currently the Principal of Conseil Advisory Services Inc. ("Conseil"), an independent financial advisory firm specialising in the natural resource industry which she founded in 2000. Prior to founding Conseil, Cynthia worked with Bank of Montreal, Scotiabank and ScotiaMcLeod in the corporate and investment banking divisions. Cynthia holds a Bachelor of Commerce degree from the University of Toronto and a Masters in Business Administration from the University of Western Ontario.

*Special responsibilities:*

Chair of Audit and Risk Committee

Member of the Remuneration and Nomination Committee

*Other Current Directorships of listed public companies:*

Director and Chair of Victory Nickel Inc. (CSE listed)

*Former Directorships of listed public companies in the last 3 years:*

KWG Resources Inc. (resigned September 2016)

Nautilus Minerals Inc. (resigned 7 December 2016)

**Mr Brian Talbot – Non-Executive Director**

*Qualifications – B.Sc Eng. (Hons)*

Mr Talbot is the Chief Operating Officer of Galaxy Resources Ltd, which holds an 11.9% interest in the Company. He has over 25 years' experience in mining and minerals processing operations. Prior to joining Galaxy Brian was General Manager Operations at Bikita Minerals, a lithium mine in Zimbabwe where he achieved increased product yield and capacity. Brian has also held the positions of mining company director, general manager and metallurgist at various mine operations in Egypt and South Africa with diverse experience in designing, planning and managing profitable mining operations.

*Special responsibilities:*

None

*Other Current Directorships of listed public companies:*

None

*Former Directorships of listed public companies in the last 3 years:*

None

**COMPANY SECRETARIES****Mr Alex Neuling**

*Qualifications: BSc, FCA (ICAEW), FCIS*

Mr Neuling has extensive corporate and financial experience including as director, chief financial officer and/or company secretary of various ASX-listed companies in the mineral exploration, mining, oil and gas and other sectors. Alex is principal of Erasmus Consulting, which provides company secretarial and financial management consultancy services to ASX-listed companies. In addition to his professional qualifications, Alex also holds a degree in Chemistry from the University of Leeds in the United Kingdom.

**Ms Shontel Norgate**

*Qualifications: CA, AGIA ACIS*

Ms Norgate is a Chartered Accountant with over 20 years' experience in the resources industry including debt and equity finance, financial reporting, project management, corporate governance, commercial negotiations and business analysis experience in finance and administration. Prior to joining Lepidico Shontel was CFO for ten years with TSX-listed resources company, Nautilus Minerals Inc. Prior to her appointment at Nautilus Minerals, Ms Norgate was Financial Controller with Macarthur Coal Ltd and Southern Pacific Petroleum NL, both listed on the ASX and commenced her career as an auditor with Price Waterhouse (now PricewaterhouseCoopers)

**PRINCIPAL ACTIVITIES**

The principal activity of the Consolidated Entity during the financial year was mineral exploration and the development, and development of the proprietary L-Max<sup>®</sup> Technology.

**DIVIDENDS PAID OR RECOMMENDED**

The Directors recommend that no dividend be paid for the year ended 30 June 2018, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

## SUMMARY REVIEW OF OPERATIONS

For the financial year ending 30 June 2018 the Group recorded a net loss of \$7,219,713 (2017: \$5,357,243) and a net cash outflow from operations of \$3,038,346 (2017: \$2,669,730).

The net assets of the Group increased to \$24,499,573 at 30 June 2018 (2017: \$20,629,913).

## OPERATIONS

### Phase 1 L-Max<sup>®</sup> Plant Project

#### a) Feasibility Study

Key activities on the Phase 1 L-Max<sup>®</sup> Plant Feasibility Study (the “Study”) continued during the year, including: process design and engineering; optimisation of the L-Max<sup>®</sup> process through vendor testwork; selection of preferred sites within Sudbury for the location of the L-Max<sup>®</sup> Plant; Mineral Resource definition and mine planning at Alvarrões; logistics trade-off studies to finalise site selections; permitting and regulatory approvals; design optimisation for silica production; and option assessments for product offtake and finance.

In December 2017, Lycopodium Minerals Pty Ltd, a subsidiary of Lycopodium Limited (ASX:LYL) (“Lycopodium”) completed the engineered design for a Phase 1 L-Max<sup>®</sup> Plant. Subsequent design review identified areas where trade-off evaluations were warranted between reduced capital cost and realising higher installed plant capacity, to provide an optimal plant design for long term operation.

Following the design review a vendor testwork program was conducted to precisely determine the capacity of major equipment for the Phase 1 L-Max<sup>®</sup> Plant. The findings of this work coupled with process optimisation testwork resulted in a number of plant design modification that simplify the process flowsheet, with positive implications for both capital and operating costs. These improvements, which include the S-Max<sup>™</sup> circuit design (refer below), will be incorporated into the final design for the Phase 1 Plant, which will be based on a nominal concentrate throughput rate of approximately seven tonnes per hour to produce approximately 5,000 tpa of lithium carbonate equivalent (LCE). This compares with the production rate contemplated in the pre-feasibility study of 2,500 tpa to 3,000 tpa LCE. Definitive engineering works are scheduled to commence in August 2018 that will allow the final capital cost and project implementation schedule for the Phase 1 Plant to be estimated.

It was also identified during the engineering design phase that sodium sulphate may represent another valuable L-Max<sup>®</sup> by-product, in addition to amorphous silica and sulphate of potash (SOP) fertilizer. A preliminary design for the production of sodium sulphate was included by Lycopodium for the Phase 1 Plant.

Confidentiality regimes have been entered into with various industry participants for the quality assessment and marketability of the main L-Max<sup>®</sup> products. Product samples of the highest possible purity were generated during the year for third party evaluation.

Leach optimisation tests undertaken during the year yielded excellent results and are expected to lead to a material reduction in certain consumable consumption rates and to higher lithium recoveries from the L-Max<sup>®</sup> process. These improvements will be incorporated into the final design for the Phase 1 Plant.

Completion of logistics trade-off studies during the period resulted in Sudbury, Ontario being selected as an optimal location for the Phase 1 Plant with a preferred site identified within an existing industrial park. Environmental baseline work commenced and is on schedule for completion by the end of December 2018. This preferred site has excellent existing infrastructure including power, gas, water and sewer, as well as road and rail access. The owner of the industrial park and Lepidico are working together to assess available incentives to upgrade the power and gas services at this preferred location.

Knight Piésold Consulting (KP Consulting) were appointed during the year to undertake the permitting and residue storage facility engineering work-streams for the Phase 1 L-Max<sup>®</sup> Plant Project including residue characterisation work. However, KP Consulting, Lepidico and Waterloo University, in consultation with the City of Greater Sudbury are collaborating on possible commercial uses for the benign L Max<sup>®</sup> residue. If successful, the need to store residue on site may be eliminated, thereby making the Phase 1 Plant a “zero waste” facility, and result in further capital and operating cost savings.

Engagement with various Provincial Ministries and other potential key stakeholders including local First Nations groups was undertaken during the year, with the objective of ensuring ongoing support for the development of the Phase 1 Plant Project in Sudbury. The project is expected to employ approximately 70 people and be the first lithium chemical facility built in a region that already produces significant quantities of both nickel and cobalt, key ingredients in the manufacture of many lithium-ion battery cathode chemistries.

Feasibility study level process design criteria for the upstream concentrator commenced during the period and is expected to be concluded by the end of 2018. This work is planned to be based on the Outotec cPlant design. The cPlant Concentrator offers a cost effective, flexible solution, ideal for projects with modest capacity needs and/or in remote locations. The plant is based on pre-fabricated and functionally tested modules inside container-sized steel frames that can be easily transported and installed, and quickly connected. Some of the benefits of cPlant include: reduced EPC project costs compared to a conventional flotation plant; up to 20% lower capital investment; requires 30% less labour resources; 95% of installation and pre-commissioning done prior to delivery; minimal civil engineering work required; and ease of relocation.

The Feasibility Study for the Phase 1 L-Max<sup>®</sup> Plant is scheduled to be completed during the March 2019 quarter, based on a revised nominal production rate of 5,000 tpa LCE. Depending on the initial assessment of the L-Max<sup>®</sup> residue product project there may be a requirement to integrate this workstream into the Feasibility Study and to secure the requisite permits for using the residue in this application. Permitting and approvals processes remain on the critical path for a final investment decision for the Phase 1 Project.

#### **b) Alvarrões Lepidolite Mine (Gonçalo), Portugal<sup>1</sup>**

On 7 December 2017 Lepidico announced its maiden Mineral Resource estimate for the Alvarrões Lepidolite Project in Portugal, which hosts an extensive system of stacked lithium-mineralised pegmatite sills.

The estimate was completed by AMC Consultants Pty Ltd (“AMC”) and was based on the results of 17 diamond core holes drilled by Lepidico between May and September 2017. AMC reports a JORC Code-compliant maiden Inferred Resource at Alvarrões of 1.5 Mt @ 1.1% Li<sub>2</sub>O. Within this estimate is 1.1 Mt @ 1.1% Li<sub>2</sub>O over approximately 400m of strike at Blocks 1 and 2.

Drilling at Alvarrões has so far identified 13 stacked sub-horizontal mineralised pegmatite sills, confirmed to extend over a 900m by 500m area and ranging in thickness from 0.5m to over 4.0m, with 15% to 30% lepidolite content. The system remains open in all directions.

A conceptual mine plan has been developed for the Block 1 and 2 area, to support a plus ten year project life for the Phase 1 Plant. One objective of the development plan is to minimise the operations footprint and maximise the use of the current area of disturbance. This will be achieved via in-pit disposal of mine waste, in-pit crushing using mobile crusher and co-disposal of the relatively modest quantity of benign concentrator tailings with mine waste. The Alvarrões Mining Lease area covers 634 hectares. However, based on the mine plan only a fraction of this will be required to be developed for the Phase 1 Project and multiple locations have been identified for siting the concentrator.

<sup>1</sup> Lepidico announced on 9 March 2017 that it had signed a binding term sheet for ore off-take from the Alvarrões lepidolite mine with Grupo Mota, the 66% owner and operator of Alvarrões.



Flotation testwork on Alvarrões pegmatite mineralisation successfully generated separate feldspar and quartz concentrates, in addition to a quality lithium mica concentrate suitable for Phase 1 Plant feed. Aside from the additional revenue potential, the large increase in product mass means that co-disposal of only relatively small quantities of plant fines with mine waste can be considered, thereby negating the requirement for a tailing storage facility. Advantages of this approach include a significantly reduced footprint at Alvarrões along with the option to employ modular concentrator technology, reduced capital and operating costs, and maximisation of the mineral potential of the pegmatite.

Grupo Mota is an established supplier of feldspar and quartz products to the substantial ceramics industry in the Iberian Peninsula and has advised that concentrate samples produced by Lepidico are of marketable quality.

Grupo Mota commenced work on an Environmental Impact Study at Alvarrões in May 2018. The Study is scheduled for completion in the March 2019 quarter. A permitting and approvals schedule has also been developed following consultation with regulators. This represents the critical path for the project. Based on the prescribed process timeframes it is estimated that the requisite project permits would be received during the second half of 2019. First production continues to be targeted for calendar year 2020, based on an early works program for Alvarrões that is being developed as part of the integrated Phase 1 Project Feasibility Study.

Lepidico has designed a reverse circulation and diamond core drill program to increase the Mineral Resource data density and to test for extensions of the mineralisation to the north and west of the current Alvarrões Resource. The objective of this program will be to upgrade the existing Mineral Resource within Blocks 1 and 2 to Measured and Indicated categories and establish the resource potential for the pegmatite sills across Block 3. This work is planned to commence once commercial terms are finalised with Grupo Mota based on the existing ore offtake agreement. Under certain circumstances it is envisaged that these terms will convert to a joint venture arrangement. A scout drill program is also planned in collaboration with Grupo Mota to further evaluate the lepidolite potential within the greater mining lease area, termed the Phase 2 Area.

The work at Alvarrões is part of Lepidico's Mineral Resource definition program to establish a multi-deposit inventory of high-quality lithium mica Mineral Resources to provide feedstock for not just the proposed Phase 1 L-Max<sup>®</sup> Plant but also conceptual larger-scale L Max<sup>®</sup> plants.

#### **c) Mt Cattlin Operations, Western Australia<sup>2</sup>**

During the year the Company produced battery grade lithium carbonate grading 99.8%, using its L-Max<sup>®</sup> process technology from a tailings stream sourced from the Galaxy Resources Ltd ("Galaxy") Mt Cattlin spodumene operations. A standard suite of L-Max<sup>®</sup> by-products was also generated as part of the program, which was jointly commissioned by Galaxy and Lepidico.

Further collaborative work will be considered once the L-Max<sup>®</sup> amenable lithium minerals at Mt Cattlin have been delineated.

#### **d) Separation Rapids Lithium Project, Ontario, Canada<sup>3</sup>**

As previously reported, Avalon and Lepidico entered into a non-binding letter of intent ("LOI") in February 2017 under which it is contemplated that Avalon would sell a minimum of 15,000 tonnes per annum of lepidolite concentrate – produced from its planned demonstration-scale pilot flotation plant – to Lepidico for processing at its planned Phase 1 commercial lithium carbonate plant in Sudbury. Avalon is currently undertaking metallurgical studies and preliminary engineering work on its Separation Rapids Lithium Project.

<sup>2</sup> The Mt Cattlin operations are 100% owned and operated by Galaxy Resources Limited (ASX: GXY) ("Galaxy"), which holds a 11.8% equity interest in Lepidico Ltd.

<sup>3</sup> Lepidico announced on 6 February 2017 that it had entered into a Letter of Intent with Avalon Advanced Materials Inc. (TSX: AVL and OTCQX: AVLNF) ("Avalon") for an integrated lepidolite mining and lithium carbonate production partnership based on Avalon's 100% owned Separation Rapids deposit and leveraging Lepidico's L-Max<sup>®</sup> technology.

#### e) Full-scale L-Max® Plant Scoping Study

Various data have been gathered during the course of the demonstration scale Phase 1 Plant studies that will inform a scoping level study for a conceptual full-scale L-Max® plant. Collation of these data has commenced and further work is planned for the September 2018 quarter to evaluate the optimal scale and preferred locations for a larger chemical plant. The Scoping Study will consider both a modular approach to development in 5,000 tpa and 10,000 tpa LCE plant lines as well as a single larger scale development. Data collected from the final engineering work being undertaken for the Phase 1 Plant Feasibility Study will also be used in the full-scale plant scoping study.

L-Max® amenability testwork was undertaken under confidentiality during the year on lithium mica samples from a previously untested deposit. Encouraging flotation and leach results were obtained and additional samples have been received for further testing. Testwork is also planned to commence on two further lithium mica sources, under separate confidentiality. Assuming positive results, these deposits have the potential to provide sufficient concentrate feed to support the full-scale L-Max® plant scoping study.

#### Patents – L-Max® and S-Max™

During the year the Company lodged a provisional patent application for a hydrometallurgical process, S-Max™, which produces an amorphous silica from concentrates sourced from a range of mica minerals, including lithium micas. The purified amorphous silica may be sold directly or used as a feed to produce a variety of other marketable silica products.

S-Max™ employs three stages; grinding, sulphuric acid leach regimes at atmospheric pressure, followed by differential classification and flotation streams. All equipment is industry standard and common use reagents are employed. Occupational health and safety requirements will be straightforward.

Importantly, S-Max™ can be integrated with Lepidico's proprietary L-Max® process, employed for the production of lithium carbonate and a suite of other by-products, including sulphate of potash (SOP) fertiliser, sodium sulphate, and potentially caesium/rubidium and tantalum compounds. When lithium bearing mica concentrates are treated, the S-Max™ leach liquor can feed directly into the first impurity removal stage of the L-Max® process. Furthermore, the leach liquor from non-lithium bearing micas including muscovite and biotite may be treated to produce valuable by-products including sulphate of potash (SOP) fertiliser. When combined with L-Max® silica production costs are expected to be competitive.

The Company currently holds International Patent Application PCT/AU2015/000608 and a granted Australian Innovation Patent (2016101526) in relation to the L-Max® Process.

In 2017, the Company proceeded with the national and regional phase of patent applications in the main jurisdictions in which L-Max® may operate in the future. This regional phase of the patent process is expected to continue into 2019.

#### Exploration

##### a) Youanmi Lepidolite Project, Youanmi, Western Australia<sup>4</sup>

During the year Lepidico evaluated the lepidolite prospectivity of ground held by Venus Metals Corporation Limited (ASX:VMC) ("Venus") in the Murchison District of Western Australia, approximately 20 km southwest of the historical Youanmi gold mine. The property encompasses 4 km of strike of a lepidolite-bearing pegmatite belt within which lepidolite is often the only, or dominant, lithium mineral species. Subsequent to the end of the year Lepidico entered into a

<sup>4</sup> Lepidico announced on 26 July 2018 that it had entered into an option agreement with Venus Metals Corporation Limited (ASX:VMC) to earn up to an 80% interest in lithium pegmatite rights within exploration licence E57/983.

farm-in agreement with Venus to explore for lithium mica and phosphate minerals on its Youanmi tenements. Exploration is scheduled to commence shortly.

**b) PEG 9, Pioneer Dome, Norseman, Western Australia<sup>5</sup>**

Lepidico completed an RC drilling program at PEG 9 during the year. The program consisted of 13 holes for a total of 754 m of drilling targeting a 200 m long multi-element (including Li, Rb and Cs) soil anomaly associated with a sub-cropping lepidolite-bearing pegmatite. In light of the low lepidolite content and commensurate low lithium grades, Lepidico has withdrawn from the farm-in over PEG 9. The ground reverts fully to Pioneer Resources.

**c) Moriarty Lithium Project, Western Australia<sup>6</sup>**

On 21 August 2017 the Company announced that it signed a Binding Term Sheet with Maximus Resources Limited (ASX:MXR) ("Maximus") under which Lepidico can earn a 75% interest in Maximus's lithium rights in the Spargoville Project, located 70 km south of Kalgoorlie in Western Australia. These lithium rights are known as the Moriarty Lithium Project.

Exploration results from Moriarty indicated that this project would not meet Lepidico's criteria as a prospective source of lithium mica mineralisation. No further work is planned by Lepidico for this project.

**d) Lemare Spodumene Project, Quebec, Canada<sup>7</sup>**

The second stage of diamond drilling of the 600 metre long SW Extension of the Lemare spodumene pegmatite was completed during the period with the results reported on 17 August 2017. Lemare is not considered prospective for lithium mica minerals and as such is no longer deemed to be a strategic fit for the company. Accordingly, Lepidico has moved to formally terminate the Lemare Option Agreement.

**e) Other**

The Gobbos Project, E45/3326, was no longer a strategic fit for Lepidico and the Company divested its 51% interest in this project to a private buyer during the year.

The Euriowie exploration licence, EL 8468, in NSW was relinquished.

## **CORPORATE ACTIVITIES**

**a) Additional capital secured**

Lepidico raised \$7.0 million during the period through a new strategic alliance with Galaxy Resources Ltd (ASX:GXY) and an Entitlement Offer to eligible shareholders. On 10 October 2017, the Company announced that one of the world's leading lithium mining companies, Galaxy Resources Limited, had subscribed for a 12% private placement in Lepidico for approximately \$2.9 million, comprising 291.75 million shares at \$0.01 each.

In addition, the Company extended an opportunity to existing shareholders to participate on similar terms through a one for six renounceable entitlement offer at \$0.01 per share. The entitlement offer was heavily oversubscribed with valid applications for more than 800 million new shares being received under the offer, consisting of approximately 372.75 million as entitlements, representing 92% of the total eligible amount, raising approximately \$3.7 million and an additional 431.05 million as applications for any shortfall. The Company's Underwriter, CPS Capital ("CPS"),

<sup>5</sup> Lepidico announced on 23 February 2017 that it had entered into a farm-in agreement to earn a 75% interest in the "PEG009" lepidolite prospect located within Pioneer Resources Ltd's (ASX: PIO) 100% owned Pioneer Dome project.

<sup>6</sup> Lepidico announced on 21 August 2017 that it had entered into a farm-in agreement to earn 75% of lithium rights for the Moriarty Lithium Project from Maximus Resources Ltd (ASX: MXR).

<sup>7</sup> Lepidico announced on 17 August 2017 drill results from Lemare and revised terms for its farm-in agreement to earn a 75% interest in the Lemare spodumene project from 100% owner Critical Elements Corporation (TSX-V: CRE).

also received interest in more than \$10 million from new investors. The shortfall of \$0.3 million was placed by CPS and the excess application funds were returned to applicants.

The proceeds of the offer, along with those raised from the Galaxy private placement, provide a full funding solution for the Company's integrated Phase 1 L-Max<sup>®</sup> Plant Feasibility Study, as well as further advancing the Company's resource development and exploration activities.

#### **b) Non-executive Directors Appointed**

During the year the Company strengthened the Board with the appointment of Ms Cynthia Thomas and Mr Brian Talbot as Non-Executive Directors of the Company.

##### ***Ms Cynthia Thomas***

Ms Thomas joins the Board as an independent Non-Executive Director with over 30 years of banking and mine finance experience. Ms Thomas' strong background in the capital markets and regulatory compliance will add to the Company's strong governance and improve board independence.

##### ***Mr Brian Talbot***

Mr Talbot joins the Board as a Non-Executive Director and shareholder representative of Galaxy Resources Ltd, which currently holds a 11.9% interest in the Company. Mr Talbot's operational experience within the lithium industry will assist the Company as it transitions from developer to producer.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Other than as mentioned in the Review of Operations, no significant changes in the state of affairs of the Consolidated Entity occurred during the financial year.

### **SUBSEQUENT EVENTS**

On 26 July 2018 the Company entered into an option agreement with Venus Metals Corporation Limited (ASX:VMC) ("Venus") to explore for lithium mineralisation on exploration licence E57/983 located in the Murchison District in Western Australia, approximately 20 km southwest of the historical Youanmi gold mine.

The Company paid \$50,000 cash and issued 3,619,254 fully paid ordinary Shares for a 12-month option to explore the tenement. During the option period the parties intend to negotiate the terms of a farm-in and joint venture agreement where the Company may earn up to an 80% interest in the tenement.

On 3 September 2018 the Company announced a pro-rata Renounceable Entitlements Offer (Entitlements Offer) of fully paid ordinary shares (New Shares) on the basis of one (1) New Share for every seven (7) existing shares held at the record date with 1 for 2 free attaching options (New Options) which closed on 25 September 2018. Shares under the Entitlements Offer will be issued at \$0.019 per New Share. New Options will have an exercise price of 4.5 cents, a term of two years and will be listed. The New Options will be listed under the ASX code LPDOA.

The Company raised \$7.9 million (before costs) and will issue 417,877,158 New Shares and 208,938,579 New Options. Due to overwhelming demand, the Company has agreed to place a further 13,157,894 fully paid ordinary shares at \$0.019 with 6,578,947 attaching LPDOA options to raise an additional \$250,000 ("Placement").

It is intended that the proceeds of the Entitlements Offer will be prioritised to fund the Lepidico business, including to build and operate a L-Max<sup>®</sup> pilot plant, and in so doing provide material for product development and evaluation purposes with prospective strategic/offtake partners for the Phase 1 L-Max<sup>®</sup> Plant Project. Funds from the Placement will be used to supplement working capital.

The new securities are expected to be issued on Monday, 1 October 2018, in accordance with the timetable in the prospectus.

Other than the matters discussed above there are no other matters or circumstances which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- (a) the Consolidated Entity's operations in future years, or
- (b) the results of those operations in future financial years, or
- (c) the Consolidated Entity's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS ON OPERATIONS

The Company plans to continue to implement its strategy of being commencing lithium carbonate production in 2020 through the commercialisation of its proprietary L-Max® technology and the ongoing growth, exploration and development of its portfolio of lithium interests.

The nature of the Company's business remains speculative and the Board considers that comments on expected results or success of this strategy are not considered appropriate or in the best interests of the Company.

## INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF LEPIDICO

As at the date of this report, the notifiable interests held directly and through related bodies corporate or associates of the Directors in shares and options of Lepidico are:

	Number of fully paid ordinary shares	Number of options
Mr Gary Johnson	353,257,820	20,000,000
Mr Joe Walsh	29,750,000	27,500,000
Mr Tom Dukovcic	9,725,280	22,500,000
Mr Mark Rodda	-	12,500,000
Ms Cynthia Thomas	-	-
Mr Brian Talbot	-	-
	<b>402,733,100</b>	<b>82,500,000</b>

## REMUNERATION REPORT (AUDITED)

This remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service Agreements
- D. Share Based Compensation

This remuneration report outlines the Director and Executive remuneration arrangements for the Company and Group in accordance with the requirements of the Corporations Act 2001 (Cth) and its Regulations. For this report, key management personnel (“KMP”) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent Company, and includes the highest paid executives of the Company and Group.

The information provided in this remuneration report has been audited as required by section 308(3c) of the Corporations Act 2001.

### A. Principles Used To Determine The Nature And Amount Of Remuneration

The Company’s remuneration policy is designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering incentives based on the Group’s financial results. A Remuneration Committee has been established which makes recommendations to the Board which aims to attract and retain appropriate executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Remuneration Committee considers remuneration of Directors and the Executive and makes recommendations to the Board. Remuneration is considered annually or otherwise as required.

The nature and amount of remuneration for an executive and non-executive director depends on the nature of the role and market rates for the position, which are determined with the assistance of external advisors (where necessary), surveys and reports, taking into account the experience and qualifications of each individual. The Board ensures that the remuneration paid to KMP is competitive and reasonable.

During the financial year, Willis Tower Watson was engaged by the Remuneration Committee to review the elements of KMP remuneration for the year commencing 1 July 2017 and provide recommendations including the provision of comparative information relating to the KMP remuneration for the Company’s peers. The Company has not engaged Willis Tower Watson to provide any other services and Board is satisfied that the remuneration recommendations were free from undue influence by members of KMP to whom the recommendations relate.

The following were KMP of the Group during the financial year and unless otherwise indicated were KMP for the entire financial year:

#### *Non-Executive Directors*

Mr Gary Johnson	Non-executive Chairman
Mr Mark Rodda	Non-executive Director
Ms Cynthia Thomas	Non-executive Director (appointed 10 January 2018)
Mr Brian Talbot	Non-executive Director (appointed 10 January 2018)

#### *Executive Directors*

Mr Joe Walsh	Managing Director
Mr Tom Dukovcic	Director Exploration

#### *Executives*

Ms Shontel Norgate	Chief Financial Officer
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Mr Alex Neuling, Joint Company Secretary, is not employed or remunerated directly by Lepidico Ltd. Erasmus Consulting, a controlled body corporate received fees of \$33,621 (2017: \$57,542)

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

### **Non-Executive Director Remuneration**

The Directors have resolved that cash based directors' fees for Non-Executive Directors are between \$60,000 and \$80,000 per annum for each Non-Executive Director. The Company's policy is to remunerate Non-Executive Directors at market rates (for comparable companies) which reflect the demands made and the responsibilities placed on the Non-Executive Directors. Fees for Non-Executive Directors are not linked to the performance of the Company however, to align Directors' interests with shareholders' interests are encouraged to hold equity securities in the Company. Non-executive Directors are also entitled to participate in the Company long term incentive plan (refer "*Long Term Incentives*" ("LTIs") below).

In addition to Directors' fees, Non-Executive Directors are entitled to additional remuneration as compensation for additional specialised services performed at the request of the Board and reimbursed for reasonable expense incurred by directors on Company business. Non-Executive Directors' fees and payments are reviewed annually by the Board.

#### *Retirement benefits*

No retirement benefits or allowances are paid or payable to Non-Executive Directors of the Company other than superannuation benefits.

#### *Other benefits*

No motor vehicle, health insurance or other similar allowances are made available to Non-Executive Directors.

### **Executive Director and Executive Remuneration**

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The remuneration framework aligns executive reward with the achievement of strategic and operational objectives and the creation of wealth for shareholders. The Board ensures that the executive reward framework satisfies the following key criteria in line with appropriate governance practices:

- attract, retain, motivate and reward executives;
- reward executives for Company and individual performance against pre-determined targets/benchmarks;
- link rewards with the strategic goals and performance of the Company;
- provide competitive remuneration arrangements by market standards (for comparable companies);
- align executive interests with those of the Company's shareholders; and
- comply with applicable legal requirements and appropriate standards of governance.

The Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. Executive remuneration packages may comprise a mix of the following:

#### *Fixed remuneration*

Fixed remuneration comprises base salary and employer superannuation contributions. Salaries are reviewed on an annual basis to ensure competitive remuneration is paid to executives with reference

to their role, responsibility, experience and performance. Salaries are reviewed on an annual basis. There are no guaranteed base pay increases included in any executive contracts.

#### *Short-term incentives (“STIs”)*

STIs comprise cash bonuses. The STIs are structured to provide remuneration for the achievement of individual and Company performance targets linked to the Company’s strategic objectives across four areas of focus: Development, Exploration, Financing/Shareholder Value and Governance. At the beginning of each year, performance targets are set by the Board. Where possible, the performance targets are specific and measurable. At the end of each year the Company’s performance against the KPIs are assessed by the CEO and presented to the N&R Committee and approved by the Board. STIs may be adjusted up or down in line with under or over achievement relative to target performance levels at the discretion of the Remuneration Committee.

During the year the Company achieved significant milestones with the completion of the preliminary engineering for the Feasibility Study for the Phase 1 L-Max<sup>®</sup> Plant and site selection for the Phase 1 L-Max Plant in Sudbury, Canada. The Company successfully raised over \$7.0 million through a private placement to Galaxy Resources Ltd and a subsequent Entitlement Offer ensuring the Company was fully funded to complete the Feasibility Study. The Company implemented further corporate governance initiatives including increasing the number of independent Directors. The Company’s share price outperformed the S&P/ASX 300 Metals and Mining Index over the period.

For the year ended 30 June 2018, STIs of \$222,347 (inclusive of superannuation) were payable to KMP of the Company or Group (2017: \$121,723)

#### *Long term incentives (“LTIs”)*

LTIs comprise options granted at the recommendation of the Remuneration Committee in order to align the objective of Directors and Executives with shareholders and the Company (refer section D for further information). The issue of options to Directors (Non-Executive and Executive) requires shareholder approval.

The grant of share options has not been directly linked to previously determined performance milestones or hurdles as the current pre-development stage of the Group’s activities makes it difficult to determine effective and appropriate key performance indicators and milestones.

Persons granted options are not permitted to enter into transactions (whether through the use of derivatives or otherwise) that limit his or her exposure to the economic risk in relation to the securities.

### **Consequences of Performance on Shareholder Wealth**

Executive remuneration is aimed at aligning the strategic and business objectives with the creation of shareholder wealth. The table below shows measures of the Group’s financial performance over the last 5 years as required by the *Corporations Act 2001*. However, given the pre-development stage of the business these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP. Consequently, there may not be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net Profit/(Loss)	(3,615,617)	(1,044,346)	(2,263,225)	(5,357,243)	(7,219,713)
EPS	(0.001)	(0.006)	(0.005)	(0.003)	(0.003)
Share price at 30 June	0.001	0.010	0.017	0.013	0.037



## B. Details Of Remuneration

### Amounts of remuneration

Details of the remuneration of the directors and Key Management Personnel of the Group are set out in the following tables.

#### Share Based Payments

Under AASB 2 Share Based Payments, options issued to KMP are to be valued relative to the Company's stock price on the date of issue. The equity options issued to KMP immediately following shareholder approval at the 2017 AGM were issued with an exercise price at a 50% premium to the 5 day Volume Weighted Average Price of LPD shares immediately prior to the date of issue. The underlying share price on the date of issue was \$0.067, an increase of approximately 150% from the date that the options were announced in the Notice of Annual General Meeting issued on 24 October 2017. The increase occurred following the announcement of a private placement in LPD by Galaxy Resources Ltd. This resulted in a high Black-Scholes valuation for the options issued. The options valuation is not reflective of the likely market price that the equity options could be traded at as at the date of this report and is not necessarily the market price for taxation purposes. As at the date of this report, these options are significantly out-of-the-money, with an exercise price of \$0.091. Consequently, no benefit is likely to flow to the holders of these options in the absence of a greater than 250% appreciation in the LPD share price between the date of this report and the expiry date of the options.

		Short-term Benefits		Post-employment benefits	Share-based payments	Total
					Equity Options	
		Cash Salary and Fees	Other	Superannuation Benefits	Vested	
		\$	\$	\$	\$	\$
Non-Executive Directors						
Mr Gary Johnson	2018	80,000		7,600	315,000	402,600
	2017	81,410	-	7,734	112,500	201,644
Mr Mark Rodda	2018	60,000	-	5,700	315,000	380,700
	2017	51,154	-	4,860	112,500	168,514
Mr Brian Talbot <sup>(1)</sup>	2018	21,462		2,039	-	23,501
	2017	-	-	-	-	-
Ms Cynthia Thomas <sup>(2)</sup>	2018	23,519	-	-	-	23,519
	2017	-	-	-	-	-
Executive Directors						
Mr Joe Walsh	2018	243,985	110,390	-	630,000	984,375
	2017	170,285	54,144	21,321	112,500	358,250
Mr Tom Dukovcic	2018	183,267	44,749	21,661	420,000	669,677
	2017	157,534	31,963	18,003	112,500	320,000
Executives						
Ms Shontel Norgate	2018	207,545	62,957	12,667	457,500	740,669
	2017	126,666	25,055	14,413	75,000	241,134
Total Directors' and KMP remuneration	2018	819,778	218,096	49,667	2,137,500	3,225,041
	2017	587,049	111,162	66,331	525,000	1,289,542

(1) Mr Brian Talbot was appointed Non-Executive Director on 10 January 2018

(2) Ms Cynthia Thomas was appointed Non-Executive Director on 10 January 2018

## Loans to Key Management Personnel

There were no loans made to Directors or other KMP of the Group (or their personally related entities) during the current financial period.

## Other Transactions with Key Management Personnel

	2018 \$	2017 \$
Payments to director-related entities <sup>(1)</sup>	857,219	1,072,521

<sup>(1)</sup> Payments were made to Strategic Metallurgy Pty Ltd, a company of which Mr Gary Johnson is a director and beneficial shareholder. The payments were for development of L-Max® technology on an arm's length basis. As at 30 June 2018 invoices totalling \$89,617 (2017: \$108,044) are payable.

## C. Service Agreements

The remuneration and other terms of agreement for the Company's Managing Director and other KMP are formalised in employment contracts, as set out below.

Mr Joe Walsh, Managing Director ("MD") has an employment agreement with the Group. The agreement specifies duties and obligations to be fulfilled as MD and provides for an annual review of base remuneration taking into account performance. Mr Walsh's remuneration includes a salary of C\$240,000 per annum. Mr Walsh did not receive an increase to base salary during the reporting period; however, an increase in base salary to C\$350,000 was awarded effective 1 July 2018. A monetary bonus of C\$107,520 has been awarded for the financial year ended 30 June 2018..

Termination of the employment agreement requires 6 months written notice. Upon termination, the MD is entitled to receive from the Group all payments owed to him under the employment agreement up to and including the date of termination and any payments due to him pursuant to any relevant legislation by way of accrued annual leave and long service leave. If the Company terminates the agreement for any reason other than for cause the MD will receive 1 month's salary at the time of termination for every year of employment with the Company to a maximum of 6 months' payment (extendable up to 12 months under certain prescribed events).

Mr Tom Dukovcic, Director Exploration ("DE") has an employment agreement with the Group. The agreement specifies duties and obligations to be fulfilled as DE and provides for an annual review of base remuneration taking into account performance. Mr Dukovcic's remuneration includes a salary of \$175,000 per annum inclusive of superannuation. Mr Dukovcic did not receive an increase to base salary during the reporting period; however, an increase in base salary to \$200,000 was awarded effective 1 July 2018. A monetary bonus of \$49,000 (inclusive of superannuation) has been awarded for the financial year ended 30 June 2018.

Termination of the employment agreement requires 6 months written notice. Upon termination, the DE is entitled to receive from the Company all payments owed to him under the employment agreement up to and including the date of termination and any payments due to him pursuant to any relevant legislation by way of accrued annual leave and long service leave. If the Company terminates the agreement for any reason other than for cause the DE will receive 1 month's salary at the time of termination for every year of employment with the Company to a maximum of 6 months' payment (extendable up to 12 months under certain prescribed events).

Ms Shontel Norgate, Chief Financial Officer ("CFO") has an employment agreement with the Group. The agreement specifies duties and obligations to be fulfilled as CFO and provides for an annual review of base remuneration taking into account performance. Ms Norgate's remuneration includes a salary of C\$219,000 per annum. Ms Norgate did not receive an increase to base salary during the reporting period; however an increase in base salary to C\$245,000 was awarded effective 1 July 2018. A monetary bonus of C\$61,320 has been awarded for the financial year 30 June 2018.

Termination of the employment agreement requires 3 months written notice. Upon termination, the CFO is entitled to receive from the Company all payments owed to her under the employment agreement up to and including the date of termination and any payments due to her pursuant to any relevant legislation by way of accrued annual leave and long service leave. If the Company terminates the agreement for any reason other than for cause the CFO will receive 1 month's salary at the time of termination for every year of employment with the Company to a maximum of 6 months' payment (extendable up to 12 months under certain prescribed events).

## D. Share Based Compensation

### Share Holdings

The number of shares and options over ordinary shares in the Group held during the financial year by each director of Lepidico Ltd and other KMP of the Group, including their personally related parties, are set out below:

2018	Balance at start of year	Purchased	Exercised Options	Sold	Balance at end of year
<b>Non-Executive Directors</b>					
Mr Gary Johnson	349,680,293	44,433,895	-	(30,856,368)	363,257,820
Mr Mark Rodda	-	-	-	-	-
Mr Brian Talbot	-	-	-	-	-
Ms Cynthia Thomas	-	-	-	-	-
<b>Executive Directors</b>					
Mr Joe Walsh	7,500,000	1,250,000	20,000,000	(9,000,000)	19,750,000
Mr Tom Dukovcic	3,951,668	658,612	9,000,000	(3,885,000)	9,725,280
<b>Executives</b>					
Ms Shontel Norgate	-	5,007,619	-	-	5,007,619
<b>Total</b>	<b>361,131,961</b>	<b>51,350,126</b>	<b>29,000,000</b>	<b>(43,741,368)</b>	<b>397,740,719</b>

### Option Holdings

2018	Balance at start of year	Granted during the year as remuneration	Exercised/ Expired during year	Sold	Balance at end of year	* Vested and exercisable at end of year
<b>Non-Executive Directors</b>						
Mr Gary Johnson	12,500,000	7,500,000	-	-	20,000,000	20,000,000
Mr Mark Rodda	12,500,000	7,500,000	-	(7,500,000)	12,500,000	12,500,000
Mr Brian Talbot	-	-	-	-	-	-
Ms Cynthia Thomas	-	-	-	-	-	-
<b>Executive Directors</b>						
Mr Joe Walsh	52,500,000	15,000,000	20,000,000	-	47,500,000	47,500,000
Mr Tom Dukovcic	23,500,000	10,000,000	(11,000,000)	-	22,500,000	22,500,000
<b>Executives</b>						
Ms Shontel Norgate	12,500,000	10,000,000	-	-	22,500,000	22,500,000
<b>Total</b>	<b>113,500,000</b>	<b>50,000,000</b>	<b>(31,000,000)</b>	<b>(7,500,000)</b>	<b>125,000,000</b>	<b>125,000,000</b>

Details of the share options granted during the year as remuneration are disclosed in Note 15(c) as approved by shareholders at the Company's Annual General Meeting in November 2017.

## MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2018, and the number of meetings attended by each director.

	Full Board Meetings		Audit & Risk Committee Meetings		Nomination & Remuneration Committee Meetings	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Mr Gary Johnson	5	5	2	2	2	2
Mr Joe Walsh	5	5	-	-	-	-
Mr Tom Dukovic	5	5	-	-	-	-
Mr Mark Rodda	5	5	2	2	2	2
Mr Brian Talbot	2	2	-	-	-	-
Ms Cynthia Thomas	2	2	-	-	-	-

## INSURANCE AND INDEMNITY OF OFFICERS AND AUDITORS

During the year, the Company paid a premium in respect of a contract insuring the directors of the Company (named above) and the Company Secretaries against liabilities incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001 (Cth)*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## OPTIONS

At the date of this report, the Company has the following options on issue:

Number	Exercise Price	Grant	Expiry
5,000,000	\$0.015	9 November 2017	8 November 2019
42,500,000	\$0.02500	25 November 2016	31 December 2019
12,500,000	\$0.02500	30 November 2016	31 December 2019
50,000,000	\$0.09100	24 November 2017	23 November 2020
<b>110,000,000</b>			

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001(Cth)* for the year ended 30 June 2018 is included on page 21 of the Directors' Report.

The Auditor did not provide any non-audit services for the year ended 30 June 2018 (2017: \$Nil)

This report is made in accordance with a resolution of the directors made pursuant to section 298(2) of the *Corporations Act 2001*.



Joe Walsh  
Managing Director

Dated this 28<sup>th</sup> day of September 2018

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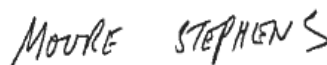
**AUDITORS INDEPENDENCE DECLARATION UNDER SECTION  
307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS  
OF LEPIDICO LIMITED**

I declare that to the best of my knowledge and belief, for the year ended 30 June 2018 there has been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



SUAN-LEE TAN  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth this 28<sup>th</sup> day of September 2018

## Consolidated Statement of Profit and Loss and Other Comprehensive Income as at 30 June 2018

	Note	2018 \$	2017 \$
Revenue	3	61,170	126,548
Other income	3	179,952	127,573
		<u>241,122</u>	<u>254,121</u>
Business development expenses		(492,003)	(325,214)
Administrative expenses	4	(1,550,458)	(1,753,598)
Employment benefits		(1,103,365)	(912,444)
Depreciation		(6,230)	(6,098)
Share based payments		(2,137,500)	(1,736,391)
Exploration and evaluation expenditure expensed		(2,170,815)	(877,619)
Realised Foreign Exchange Gain/(Loss)		(464)	-
		<u>(7,219,713)</u>	<u>(5,357,243)</u>
Loss before income tax			
Income tax expense	5	-	-
Loss from continuing operations		(7,219,713)	(5,357,243)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(17,141)	-
<b>Total comprehensive loss for the year attributable to owners of the Group</b>		<b><u>(7,236,854)</u></b>	<b><u>(5,357,243)</u></b>
<b>Loss per share for the year attributable to the members of Lepidico Ltd</b>			
Basic and diluted loss per share	7	(0.003)	(0.003)

The accompanying notes form part of these financial statements.

## Consolidated Statement of Financial Position as at 30 June 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	4,859,962	3,307,337
Trade and other receivables	9	624,556	619,497
<b>TOTAL CURRENT ASSETS</b>		<b>5,484,518</b>	<b>3,926,834</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	87,114	86,003
Property, plant and equipment	10	27,049	7,732
Exploration and evaluation expenditure	11	729,697	1,619,842
Intangible asset	12	19,026,700	16,698,154
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,870,560</b>	<b>18,411,731</b>
<b>TOTAL ASSETS</b>		<b>25,355,078</b>	<b>22,338,565</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	804,475	1,662,855
Short-term provisions	14	51,030	45,797
<b>TOTAL CURRENT LIABILITIES</b>		<b>855,505</b>	<b>1,708,652</b>
<b>TOTAL LIABILITIES</b>		<b>855,505</b>	<b>1,708,652</b>
<b>NET ASSETS</b>		<b>24,499,573</b>	<b>20,629,913</b>
<b>EQUITY</b>			
Issued capital	15	40,733,812	31,491,798
Reserves	16	3,360,609	1,513,250
Accumulated losses		(19,594,848)	(12,375,135)
<b>TOTAL EQUITY</b>		<b>24,499,573</b>	<b>20,629,913</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity for the Year ended 30 June 2018

	Issued Capital		Reserves		Accumulated Losses	Total
	Number of shares	Amount \$	Options \$	Foreign Currency Translation \$		
Balance at 30 June 2016	1,729,443,773	27,274,170	555,750	-	(7,017,892)	20,812,028
Loss for the year	-	-	-	-	(5,357,243)	(5,357,243)
Options issued during the year	-	-	990,000	-	-	990,000
Options exercised during the year	2,578,879	32,500	(32,500)	-	-	-
Shares issued during the year	303,955,413	4,185,126	-	-	-	4,185,128
<b>Balance at 30 June 2017</b>	<b>2,035,978,065</b>	<b>31,491,798</b>	<b>1,513,250</b>	<b>-</b>	<b>(12,375,135)</b>	<b>20,629,913</b>
Loss for the year	-	-	-	-	(7,219,713)	(7,219,713)
Other comprehensive loss	-	-	-	(17,141)	-	(17,141)
Options issued during the year	-	-	2,307,500	-	-	2,307,500
Options exercised during the year	54,000,000	443,000	(443,000)	-	-	-
Shares issued during the year	811,542,832	8,799,014	-	-	-	8,799,014
<b>Balance at 30 June 2018</b>	<b>2,901,520,897</b>	<b>40,733,812</b>	<b>3,377,750</b>	<b>(17,141)</b>	<b>(19,594,484)</b>	<b>24,499,573</b>

The accompanying notes form part of these financial statements.



## Consolidated Statement of Cash Flow For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from external parties		89,483	130,234
Payments to suppliers and employees		(3,196,592)	(2,837,046)
Interest received		68,763	37,082
Net cash used in operating activities	20	(3,038,346)	(2,669,730)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation activities		(1,565,714)	(974,145)
Proceeds from sale of exploration assets		110,000	-
Payments for research and development activities		(1,933,633)	(1,204,339)
Proceeds from research and development tax credit		467,718	353,506
Payments for property, plant and equipment		(25,547)	(10,088)
Proceeds from sale of available for sale assets		-	122,286
Net cash used in investing activities		(2,947,176)	(1,712,780)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares (net of costs)		6,517,288	7,011,826
Proceeds from exercise of options		1,038,000	27,761
Net cash provided by financing activities		7,555,288	7,039,587
Net increase in cash held		1,569,766	2,657,077
Cash at beginning of financial year		3,307,337	650,260
Effect of foreign exchange rate changes		(17,141)	-
<b>Cash at end of financial year</b>	8	<b>4,859,962</b>	<b>3,307,337</b>

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements for the Year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Lepidico Ltd and its controlled entities ("the Group" or "Consolidated Entity" or "Economic Entity"). Lepidico Ltd is a listed public company, incorporated and domiciled in Australia. The financial report of the Group complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### Basis of Preparation

##### *Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial statements were authorised for issue on 28 September 2018 by the Directors of the Company. The Directors have the power to amend and re-issue the financial report. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

#### Accounting Policies

##### (a) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a net loss of \$7,219,713 for the year to 30 June 2018 and had a net cash outflow from operations of \$3,038,346 for the year. Notwithstanding this, the financial report has been prepared on a going concern basis which the Directors consider to be appropriate based upon the available net current assets of \$4,629,013 as at 30 June 2018 and the matters described below.

The ability of the Group to continue as a going concern is dependent on the Group being able to continue to raise additional funds as required to meet ongoing exploration and development programs and for working capital. On 3 September 2018 the Company announced an Entitlements Offer which closed on 25 September 2018. The Offer was oversubscribed and the Company raised \$7.9 million (before costs). Due to overwhelming demand, the Company has agreed to a private placement to raise an additional \$250,000. The Directors believe that the Group will be able to raise additional capital as required based on the successful outcome of the Entitlement Offer and ongoing interest in the Company and the lithium industry generally.

**(b) Principles of Consolidation**

The consolidated financial statements incorporate all the assets, liabilities and results of the parent (Lepidico Ltd) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 2.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

**(c) Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**(d) Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i) the consideration transferred;
- ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss. The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method).

In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination. Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of. Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

**(e) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income

except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(f) Property, Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

***Depreciation***

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(g) Exploration and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

#### **(h) Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

**(i) Financial Instruments**

***Recognition***

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

***Financial assets at fair value through profit and loss***

A financial asset is classified in this category if acquired principally for selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period which they arise.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

***Available-for-sale financial assets***

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

***Fair value***

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

***Impairment***

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the consolidated statement of comprehensive income.

**(j) Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(k) Foreign Currency Transactions and Balances**

***Functional and presentation currency***

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that Entity operates. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.



### **Transaction and Balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of comprehensive income.

### **Group companies**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- (i) assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- (ii) income and expenses are translated at average exchange rates for the period; and
- (iii) retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

### **(l) Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### **(m) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### **(n) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### **(o) Revenue**

Revenue from the sale of goods is recognised upon delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.



Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**(p) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(q) Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Key Sources of Estimation Uncertainty**

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**(i) Recoverability of Exploration and Evaluation Expenditure**

The recoverability of the exploration and evaluation expenditure recognised as a non-current asset is dependent upon the successful development, or alternatively sale, of the respective tenements which comprise the assets.

**(ii) Recoverability of Intangible Asset (Development Expenditure)**

The recoverability of capitalised development expenditure recognised as a non-current asset is dependent upon the successful development, or alternatively sale, of the respective intellectual property which comprise the assets. Refer to Note 12 for details of how the development expenditure has been valued.

**(iii) Share based payment transactions**

The fair value of any options issued as remuneration is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information (if any)), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

**(r) Intangibles Assets – Intellectual Property Development Expenditure**

Such assets are recognised at cost of acquisition. Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits

and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributed to the intangible asset during its development.

Capitalised development costs will be amortised over their expected useful life of the intangible asset once full commercialisation or production commences.

**(s) New and Amended Accounting Policies Adopted by the Group**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**(t) New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

***AASB 9: Financial Instruments and associated Amending Standards***

(applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the Group elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 should not have a material impact on the Group's financial instruments.

**AASB 15: Revenue from Contracts with Customers**

(applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- (i) identify the contract(s) with a customer;
- (ii) identify the performance obligations in the contract(s);
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract(s); and
- (v) recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 should not have a material impact on the Group's financial statements.

**AASB 16: Leases**

(applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable less payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 should not have a material impact on the Group's financial statements.

***AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

(applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by *AASB2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a “business” as defined in AASB 3: Business Combinations to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 July 2018. The directors anticipate that the adoption of AASB 2014-10 should not have a material impact on the Group's financial statements.

**(u) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation in the current financial year.

## Note 2: Controlled Entities

The legal corporate structure of the Consolidated Entity is set out below:

	Country of Incorporation	Interest as at 30 June (%)		Principal Activity
		2018	2017	
<b>Parent Entity:</b>				
Lepidico Ltd	Australia			
<b>Subsidiaries of Lepidico Ltd:</b>				
Ashburton Gold Mines NL	Australia	100	100	Dormant
Trans Pacific Gold Pty Ltd	Australia	100	100	Dormant
Transdrill Pty Ltd	Australia	100	100	Dormant
Southern Pioneer Ltd	Australia	100	100	Dormant
Platypus Resources Ltd	Australia	100	100	Dormant
Lepidico Holdings Pty Ltd	Australia	100	100	Lithium Exploration and Investment
Li Technology Pty Ltd	Australia	100	100	Holder of L-Max <sup>®</sup> Technology
Silica Technology Pty Ltd	Australia	100	-	Holder of S-Max <sup>™</sup> Technology
Mica Exploration Pty Ltd	Australia	100	100	Lithium Exploration
Lepidico (Netherlands) Coöperatief U.A.	Netherlands	100	-	Holding Company
Lepidico (Netherlands) B.V.	Netherlands	100	-	Global Marketing Company
Lepidico (Canada) Inc	Canada	100	-	Developer & operator of Phase 1 L-Max <sup>®</sup> Plant

## Note 3: Revenue

	2018 \$	2017 \$
Operating activities	61,170	126,548
<b>Operating Income</b>	<b>61,710</b>	<b>126,548</b>
<i>Other activities</i>		
Interest	69,952	37,673
Profit on sale of available for sale financial assets	-	22,287
Break fee for sale of exploration tenement	-	66,364
Sale of interest in exploration tenement	110,000	-
Other	-	1,249
<b>Other Income</b>	<b>179,952</b>	<b>127,573</b>
<b>Total Revenue</b>	<b>241,122</b>	<b>254,121</b>

**Note 4: Administrative Expenses**

	2018 \$	2017 \$
Office & general	299,890	236,626
Professional services	515,602	322,171
Compliance related	312,190	181,576
Travel	404,436	222,195
	<u>1,532,117</u>	<u>962,568</u>

**Other Significant Administrative Expenses**

The following significant expenses were incurred during the period and impacted the financial performance:

Legal Costs associated with settled dispute	-	162,892
Takeover Response	18,341	628,138

<b>Total Administrative Expenses</b>	<b><u>1,550,458</u></b>	<b><u>1,753,598</u></b>
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**Note 5: Income Tax Expense**

	2018 \$	2017 \$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Losses recouped not previously recognised	-	-
	<u>-</u>	<u>-</u>
Income tax expense reported in statement of comprehensive income	<u>-</u>	<u>-</u>

	2018 \$	2017 \$
<b>(b)</b> The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2017: 27.5%)	(1,985,421)	(1,473,242)
Add tax effect of:		
- Losses not recognised	-	-
- Deferred tax balances not recognised	630,101	882,406
- Share based payments	587,813	477,508
- Foreign Expenditure	38,128	45,304
- Exploration expenditure written off	421,078	61,376
- Other non-allowable items	308,301	6,648
Less tax effect of:		
- Deferred tax balances not recognised	-	-
- Losses recouped not previously recognised	-	-
Income tax expense reported in statement of comprehensive income	-	-
<b>(c)</b> Deferred tax recognised:		
Deferred Tax Liabilities:		
Exploration expenditure	(1,141)	(9,994)
L-Max® Technology	(362,873)	(239,392)
Other	(24)	-
Deferred Tax Assets:		
Carry forward revenue losses	364,038	249,386
Net deferred tax	-	-
<b>(d)</b> Unrecognised deferred tax assets:		
Carry forward revenue losses	5,137,306	4,289,830
Carry forward capital losses	268,663	268,663
Capital raising and other costs	334,345	217,230
Provision and accruals	14,132	20,632
	5,754,446	4,796,355

**(e) Tax consolidation:**

Lepidico Ltd and its wholly owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2014. Lepidico Ltd is the head entity of the tax consolidated group.

The tax benefits of the above Deferred Tax Assets will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.

**Note 6: Auditor's Remuneration**

	<b>2018</b> \$	<b>2017</b> \$
Audit services	34,789	36,500
Taxation and other services	-	-
	<u>34,789</u>	<u>36,500</u>

**Note 7: Earnings per Share**

The calculation of basic profit or loss per share for each year was based on the profit or loss attributable to ordinary shareholders and using a weighted average number of ordinary shares outstanding during the year. The Company's potential ordinary shares were not considered dilutive as the Company is in a loss position.

	<b>2018</b> \$	<b>2017</b> \$
Loss attributable to the ordinary equity holders of the Company	0.003	0.003
	<u>\$</u>	<u>\$</u>
Loss from continuing operations	7,219,713	5,357,243
	<u>No.</u>	<u>No.</u>
Weighted average number of ordinary shares	2,624,394,631	1,801,689,967

**Note 8: Cash and Cash Equivalents**

	<b>2018</b> \$	<b>2017</b> \$
Cash at bank and in hand	4,859,962	3,307,337
	<u>4,859,962</u>	<u>3,307,337</u>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 22



**Note 9: Trade and Other Receivables**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade receivables	-	28,313
Prepaid expenses	63,680	41,417
R&D tax rebate receivable	484,795	467,718
Goods and services tax receivable	76,002	81,458
Other receivables	79	591
<b>Total Current Trade and Other Receivables</b>	<b>624,556</b>	<b>619,497</b>
<b>Non-Current</b>		
Cash backed guarantees	87,114	86,003
<b>Total Non-Current Trade and Other Receivables</b>	<b>87,114</b>	<b>86,003</b>
<b>Total Trade and Other Receivables</b>	<b>711,670</b>	<b>705,500</b>

**Note 10: Property, Plant and Equipment**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Furniture, Fittings and Equipment</b>		
<b>At cost</b>		
Opening Balance	80,054	75,841
Additions	25,547	10,088
Disposals	-	(5,875)
Closing Balance	105,601	80,054
<b>Accumulated depreciation</b>		
Opening Balance	72,322	72,098
Depreciation	6,230	6,098
Disposals	-	(5,874)
Closing Balance	78,552	72,322
<b>Net Book Value</b>	<b>27,049</b>	<b>7,732</b>

**Note 11: Exploration and Evaluation Expenditure**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Exploration expenditure	729,697	1,619,842

The recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective mining permits. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production. The impairment of exploration expenditure represents projects that the company is no longer pursuing.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of year	1,619,842	614,797
Exploration and evaluation costs capitalised	1,280,670	1,882,664
Exploration and evaluation costs written off	(2,170,815)	(877,619)
<b>Balance at the end of the year</b>	<b>729,697</b>	<b>1,619,842</b>

**Note 12: Intangible assets**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
L-Max <sup>®</sup> Technology	19,495,455	16,698,154
S-Max <sup>™</sup> Technology	16,040	-
<b>Intangible assets</b>	<b>19,511,495</b>	<b>16,698,154</b>

The recoverability of the carrying amount of the L-Max<sup>®</sup> Technology and the S-Max<sup>™</sup> Technology is dependent of the successful development and commercial exploitation or sale of the asset.

Capitalised development costs will be amortised over their expected useful life of the intangible asset once full commercialisation of production commences.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of year	16,698,154	16,203,762
Development costs capitalised	2,813,341	1,246,891
Research and Development Tax Credit received/receivable	(484,795)	(752,499)
<b>Balance at the end of the year</b>	<b>19,026,700</b>	<b>16,698,154</b>

**Note 13: Trade and Other Payables**

	2018 \$	2017 \$
<b>Current</b>		
Trade payables	406,527	406,356
Sundry payables and accrued expenses	397,948	1,256,499
<b>Total Current Trade and Other Payables</b>	<b>804,475</b>	<b>1,662,855</b>

**Note 14: Provisions**

	2018 \$	2017 \$
<b>Current</b>		
Employee Provisions	51,030	45,797

	2018 \$	2017 \$
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of year	45,797	22,294
Additional provisions	58,169	44,490
Provisions used	(52,936)	(20,987)
<b>Balance at the end of the year</b>	<b>51,030</b>	<b>45,797</b>

**Note 15: Contributed Equity**
**a) Share capital**

	2018	2017
	Number	Number
	\$	\$
Fully paid ordinary shares	2,901,520,897	2,035,978,065
Share Issue Costs	43,961,658 (3,227,846)	33,999,124 (2,507,326)
	<b>40,733,812</b>	<b>31,491,798</b>

Ordinary shares have the right to receive dividends and, in the event of winding-up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**Movements in ordinary share capital**

<b>Description</b>	<b>Date</b>	<b>Number of shares</b>	<b>Issue Price</b>	<b>\$</b>
Opening Balance	1 July 2017	2,035,978,065		31,491,798
Shares issued to Lycopodium	2 August 2017	45,000,000	\$0.0130	585,000
Shares issued to Maximus Resources	18 August 2017	6,333,432	\$0.0126	80,000
Shares issued to Bacchus Capital	5 September 2017	52,195,175	\$0.0143	746,391
Shares issued to Galaxy Resources	12 October 2017	291,750,910	\$0.0100	2,917,509
Exercise of options	25 October 2017	6,500,000	\$0.0100	65,000
Fair value of options exercised	25 October 2017	-	-	13,000
Entitlement Offer	8 November 2017	416,263,315	\$0.0100	4,162,633
Exercise of options	8 November 2017	3,500,000	\$0.0150	52,500
Fair value of options exercised	8 November 2017	-	-	59,500
Exercise of options	8 December 2017	2,500,000	\$0.0100	25,000
Fair value of options exercised	8 December 2017	-	-	5,000
Exercise of options	8 December 2017	12,500,000	\$0.0250	312,500
Fair value of options exercised	8 December 2017	-	-	112,500
Exercise of options	14 December 2017	7,500,000	\$0.0250	187,500
Fair value of options exercised	14 December 2017	-	-	67,500
Exercise of options	9 March 2018	1,500,000	\$0.0150	22,500
Fair value of options exercised	9 March 2018	-	-	25,500
Exercise of options	7 May 2018	15,000,000	\$0.01815	272,250
Fair value of options exercised	7 May 2018	-	-	120,000
Exercise of options	16 May 2018	5,000,000	\$0.01815	90,750
Fair value of options exercised	16 May 2018	-	-	40,000
Less: Share issue costs		-	-	(720,519)
Closing Balance	30 June 2018	<u>2,901,520,897</u>		<u>40,733,812</u>

**b) Share options**

As at reporting date, Lepidico has the following options on issue:

<b>Number</b>	<b>Exercise Price</b>	<b>Grant</b>	<b>Expiry</b>
20,000,000	\$0.01815	25 July 2016	3 August 2018
5,000,000	\$0.015	9 November 2017	8 November 2019
42,500,000	\$0.02500	25 November 2016	31 December 2019
12,500,000	\$0.02500	30 November 2016	31 December 2019
50,000,000	\$0.09100	24 November 2017	23 November 2020
<u>130,000,000</u>			

Options carry no dividend or voting rights. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Group's existing fully paid ordinary shares.

## Movements in Options

	Number	Weighted Average Exercise Price \$
Balance at 1 July 2016	66,562,816	0.028
Granted	115,000,000	0.023
Exercised	(2,578,879)	0.011
Expired	(27,233,937)	0.034
Balance at 30 June 2017	151,750,000	0.023
Granted	60,000,000	0.078
Exercised	(54,000,000)	0.019
Expired	(27,750,000)	0.030
Balance at 30 June 2018	<u>130,000,000</u>	0.049

## c) Share Based Payments

On 2 August 2017 the Company issued 45,000,000 shares to Lycopodium Minerals Pty Ltd for engineering services to be performed for the Phase 1 L-Max Plant Feasibility Study. The shares were issued at \$0.013 per share being the closing price on the day of issue.

On 21 August 2017, the Company issued 6,333,432 shares to Maximus Resources as the initial payment for farm-in on Moriarty Lithium Rights. Under the terms of the farm-in, Maximus was issued with \$80,000 in shares.

On 5 September 2017, the Company issued 52,195,175 shares for corporate services provided during the take-over response. The shares were issued at \$0.0143 per share, being the 5 day VWAP immediately before the take-over offer expired.

On 8 November 2017, the Company issued 5,000,000 options (valued at \$0.017) to CPS Capital and Galaxy Resources respectively as part of the the Underwriting and Sub-underwriting Agreements for the Entitlement Offer. The option exercise price was set at a 50% premium above the Entitlement Offer price. The options were valued using Black Scholes with the following assumptions:

	<u>Unlisted Options</u>
Number of options	10,000,000
Grant date share price	\$0.025
Exercise price	\$0.015
Expected volatility	111%
Option life	2 years
Dividend yield	0.00%
Interest Rate	1.93%

On 23 November 2017, the Company issued a total of 50,000,000 options (valued at \$0.042) to Directors and Employees under the Company's Share Option Plan and were valued using Black Scholes with the following assumptions:

	<b>Unlisted Options</b>
Number of options in series	50,000,000
Grant date share price	\$0.067
Exercise price	\$0.091
Expected volatility	111%
Option life	3 years
Dividend yield	0.00%
Interest Rate	1.90%

If the above options were valued using the share price as at 30 June 2018 they would be valued at \$0.016.

#### **Note 16: Reserves**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Option Reserve	3,377,750	1,513,250
Foreign Currency Translation Reserve	(17,141)	-
<b>Total Reserves</b>	<b>3,360,609</b>	<b>1,513,250</b>

#### **Option Reserve**

The options reserve is used to recognise the fair value of all options on issue but not yet exercised.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Opening Balance	1,513,250	555,750
Option expense for the year	2,307,500	990,000
Transfer of value on exercise of options	(443,000)	(32,500)
<b>Closing Balance</b>	<b>3,377,750</b>	<b>1,513,250</b>

#### **Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Opening Balance	-	-
Movement during the year	(17,141)	-
<b>Closing Balance</b>	<b>(17,141)</b>	<b>-</b>

#### **Note 17: Contingent Liabilities and Contingent Assets**

There are no contingent liabilities as at 30 June 2018.

## Note 18: Segment reporting

### Reportable Segments

The Group has two reportable segments, being mineral exploration and development of its L-Max® technology, which reflects the structure used by the Group's management to assess the performance of the Group.

	Mineral Exploration	Technology	Corporate & Unallocated items	Total
	\$	\$	\$	\$
<b>(i) Segment performance</b>				
<b>Year ended 30 June 2018</b>				
Revenue	110,000	61,170	69,952	241,122
Total Profit/(Loss)	(2,060,815)	51,211	(5,210,109)	(7,219,713)
<b>Year ended 30 June 2017</b>				
Revenue	66,364	126,548	61,209	254,121
Total Profit/(Loss)	(812,935)	(86,290)	(4,458,018)	(5,357,243)
<b>(ii) Segment assets</b>				
As at 30 June 2018	729,697	19,026,700	5,598,681	25,355,078
As at 30 June 2017	1,619,842	16,698,154	4,020,569	22,338,565

### Geographical Information

	2018 \$	2017 \$
Australia	241,122	254,121
<b>Total Revenue</b>	<b>241,122</b>	<b>254,121</b>
Australia	5,067,612	5,357,243
Canada	2,152,101	-
<b>Total Loss</b>	<b>7,219,713</b>	<b>5,357,243</b>
Australia	24,629,530	20,755,063
Canada	21,682	1,414,968
Portugal	703,866	168,534
<b>Total Assets</b>	<b>25,355,078</b>	<b>22,338,565</b>



## Note 19: Commitments

### Operating lease commitments

	2018 \$	2017 \$
Not later than one year	100,746	122,400
After one year but less than two years	50,251	38,035
	<u>150,997</u>	<u>160,435</u>

### Exploration lease commitments

The Group must meet the following tenement expenditure commitments to maintain them in good standing until they are farmed out, sold, reduced, relinquished, exemptions from expenditure are applied or are otherwise disposed of. These commitments, net of farm outs, are not provided for in the financial statements and are:

	2018 \$	2017 \$
Not later than one year	-	1,207,874
After one year but less than five years	-	203,656
	<u>-</u>	<u>1,411,530</u>

## Note 20: Cash Flow Information

	2018 \$	2017 \$
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
Loss after income tax	(7,219,713)	(5,357,243)
Adjustments items not impacting cash flow used in operations:		
Depreciation and amortisation	6,230	6,098
Exploration expenditure written-off	2,170,815	877,619
Share based payments	2,137,500	1,736,391
(Profit)/Loss on sale of available for sale financial assets	-	(22,286)
(Profit)/Loss on break fee from tenement sale	-	(66,364)
(Profit)/Loss on sale of exploration asset	(110,000)	-
Changes in current assets and liabilities:		
(Increase)/decrease in trade and other receivables	10,907	(118,120)
Increase/(decrease) in trade and other payables	(39,319)	250,672
Increase/(decrease) in provisions	5,233	23,503
Cash flow used in operations	<u>(3,038,346)</u>	<u>(2,669,730)</u>

## Note 21: Related Party Transactions

### Key Management Personnel Remuneration

	2018 \$	2017 \$
Salaries and other short-term benefits	1,037,874	698,211
Post employment benefits	49,667	66,331
Share based payments	2,137,500	525,000
	<u>3,225,041</u>	<u>1,289,542</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 19.

### Payments to director-related parties

	2018 \$	2017 \$
Payments to director-related entities <sup>(1)</sup>	<u>857,219</u>	<u>1,072,521</u>

<sup>(1)</sup> Payments were made to Strategic Metallurgy Pty Ltd, a company of which Mr Gary Johnson is a director and beneficial shareholder. The payments were in relation to the development of L-Max® technology on an arm's length basis. As at 30 June 2018 invoices totalling \$89,617 are payable (2017: \$108,044).

## Note 22: Financial Risk Management

The Group has exposure to the following risks:

- (a) Credit Risk
- (b) Liquidity Risk
- (c) Market Risk

This note presents information on the Group's exposure to each of the above risks, their objectives, policies and processes for measuring risk, and management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately mitigated.

The Group's Audit & Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### (a) Credit Risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counter-party.

The Group's cash and cash equivalents are held with ANZ Bank and HSBC Bank, and management consider the Group's exposure to credit risk is low.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	2018 \$	2017 \$
<b>Financial assets</b>			
Cash and cash equivalents	8	4,859,962	3,307,337
Trade and other receivables	9	624,556	705,500
<b>Total financial assets</b>		<b>5,484,518</b>	<b>4,012,837</b>

### (b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The Company will need to raise additional capital to fund the development of the Phase 1 L-Max® Plant. The decision on how and when the Company will raise future capital will largely depend on the market conditions existing at that time.

As at the reporting date the Group had the following financial liabilities comprised of non-interest bearing trade creditors and accruals with a maturity of less than 6 months:

	Note	2018 \$	2017 \$
<b>Financial liabilities</b>			
Trade and other payables	13	804,475	1,662,855

### (c) Market Risk

Market risk was the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

#### (i) Interest Rate Risk

As at and during the year ended on reporting date the Group had no significant interest-bearing assets or liabilities other than liquid funds on deposit. As such, the Group's income and operating cash flows (other than interest income from funds on deposit) are substantially independent of changes in market interest rates. The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below:

		2018		2017	
		%	\$	%	\$
<b>Financial assets</b>					
Cash assets	Floating rate	1.41%	4,859,962	1.47%	3,307,337

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in higher interest-bearing cash management account.

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk over the reporting period. The sensitivity analysis demonstrates the effect on the current year's results and equity values reported at the end of the reporting period which would result from a 1% change in interest rates.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Change in Loss</b>		
Increase by 1%	50,697	25,642
Decrease by 1%	(50,697)	(25,624)
<b>Change in Equity</b>		
Increase by 1%	50,697	25,642
Decrease by 1%	(50,697)	(25,642)

#### *(ii) Currency Risk*

The Group has potential exposure to foreign currency movements by virtue of its involvement in exploration tenements in Portugal and Canada. At this time the currency risk is not considered significant. The Group has not entered into any derivative financial instruments to hedge such transactions.

#### *(iii) Commodity Price Risk*

The Group is operating primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are not yet subject to commodity price risk.

#### *(iv) Capital Management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## Note 23: Parent Entity Financial Information

The following information relates to the legal parent only.

### (a) Summary of Financial Information

	2018 \$	2017 \$
<b>Assets</b>		
Current assets	5,397,312	3,430,116
Total assets	34,157,254	28,957,151
<b>Liabilities</b>		
Current liabilities	619,478	1,398,168
Total liabilities	619,478	1,398,168
<b>Shareholders' Equity</b>		
Issued capital	76,257,812	67,025,800
Reserves	3,997,433	1,740,074
Accumulated Losses	(46,717,469)	(41,206,890)
Total Shareholders' Equity	33,537,776	27,558,983
<b>Result of the parent entity</b>		
Loss for the year	(5,510,579)	(4,579,238)
Other comprehensive loss	(17,141)	-
<b>Total comprehensive loss for the year</b>	(5,527,720)	(4,579,238)

### (b) Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2018 the parent entity has no contractual commitments for the acquisition of property, plant or equipment.

### (c) Guarantees and contingent liabilities

As at 30 June 2018 the parent entity has no guarantees or contingent liabilities other than as disclosed in Note 17.

## Note 24: Events Subsequent to Reporting Date

### (a) Youanmi Lepidolite Option Agreement

On 26 July 2018 the Company entered into an option agreement with Venus Metals Corporation Limited (ASX:VMC) ("Venus") to explore for lithium mineralisation on exploration licence E57/983 located in the Murchison District in Western Australia, approximately 20 km southwest of the historical Youanmi gold mine.

The Company paid \$50,000 cash and issued 3,619,254 fully paid ordinary Shares for a 12-month option to explore the tenement. During the option period the parties intend to negotiate the terms of a farm-in and joint venture agreement on the following indicative terms:

- Venus to receive \$350,000, comprising 50:50 cash and shares; shares issued at 5 day VWAP. Lepidico will have a 4-year period to complete a full Feasibility Study leading to a Decision to Mine ("DTM") to earn an 80% interest in the Lithium Rights. Venus will be free-carried to a DTM and Venus will be carried through project finance, with cost of finance to be repaid from 100% of Venus's share of production.
- On DTM, a joint venture commences. If Venus dilutes to below 5% it's interests reverts to a 1.5% royalty on all concentrate sold from the tenement.
- Venus is to receive a benefit linked to the price of lithium carbonate equivalent received by Lepidico on sale of L-Max<sup>®</sup> products from material sourced from the Rights.
- If at any time in the 4-year period, Lepidico spends \$2 million on project expenditure it will earn a 51% interest in the Rights.

## **(b) Entitlements Offer**

On 3 September 2018 the Company announced a pro-rata Renounceable Entitlements Offer (Entitlements Offer) of fully paid ordinary shares (New Shares) on the basis of one (1) New Share for every seven (7) existing shares held at the record date with 1 for 2 free attaching options (New Options) which closed on 25 September 2018. Shares under the Entitlements Offer will be issued at \$0.019 per New Share. New Options will have an exercise price of 4.5 cents, a term of two years and will be listed. The New Options will be listed under the ASX code LPDOA.

The Company raised \$7.9 million (before costs) and will issue 417,877,158 New Shares and 208,938,579 New Options. Due to overwhelming demand, the Company has agreed to place a further 13,157,894 fully paid ordinary shares at \$0.019 with 6,578,947 attaching LPDOA options to raise an additional \$250,000 ("Placement")

To reduce the risk of scale up to an expanded nominal throughput rate of approximately 7.0 tonnes per hour of concentrate feed, the Lepidico Board has resolved, subject to securing sufficient funds, to develop a L-Max<sup>®</sup> pilot plant for research and development purposes. Strategic Metallurgy Pty Ltd has completed the process design for a pilot plant with nominal throughput rate of 15 kilograms per hour at a capital cost of approximately \$3 million, including engineering and contingency. Operating costs are expected to total a further \$1.5 million. Pilot plant equipment will be similar to that used in the Phase 1 Plant design albeit on a smaller scale. The pilot plant has a six month development timetable which is planned to be implemented in parallel with the closing stages of Phase 1 Plant Project Feasibility Study.

It is intended that the proceeds of the Entitlements Offer will be prioritised to fund the Lepidico business, including to build and operate a L-Max<sup>®</sup> pilot plant, and in so doing provide material for product development and evaluation purposes with prospective strategic/offtake partners for the Phase 1 L-Max<sup>®</sup> Plant Project. Funds from the Placement will be used to supplement working capital.

The new securities are expected to be issued on Monday, 1 October 2018, in accordance with the timetable in the prospectus.

## Directors' Declaration

In the opinion of the Directors of Lepidico Ltd (the "Company"):

1. The financial statements and notes and the remuneration disclosures that are contained in the Directors' Report, are in accordance with the Corporations Act 2001, including:
  - a. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2018.
4. Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors.



Joe Walsh  
Managing Director

Dated this 28<sup>th</sup> day of September 2018



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEPIDICO LTD

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## REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### Opinion

We have audited the financial report of Lepidico Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

## Key Audit Matters

We have determined the matters described below to be the key audit matters to be communicated in our report. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying values of Exploration & Evaluation Expenditure and Intangible Assets	
Refer to Notes 1(g, r), Notes 11 Exploration & Evaluation Expenditure & 12 Intangible Asset	
<p>As at 30 June 2018 the Group had \$729,697 in capitalised exploration and evaluation expenditure and intangible assets with a carrying value of \$19,026,700.</p> <p>The intangible asset includes the Group's investment in the L-Max<sup>®</sup> Technology and S-Max<sup>®</sup> Technology, including the cost of acquisition of the technology, subsequent development costs and patent fees capitalised. As part of their annual impairment review, management prepared an analysis of the recoverable amount of the technology which was based on "fair value less costs to sell". Note that given the early stages of development of the technology, we are unable to rely on forecast cash flows as a reliable estimate of value-in-use.</p> <p>The ability to recognise and to continue to defer exploration-evaluation assets under AASB 6 is impacted by the Group's ability, and intention, to continue to explore the tenements or its ability to realise this value through development or sale.</p> <p>The carrying values of the technology and capitalised exploration-evaluation assets were key audit matters given the significance of the technology and exploration activities to the Group's balance sheet, and the judgement involved in the assessment of their values.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Assessing the methodologies used by management to estimate fair value of the technology asset including challenging the methodology used, testing the integrity of the information provided, and assessing the appropriateness of the key assumptions based on our knowledge of the technology and industry.</li> <li>Reviewing minutes of Board meetings, ASX announcements, professional technological and other reports for evidence of any impairment indicators or material adverse changes since completion of the Pre-Feasibility Report and independent valuation report (included in the target's statement document) announced in 2017. There were no such indicators during the year.</li> <li>Testing expenditures related to the technology and exploration-evaluation assets during the year on a sample basis against supporting documentation such as supplier invoices and various cost agreements and ensuring such expenditures are appropriately recorded in accordance with applicable accounting standards.</li> <li>Reviewing the Group's rights to tenure to its areas of interest and commitment to continue exploration and evaluation activities in these interests and ensuring capitalised expenditures relating to areas of interest which are being discontinued or no longer being budgeted for are appropriately impaired.</li> <li>Compared the Group's market capitalisation as at 30 June 2018 (\$107.4 million) to its net asset position (\$24.5 million) and noted that the market capitalisation at balance date was significantly higher.</li> <li>Assessing the appropriateness of the relevant disclosures in the financial statements.</li> </ul>

## Key Audit Matters (continued)

Related Party Transactions & Share Based Payments to Key Management Personnel	
Refer to Remuneration Report, Note 15c Share Based Payments, Note 21 Related Party Transactions	
<p>During the year ended 30 June 2018, the Group transacted with Key Management Personnel and their related entities including:</p> <ul style="list-style-type: none"> <li>• Awarded share-based payments amounting to \$2,137,500, in the form of share options, to Key Management Personnel</li> <li>• Paid \$857,219 in development and consulting costs related to the L-Max Technology</li> </ul> <p>As these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third party.</p> <p>The value of the share-based payments is a key audit matter due to it being a key material transaction with members of key management personnel, the valuation of which involves significant judgement and accounting estimation.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Enquiring and obtaining confirmations from Key Management Personnel regarding related party transactions occurring during the period.</li> <li>• Reviewing minutes of meetings, ASX announcements and agreements, and considered other transactions undertaken during the financial year.</li> <li>• Reviewing payments, receipts and general journals throughout the year, and examining transactions with known related parties, or those that appear large or unusual for the Group.</li> <li>• Evaluating, based on supporting documentation, whether related party transactions were on an arms-length basis.</li> <li>• Assessing the valuation methodology used by management to estimate fair value of share options issued, including testing the integrity of the information provided, assessing the appropriateness of the key assumptions input into the valuation model and recalculating the valuation using the Black Scholes Model.</li> <li>• Assessing whether the share-based payments have been appropriately classified and accounted for in the financial statements.</li> </ul> <p>Assessing the appropriateness of the relevant disclosures in the financial statements.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

### Auditor's Responsibilities for the Audit of the Financial Report (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON THE REMUNERATION REPORT

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2018.

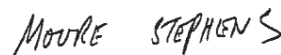
In our opinion, the Remuneration Report of Lepidico Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



SUAN-LEE TAN  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth on the 28<sup>th</sup> day of September 2018