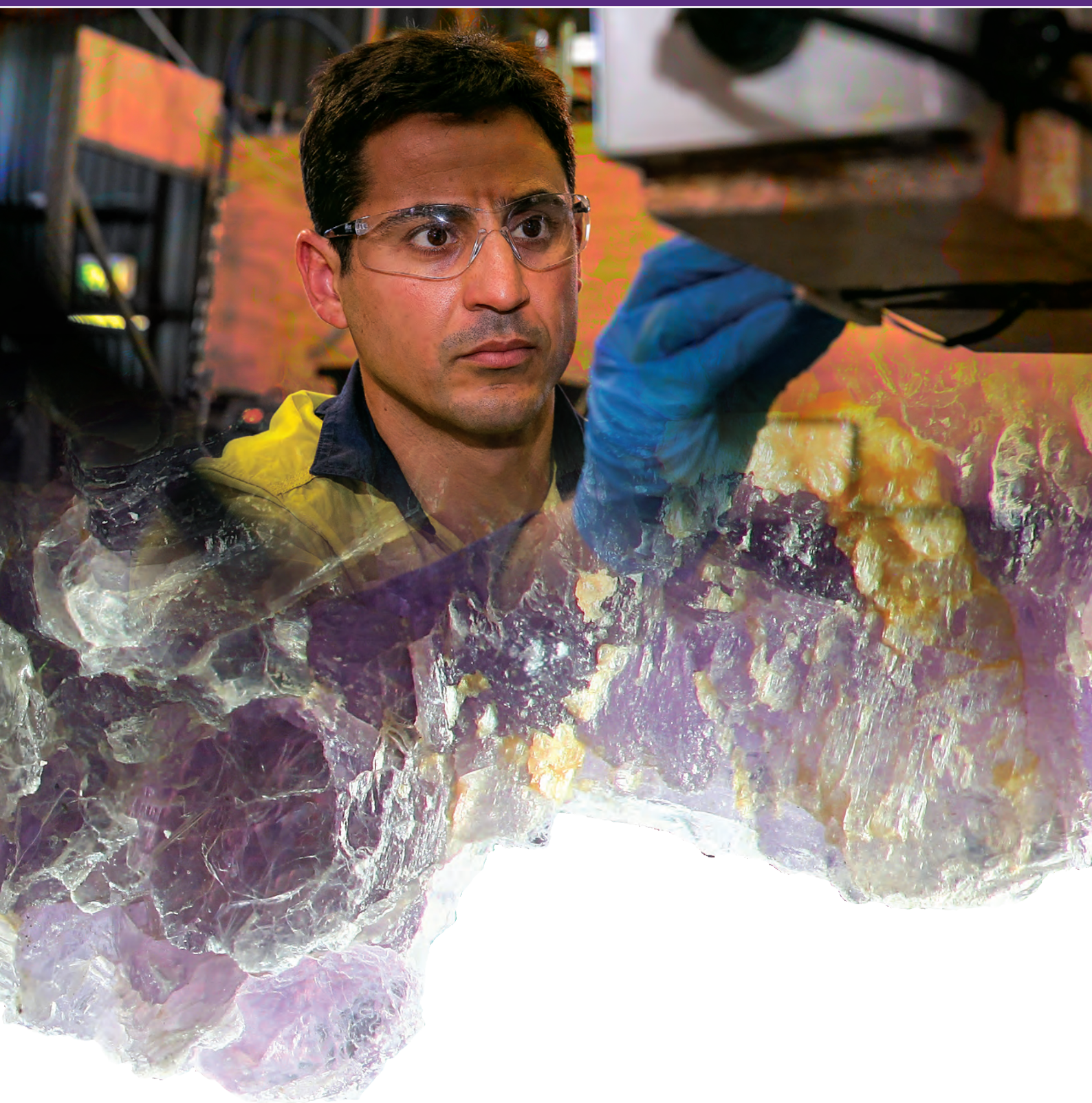


Commitment to the Future



# CORPORATE DIRECTORY

**LEPIDICO LTD**  
**ABN: 99 008 894 442**

## 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

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## COUNTRY OF INCORPORATION

Australia

## AUDITORS

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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

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Level 40, Central Park,  
152-158 St George's Terrace,  
Perth WA 6000

## ASX CODE: LPD

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**LEPIDICO'S VISION  
IS TO WORK  
TOGETHER WITH  
STAKEHOLDERS  
TO MAKE A BETTER  
FUTURE FOR ALL**



# 2018 HIGHLIGHTS

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2018 was incident free, continuing Lepidico's zero-harm health safety and environment track-record since records began in September 2016

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Equity issues for Phase 1 L-Max® Plant Feasibility Study successfully raised \$7.6M in November 2017 and was heavily over-subscribed

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Galaxy Resources Ltd became a substantial shareholder with an initial 12% interest

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Ms Cynthia Thomas and Mr Brian Talbot appointed as Non-Executive Directors to the Board

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Maiden JORC Code compliant Inferred Mineral Resource of 1.5Mt grading 1.1% Li<sub>2</sub>O estimated at Alvarrões, Portugal. A conceptual mine plan was developed for the Block 1 and 2 area, to support a plus ten year project life for the Phase 1 Plant

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Preliminary engineering for Phase 1 L-Max® Plant Feasibility Study completed by Lycopodium

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Capacity optimisation program completed for upgrade of Phase 1 L-Max® Plant from 3,000tpa to 5,000tpa of battery grade lithium carbonate

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Sudbury, Canada identified as preferred location for Phase 1 L-Max® Plant

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Baseline environmental studies and community consultation commenced for the preferred Phase 1 Plant site

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Lithium carbonate grading 99.8% produced using L-Max®, from lepidolite contained in tailings sourced from Galaxy Resources' Mt Cattlin spodumene operations

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National patent application phase for the L-Max® technology progressing in key strategic jurisdictions

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Provisional patent application lodged for S-Max™, a hydrometallurgical process that produces an amorphous silica from concentrates sourced from a range of mica minerals, including lithium micas

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Marketable quality samples of feldspar and quartz concentrates for ceramics use generated from Alvarrões lepidolite mineralised zone

---

**STRATEGIC OBJECTIVE:**  
THROUGH CREATIVE  
RESOURCE LEADERSHIP  
FAST TRACK THE BUSINESS  
TO FREE CASH FLOW  
GENERATION, DEMONSTRATE  
THE COMMERCIAL VIABILITY  
OF L-MAX® AND BECOME  
A GLOBALLY SIGNIFICANT  
LITHIUM CHEMICAL  
PRODUCER.

# CHAIRMAN'S AND MANAGING DIRECTOR'S LETTER



In its second year as a publicly listed company Lepidico made significant advances towards achieving its strategic goals as identified in its five-year strategic plan, in particular to become a globally significant lithium chemical producer.

Fair market conditions for both equities and the lithium market prevailed during the second half of the 2017 calendar year, which provided a supportive environment for Lepidico to raise the \$7.6 million required to complete the feasibility Study for its Phase 1 L-Max® Project. The equity issues were supported by Galaxy Resources Ltd, who we welcomed to the Lepidico share register. The entitlements offer, launched in October 2017 received overwhelming support with 92% of eligible shareholders taking up their entitlements. Subsequently the Company's stock was rerated in the market, at a time when the spot lithium price was posting new highs and sentiment towards lithium equities was strong.

The first half of calendar year 2018 proved to be a more challenging period for lithium equities with (at the time of writing) the spot lithium carbonate price in Asia losing around a third of its value from the high posted in early 2018. As a result, sentiment towards lithium companies deteriorated and share prices, including Lepidico's came under significant pressure. Lepidico is determined to maximise the value of the business by being disciplined in delivering on long-term goals, particularly during such periods of heightened market volatility.

In late 2017 the engineering for the Phase 1 L-Max® Plant was completed by Lycopodium Ltd, on schedule and within budget. This work revealed that the vendors for the major equipment in the plant could only provide broad ranges for the capacity of each piece of equipment in this particular application. This led to a vendor testwork programme being undertaken in collaboration, with equipment suppliers, to more precisely determine equipment capacity and the optimal throughput for the Phase 1 Plant Project. This work took six months to complete and while it caused a delay in the project schedule, it led to important findings for optimising the plant collaboration with most equipment in the plant upscaled for production of 5,000 tonnes per year of lithium carbonate.

Lepidico's consultants and management team have continued to exhibit great skill and creativity in both improving the L-Max® design criteria and developing new potential products from the lithium mica concentrate feed. During the course of the feasibility study amorphous silica has been identified as an alternative product to sodium silicate, which led to a provisional patent application being lodged for the S-Max™ process. Further work is planned to evaluate a variety of potential applications for silica products derived from lithium micas. Favourable results from market studies in Canada allowed sodium sulphate to be added to the by-product suite and most recently caesium is being evaluated as a potential further product from the Phase 1 Plant.

The unique composition of Lepidico's preferred mica, lepidolite, continues to generate opportunities through development work that enhances the product suite.

A critical task for the Phase 1 Project is to secure offtake agreements for the various L-Max® products. Feedback from prospective customers and financiers suggests that considerable confidence will be gained from the development and operation of an L-Max® pilot plant. To this end, during the first half of calendar 2018 Lepidico commissioned the design of a small scale research and development plant that will employ similar industrial equipment to that planned for the Phase 1 Plant. It is envisaged that the pilot plant will provide a demonstration facility for prospective offtake and finance partners to conduct their due diligence on, once the Phase 1 Plant feasibility study is complete in early 2019. Furthermore, the pilot plant will be an important tool for the development of the L-Max® by-product suite as well as provide large scale product samples for third party assessment.

Another major achievement in the 2018 fiscal year was the delineating of the first JORC Code compliant lithium mica Mineral Resource estimate at the Alvarrões Lepidolite Mine in Portugal, in collaboration with the owner Grupo Mota. At 1.5 million tonnes grading 1.1% Li<sub>2</sub>O this Inferred Resource offers the potential to provide lithium-mica concentrate feed to the Phase 1 L-Max® Plant Project for in excess of 10 years from just the Blocks 1 and 2 mining area. Further work is planned in fiscal year 2019 to infill drill the existing Resource area and in collaboration with Grupo Mota to explore a highly prospective area of outcropping lithium mica bearing pegmatites adjacent to the existing mine which has yet to be drill evaluated.

A disciplined approach to exploration continued in 2018 with the Company withdrawing from two properties that were subject to farm-in arrangements after drilling didn't generate results worthy of follow up. Lepidico entered into a new farm-in arrangement with Venus Metals Corporation Limited over the lithium rights at its Youanmi property in Western Australia. Initial drill results in September 2018 appear encouraging and further work is planned for the 2019 fiscal year.

Lepidico has also continued to evaluate other properties for their lithium mica potential under confidentiality, with the objective of gaining access to a portfolio of quality lithium mica assets, capable of not just providing further concentrate feed to the planned Phase 1 Plant but also an envisaged full-scale L-Max® plant, which is currently the subject of a scoping study. It is important that Lepidico learns to walk before it runs. However, it is also important that a project pipeline is developed to support the long-term growth objectives of the Company. The dedicated focus on the Phase 1 Plant Project coupled with the measured activities on the full-scale plant scoping study strike this balance between near term objectives and longer-term priorities.

Looking forward, activities during the 2019 fiscal year will focus on securing offtake and financing for the Phase 1 Project along with the requisite permits and approvals, to make a final investment decision and transition the business onto a development footing. Considerable preparatory work has already been undertaken to develop human resources and other business systems to facilitate this transformational advancement in our business.

Lepidico is dedicated to developing a sustainable, clean-tech business that is synonymous with quality. To this end Lepidico's Sustainable Development credentials are presented for the first time in this Annual Report, along with a commitment for continual improvement in all aspects of the business. We extend our sincere gratitude to all stakeholders that are supporting the company on this exciting journey to becoming a new sustainable lithium chemical producer.

The image shows two handwritten signatures in black ink. The signature on the left is 'G. Johnson' and the signature on the right is 'J. Walsh'. Both signatures are fluid and cursive.

Yours Faithfully  
**Gary Johnson, Chairman and Joe Walsh Managing Director**

# LITHIUM INDUSTRY AND MARKET

## Review

Strong demand growth for battery grade lithium chemicals drove the market into deficit in 2017, causing the spot price for battery grade lithium carbonate in Asia to appreciate rapidly in the second half of the calendar year to over US\$20,000/t. Subsequent incremental supply growth from existing operations coupled with new sources of supply coming on line in the first half of 2018 forced prices to retreat, particularly in China. Although pricing pressures are expected to continue into the second half of calendar year 2018 as new spodumene supplies from Western Australia continue to ramp up, support is seen as prices approach cost levels for higher-cost converters in China, resulting in price stabilisation.

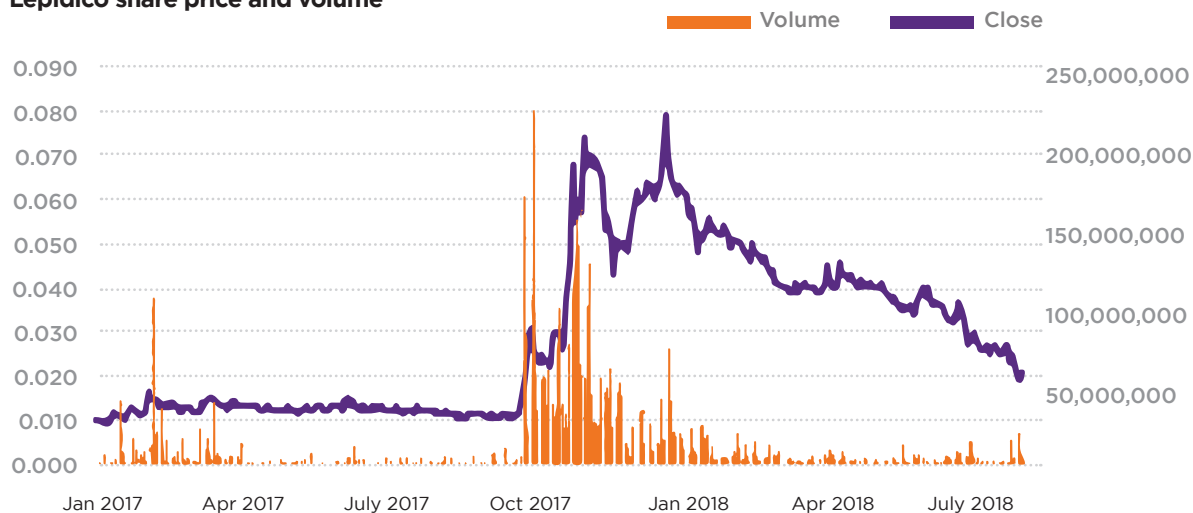
**Li<sub>2</sub>CO<sub>3</sub> cif Asia US\$/t**



Source: Benchmark Mineral Intelligence

Lepidico received a substantial rerating of its equity in the 2017 quarter, when the Company completed an equity issue that provided funds for the Phase 1 L-Max® Plant Feasibility Study and Galaxy Resources Ltd came onto the share register with an initial 12% holding. Subsequently, during the first half of 2018 the share price came under pressure from the decline in the spot lithium carbonate price and a deterioration in investor sentiment towards lithium equities.

**Lepidico share price and volume**



Source: CommSec

FUNDAMENTALS FOR THE LITHIUM MARKET IN THE MEDIUM TO LONGER TERM CONTINUE TO BE FAVOURABLE, FUELLED BY FORECASTS OF MASSIVE DEMAND GROWTH AS ELECTRIC VEHICLE ADOPTION GATHERS PACE AROUND THE GLOBE.

## Outlook

Fundamentals for the lithium market in the medium to longer term continue to be favourable, fuelled by forecasts of massive demand growth as electric vehicle adoption gathers pace around the globe. Many industry commentators forecast that lithium demand will rise four to five fold from calendar year 2017 levels, to between 800,000 tonnes and one million tonnes in the ten years to 2026. To satisfy such demand growth numerous new sources of lithium supply will be required in addition to that from the inevitable expansion of existing operations.

## Supply

Approximately half the world's lithium chemical production comes from pegmatites – often referred to as hard rock sources – and in particular the mineral spodumene. The second main source of current lithium chemical supply are brine deposits, mostly located in South America and China.

Lithium mica and phosphate minerals such as lepidolite and amblygonite respectively can also occur within pegmatite rocks but until recently have rarely been of commercial interest. The advent of Lepidico's L-Max® process provides a new hydrometallurgical solution for extracting lithium carbonate from these hitherto, overlooked lithium bearing minerals. As a result of its proprietary technology, Lepidico is operating in a much less contested space for mineral feed sources versus spodumene and brine producers. Furthermore, L-Max® is not an energy intensive process as it operates at atmospheric pressure and moderate temperature, and also benefits from a suite of valuable by-products. As a result, capital and operating costs are expected to be competitive.

## Demand

Numerous sources of new lithium supply will be required over the next five to ten years to satisfy the huge demand growth that many lithium commentators now predict. Global lithium carbonate consumption jumped to over 200,000 tonnes in 2017, of which approximately 60,000 tonnes was consumed in lithium-ion batteries (LIBs). Between 2010 and 2017 the compound annual growth rate (CAGR) for lithium chemical demand was 11.7%. However, the CAGR for electric vehicle batteries was a massive 60.2% over the same period, albeit from a relatively low base. Many lithium chemical commentators and producers predict that lithium chemical demand will continue to grow at between 16% and 18% annually from 2017 to 2030, with LIBs accounting for the majority of this growth. This being the case, by 2025 lithium demand would be between 630,000 tonnes and 860,000 tonnes of lithium carbonate equivalent (LCE) and by 2030 demand would rise to between 1.4 million tonnes and 1.9 million tonnes of LCE.

Around the globe countries and corporations are embracing clean energy initiatives to improve the environment that we live in, in particular air quality, with EVs playing an important role. China is spearheading the electrification of the world's automobile industry, as motor vehicles are among the largest source of pollution in many cities. New energy vehicle (NEV) adoption in China is proving to be rapid, in part due to government incentives but as more model options become available and NEV's become more affordable such incentives are expected to become unnecessary.

While other lithium applications grow at a slow but steady rate, projected demand growth in batteries, especially for use in electric vehicles EVs and other forms of mobile energy storage is much higher. Furthermore, LIBs are gaining popularity in secondary storage applications which is forecast to become another area of strong demand growth.

# BUSINESS DEVELOPMENT

To deliver on its stated objective of becoming a globally significant lithium chemical producer Lepidico has developed a series of strategic goals. The first of these is to develop an operating business. This will be achieved by completing the Phase 1 L-Max® Plant Feasibility Study and subsequently developing the company's first lithium chemical plant, with a target date of calendar year 2020. The Phase 1 Plant is designed as a demonstration scale facility, to prove commercial viability of the L-Max® process while being of sufficient scale to provide attractive economic returns.

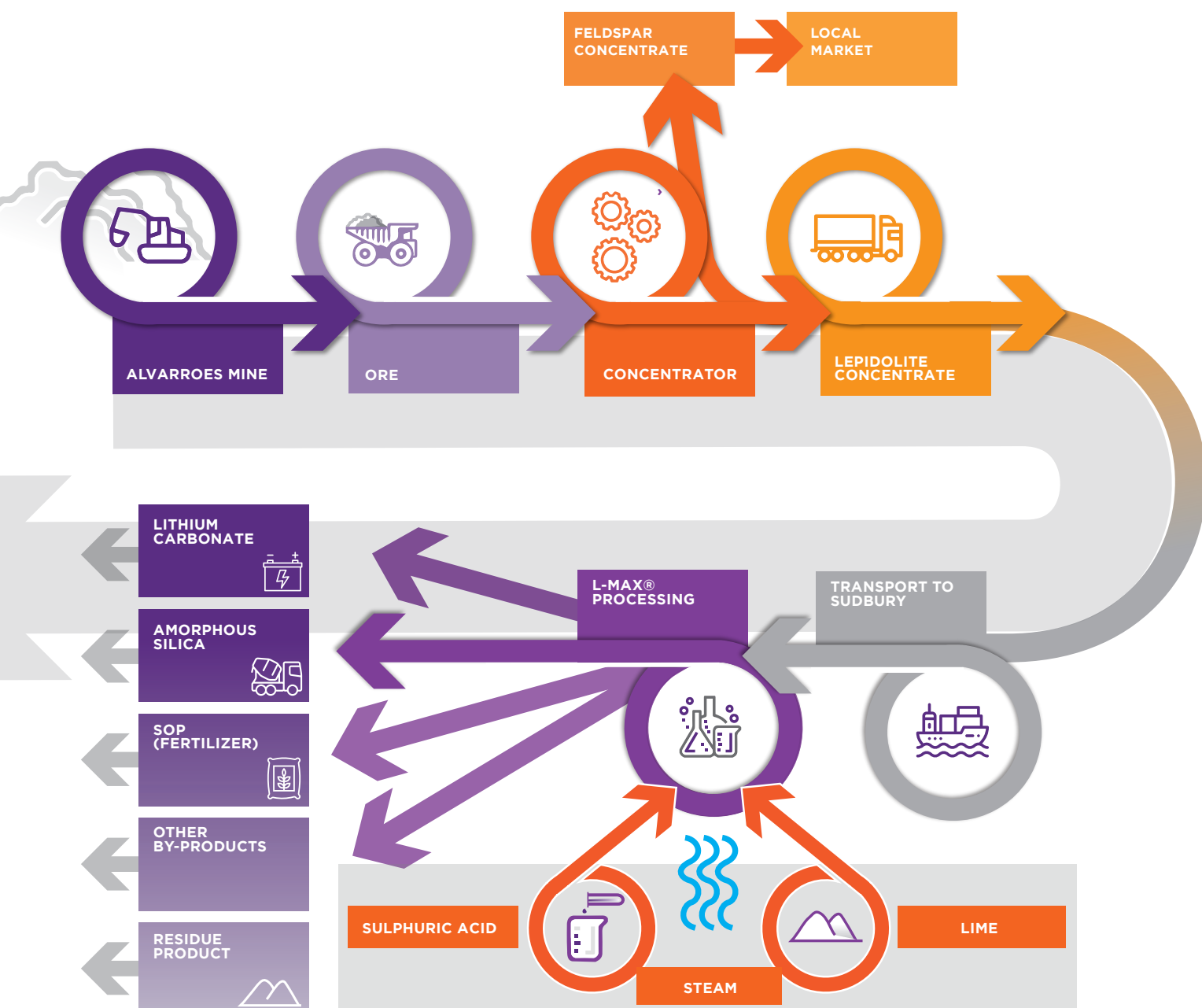
During 2018 it became apparent that to secure the most favourable finance and offtake terms for the Phase 1 Plant project a pilot plant would be of significant benefit. In collaboration with lead metallurgical consultant, Strategic Metallurgy, an L-Max® plant was designed utilising small scale industrial equipment, similar to that planned to be employed in the Phase 1 Plant. The process design pack was completed in July 2018 for a pilot plant capable of processing 15 kilograms per hour of concentrate feed, a ten-fold increase from the mini-plant trial undertaken in 2016, which relied on predominantly laboratory equipment.

The pilot plant will provide a demonstration facility for prospective offtake/finance partners with operation timed to coincide with completion of the Phase 1 Plant feasibility study in the first quarter of 2019, allowing interested parties to conduct comprehensive due diligence. The pilot plant will reduce scale-up to nominal Phase 1 Plant throughput to approximately 240 times versus previous mini-plant trials, and will provide operating experience to facilitate ramp-up to full production. Of further benefit, pilot operations will generate significant quantities of materials that can be used to further develop the quality and value of the L Max® by-product suite.

To become a globally significant producer a larger production facility will be required to that of the Phase 1 Plant. To this end, Lepidico commenced preliminary scoping study activities during the 2018 fiscal year for a full-scale L-Max® plant. The purpose of the study is to capture valuable data from other study works – such as that generated from testwork undertaken with major equipment vendors – that can at modest cost inform a study for a larger plant. The scoping study represents a longer term initiative that is planned to ultimately provide Lepidico with a project pipeline.

The Feasibility Study contemplates that concentrate feed to the Phase 1 Plant Project will be sourced from the Alvarrões lepidolite mine in Portugal. However, it is expected that further Mineral Resources will be required to support a second larger plant development. It is envisaged that this will be achieved by strategic partnership, acquisition and exploration. Gaining access to sizable, quality lithium mica Resources is another of Lepidico's strategic goals.

## SCHEMATIC OF FLOW OF MATERIALS THROUGH THE VALUE CHAIN FROM MINE TO PRODUCT GENERATION



# TECHNOLOGY

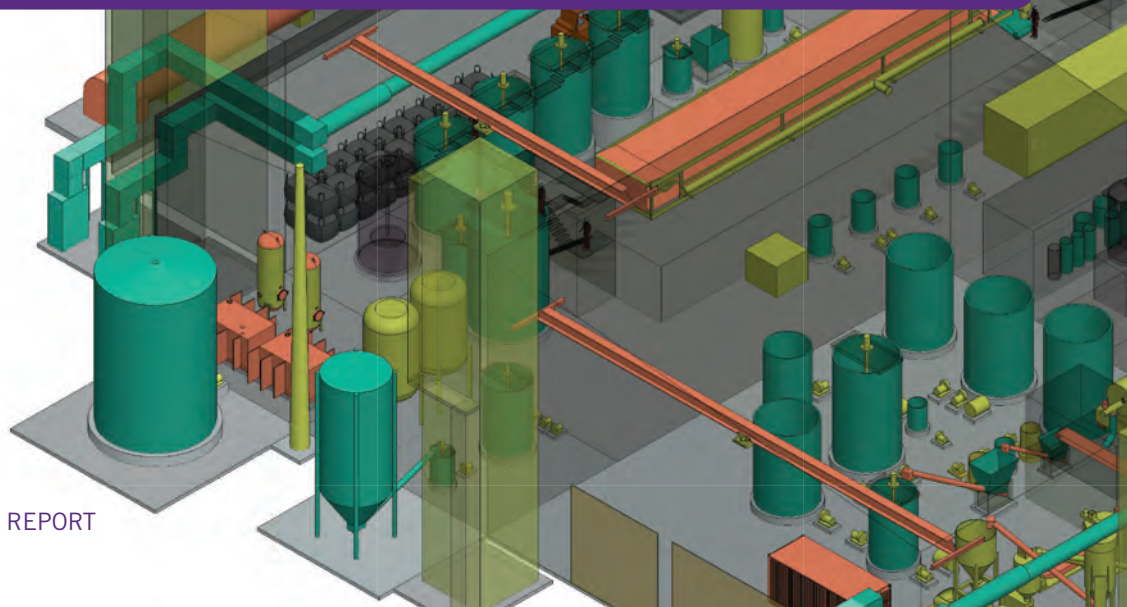
## L-Max®

L-Max® is a low energy consumption hydrometallurgical process which employs low cost, conventional reagents along with industry standard equipment. The process involves a saturation sulphuric acid leach of a lithium mica slurry at atmospheric pressure and modest temperature, followed by a series of impurity removal steps at progressively higher pH levels and the subsequent precipitation of lithium carbonate. The process contrasts with the energy intensive processing of spodumene concentrates, which requires high temperature roasting prior to lithium recovery.

The patent registered L-Max® technology is owned 100% by Lepidico's subsidiary Li-Technology Pty Ltd. It is protected by an International Patent Application and a granted Certification Report of Innovation Patent in Australia. These Applications have progressed to the national and regional phase in jurisdictions where L-Max® may be optimally and strategically deployed.

The attractions of L-Max® are numerous and complementary.

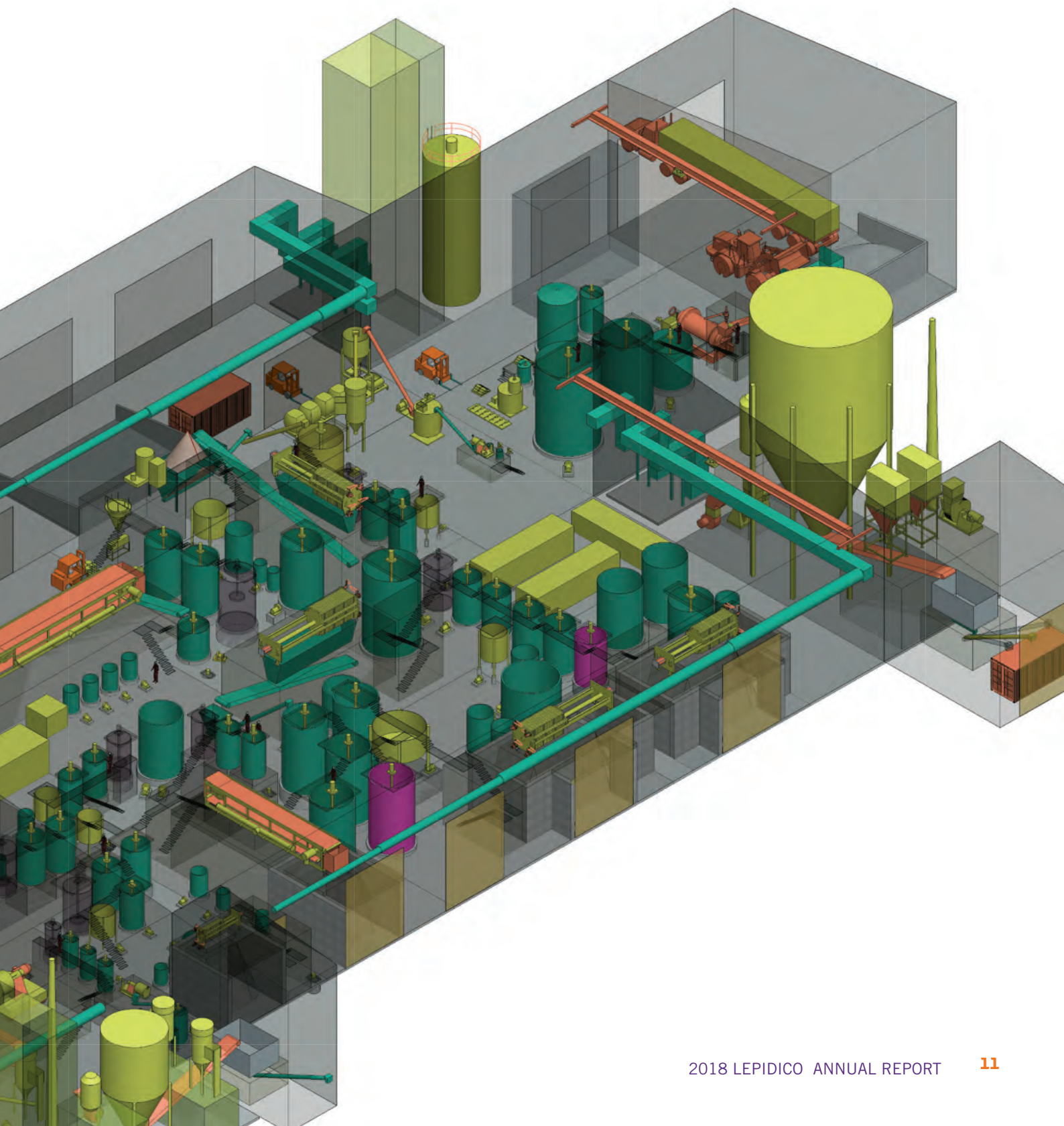
- **Proprietary:** The Australian Patent Office declared L-Max® to be “novel, inventive, industry applicable and patentable” for production of lithium carbonate
- **Efficiency:** L-Max® leaches lithium from non-conventional and relatively uncontested mineral sources; lithium micas and phosphates, and achieves high extraction rates
- **Health & Safety:** L-Max® reagents and operation have straightforward occupational health and safety, and environmental characteristics
- **Conventional:** L-Max® utilises common use, inexpensive reagents, is energy efficient and utilises conventional equipment operated at atmospheric pressure and modest temperature
- **By-products:** include potassium sulphate fertiliser (SOP), amorphous silica, sodium sulphate and potentially tantalum, tin, caesium and rubidium
- **Sustainable:** steam is the only material L-Max® emission and the process residue is being evaluated as an environmental remediation product
- **Scalable:** scoping study for a full scale plant will contemplate output of 15,000t to 25,000t pa LCE
- Successful operation of the Phase 1 plant will almost entirely eliminate the technical scale up risk to a full scale plant.



## S-MAX™

Lepidico continues to expand its technology base. In May 2018 a provisional patent application was lodged for the 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. The S-Max™ technology is held in a wholly owned Lepidico subsidiary: Silica Technology Pty Ltd.

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 used as a standalone process, or be integrated with Lepidico's proprietary L-Max® process.



# PROJECTS

THE PHASE 1 PLANT IS NOW BASED ON A NOMINAL DEBOTTLENECKED THROUGHPUT RATE OF APPROXIMATELY SEVEN TONNES PER HOUR TO PRODUCE 5,000 TONNES PER ANNUM OF LCE.

## Phase 1 L-Max® Plant Feasibility Study

Preliminary engineering for the Phase 1 L-Max® Plant was completed by Lycopodium Minerals Pty Ltd in late 2017 based on a nominal throughput rate of 3.6 tonnes per hour, for annual output – depending on the concentrate feed grade – of between 2,500 tonnes and 3,000 tonnes of lithium carbonate. To more precisely determine the capacity of major equipment for the Phase 1 L-Max® Plant a vendor testwork program was subsequently undertaken and completed in mid-2018. The objective of the vendor program was to precisely determine the capacity of the major equipment employed in the Plant. The findings of this work coupled with ongoing process optimisation testwork resulted in a number of plant design modifications that simplify the process flowsheet, with positive implications for both capital and operating costs. These improvements, which include the S-Max™ circuit design, were incorporated into the final design for the Phase 1 Plant, which is based on a nominal debottlenecked concentrate throughput rate of approximately seven tonnes per hour to produce approximately 5,000 tonnes per annum of LCE. Final engineering is scheduled for completion in December 2018.

Environmental baseline activities for both the plant site and associated residue storage facility commenced in September 2017 at one of the Company's preferred locations for the Phase 1 Plant in Sudbury, Canada. This work is scheduled for completion during the December 2018 quarter. The two sites short listed have excellent existing infrastructure including road, rail, power, gas, water and town sewer. These sites also represent options for locating a future full-scale plant development.

Following receipt of favourable geochemical, geotechnical and material characterisation testwork Lepidico committed to a three month research collaboration with the Department of Earth and Environmental Sciences at the University of Waterloo in Ontario and Knight Piésold Ltd. The purpose of the project is to characterise samples of the blended residue streams from the L-Max® process and assess this material as a by-product for use in land reclamation applications.

The Phase 1 Plant feasibility study continues to contemplate the development of a Residue Storage Facility (RSF). However, assuming the land reclamation residue project is successful, the need to have a dedicated RSF on site may be eliminated, thereby making the Phase 1 Plant a “zero waste” facility, and result in further capital and operating cost savings.

## Alvarrões Lepidolite Mine

Lepidico has an ore access agreement with Grupo Mota, operator of the Alvarrões lepidolite mine located in Goncalo, Portugal. The current Mineral Resource has the potential to provide ten years feed to the proposed Phase 1 Plant. The current Mineral Resource is open and further development work is planned for late 2018 (see Mineral Resource and Exploration Overview).

A preliminary mine plan has been developed based on an ore mining rate of up to 150,000 tonnes per year. It is planned that the mined ore will be processed on site by a new flotation plant with nominal annual output of 50,000 tonnes of lithium mica concentrate. The concentrate is to be containerised and transported to port for shipping to the Phase 1 plant in Sudbury.

Feasibility study level process design criteria for the upstream concentrator is being developed by Strategic Metallurgy in Perth. This work is founded 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 stated 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.

Flotation testwork using Alvarrões ores successfully separated a high quality lithium mica concentrate as well as separate feldspar and quartz concentrates that may be sold by Grupo Mota to the local ceramics industry. It is anticipated the volume of residual waste from the concentrator will be modest allowing for co-disposal of concentrator fines with mine waste.



Source: Outotec

# MINERAL RESOURCES & EXPLORATION OVERVIEW

## Alvarrões Lepidolite Project

The Alvarrões property is located 10 km south of the city of Guarda in northeast Portugal. The Project area comprises an extensive system of flat-lying lepidolite-bearing pegmatite sills intruded into a granite host over an 8 km by 2 km corridor.

Lepidico completed a diamond drilling program at Alvarrões totalling 19 holes for 1,240 m of HQ core in mid-2018. This work resulted in an inaugural Mineral Resource estimate for Alvarrões, completed by AMC Consultants Pty Ltd (AMC). AMC reported a JORC Code-compliant Inferred Mineral Resource of 1.5 Mt @ 1.1% Li<sub>2</sub>O. Within this estimate, 1.1 Mt @ 1.1% Li<sub>2</sub>O is contained over approximately 400 m of strike at Blocks 1 and 2.

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

The Mineral Resource estimate is based on the geological interpretation by Lepidico of just three of the thicker pegmatite sills, where continuity across the deposit was established by drilling, designated Sill M, Sill N and Sill O.

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® Plant but also conceptual larger-scale L-Max® plants.



Alvarrões diamond drill hole ALVD13, Sill M, Block 2.3m @ 1.38% Li<sub>2</sub>O from 45.9m; 30% lepidolite (estimated).

## Youanmi Lepidolite Project

The Youanmi property comprises one exploration licence, E57/983, covering 98 km<sup>2</sup> of Archaean greenstone terrain in the Murchison Province of Western Australia, approximately 560 km northeast of Perth. Lepidico is earning an 80% interest in the lithium rights over the tenement from holder Venus Metals Corporation Limited (ASX:VMC). Venus is free carried through to a decision to mine.

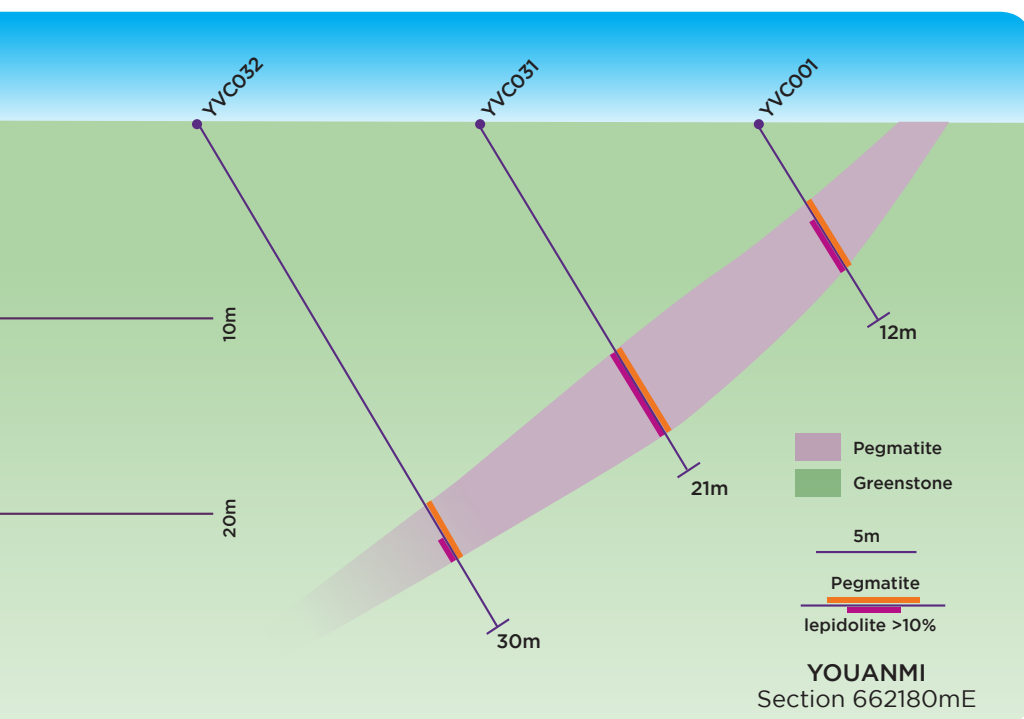
The Youanmi region is known to contain a belt of lepidolite-bearing pegmatites within which lepidolite is often the only, or dominant, lithium mineral species. E57/983 encompasses 4 km of strike of this belt, which is unexplored specifically for lepidolite.

Reconnaissance mapping by Lepidico in mid-2018 identified three initial areas of lepidolite-bearing pegmatites with lepidolite content in rock chips ranging from 5% to 35% and commensurate Li<sub>2</sub>O contents of 0.25% to 1.71%. Subsequently, Lepidico undertook an initial reverse circulation drilling program over the three targets completing 38 holes for a total of 936 metres of drilling.

Geological logging shows that lepidolite-bearing pegmatites were intersected at each target, with a thickest intercept of 9m with an estimated 20% lepidolite at Target 2.

Best results stemmed from the Target 1 area, which hosts a 4m to 5m thick pegmatite, dipping 45° to the north and extending for over 250 m along strike and at least 40m down dip. This pegmatite averages 15% to 20% lepidolite and remains open in all directions. Further work is planned in fiscal year 2019.

**SIGNIFICANT PROGRESS WAS MADE IN FISCAL YEAR 2018 IN SECURING QUALITY LITHIUM MICA ASSETS, THE AIM OF WHICH IS TO BUILD A MINERAL RESOURCE INVENTORY, INITIALLY TO SUPPLY CONCENTRATE FEED TO THE PROPOSED PHASE 1 L-MAX® PLANT BUT ALSO TO ENVISAGED SUBSEQUENT LARGER DEVELOPMENTS.**



Youanmi, "Target 1" cross section at 662180 mE showing 4m – 5m thick lepidolite pegmatite open 40m down dip. Lepidolite in hole YVC001, 4m @ 15%; hole 031, 5m @ 15%; hole 032, 3 m @ 3% + 1m @ 40%.

The information in this report that relates to Exploration Results is based on information compiled by Mr Tom Dukovcic, who is an employee of the Company and a member of the Australian Institute of Geoscientists and who has sufficient experience relevant to the styles of mineralisation and the types of deposit under consideration, and to the activity that has been undertaken, to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Dukovcic consents to the inclusion in this report of information compiled by him in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Mr Dean Carville, who is a full-time employee of AMC Consultants Pty Ltd. Mr Carville is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the styles of mineralisation and the types of deposit under consideration, and to the activity that has been undertaken, to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Carville consents to the inclusion in this report of information compiled by him in the form and context in which it appears.

## Other exploration

Lepidico is committed to building a portfolio of quality lithium mica Mineral Resources. Assets are critically assessed at each stage of exploration to ensure subsequent expenditure is warranted, with those that don't meet the Company's criteria relinquished. During fiscal year 2018 Lepidico divested its Gobbos Cu-Mo project in Western Australia and terminated its involvement in the Lemare spodumene project in Quebec, Canada. Two lepidolite projects were evaluated during the year, Peg 9 and Moriarty, both in Western Australia. The Company withdrew from both these farm-ins following the first phase of drill evaluation.

# SUSTAINABLE DEVELOPMENT



Lepidico is committed to developing a sustainable lithium business providing high quality products whilst minimising environmental and social impacts. We have a strong strategic approach to operating in a corporately responsible manner in a rapidly changing and challenging global environment.

As a modern company that is quickly moving forward to complete the feasibility study on the Phase 1 L-Max® Plant in Sudbury, we have embraced the challenge to integrate social, economic, environmental and health and safety opportunities into project design criteria while also minimising business risks.

This first report has been developed to discuss management's approach to sustainable development and how social responsibility initiatives are being integrated into the company ethos. This report is not a full sustainability report, but rather an insight into the initiatives Lepidico is taking as it transitions, from an exploration and development company, into a future lithium producer.

We have not yet captured the detailed sustainability performance data metrics from our operations or contractors and believe the appropriate timing for full disclosure will be the year following the commissioning of the Phase 1 Plant, currently scheduled for 2020. We expect that our understanding of the material issues will become clearer for each business unit as we progress regulatory approval processes and input from our stakeholders, especially as their expectations for the management of issues evolves and becomes more complex. Our goal is to be able to report our future activities against the Global Reporting Initiative (GRI) Standards and in the intervening years we will be improving our systems to collect the necessary data.

This report provides commentary on our Corporate Social Responsibility (CSR) systems development commensurate with our risks and opportunities. We look forward to sharing our experiences to date in this report, and further disclosure in future reports, as we continue on our sustainability journey. We undertake to further engage with a wide group of stakeholders and community groups at our key project sites, and we welcome their input and feedback on our CSR reporting.

## Corporate Governance

Lepidico has recently implemented a number of improvements to our Corporate Governance system as the company grows in complexity to meet our development program.

In 2018, the Board was strengthened with the appointments of Ms. Cynthia Thomas and Mr. Brian Talbot as Non-Executive Directors to the Company. Ms. Thomas brings over 30 years of banking and mine financing experience and is currently the Principal of Conseil Advisory Services Inc. Mr. Talbot is a chemical engineer with over 35 years' experience in mine management and processing of lithium ores. Mr Talbot is currently the Chief Operating Officer of Galaxy Resources Ltd, and was formerly responsible for Bikita Minerals plant expansion and metallurgical improvements.

Our Board composition brings together a balanced team of experienced financial, technical and operations expertise. The board works very closely with the Lepidico management team to guide the company and has oversight of our CSR mandate. Refer to the Corporate Governance Statement for further detail.



## Sustainability Policy and Risk

The Lepidico Board recently endorsed our Sustainability Policy which provides guidance on how the company will integrate its business values of sustainable economic growth with its environmental and social responsibilities. The Policy covers key aspects including governance, transparency, risk management, environmental stewardship, human and traditional rights, responsible supply chain, stakeholder communication and reporting. The Policy and supporting systems will be implemented to manage sustainability issues as the company grows.

The company has developed a corporate risk register which covers corporate activities, exploration and project development. The register is reviewed annually, and major risks and management plans are reviewed at Board meetings. The major risks that the company manages include; ongoing financing for project development, timely conversion of exploration targets to JORC reserves and project development implementation.

## Environmental Initiatives

**Partnership to Investigate Waste Re-use Opportunities:** Lepidico has established a partnership with the University of Waterloo in Ontario to undertake characterisation studies of the potential waste streams from the Phase 1 L-Max® Plant to determine if the waste can be used either directly or as a blended material for soil amelioration.

Since the turn of the century, more than 100 million tonnes of sulphur dioxide have been released from the Sudbury basin due to the mining and smelting of sulphur bearing copper/nickel ores resulting in deforestation and acidification of soils and waterways. Following the roaster technology abatement program in 1972 and implementation of stringent emission standards in the late 1990's, sulphur dioxide emissions decreased to low levels meeting the Ministry of Environment standards.

However, the long-term emissions resulted in acidification of over 1,300 km<sup>2</sup> of surrounding soils and waterways. The City of Greater Sudbury and Partners have been undertaking extensive remediation works including lime addition to soils, re-establishing suitable conditions for revegetation and the planting of well over 10 million new trees. The interventions have enabled the Sudbury area to be transformed from its infamous barren landscape to a 're-greened' environment.

Lepidico and the University researchers will determine if the L-Max® residue (which has a high gypsum content and benign chemical composition) can be used to aid in the restoration of the landscape. If this is achievable, in addition to the sale of several by-products, then the Phase 1 Plant will become a zero-waste facility. This may then lead to significant community environmental benefits including; improving revegetation outcomes in the Sudbury region, reduction of the Phase 1 Plant footprint as well as reduced capital and operating costs.

**Ore Concentrator Waste Minimisation and Co-product Studies:** Lepidico announced its maiden inferred Mineral Resource estimate for the Alvarrões Lepidolite project in late 2017. Ore will be mined, crushed and concentrated to produce a high grade lithium mica concentrate suitable for the Phase 1 plant feed. The reject material would normally be disposed of in a conventional tailings storage facility (TSF). Laboratory studies in partnership with the Alvarrões operator, Grupo Mota, have investigated further treatment and separation of the reject material into feldspar and quartz co-products that may be marketed through the Grupo Mota supply chain for ceramics use. This modification to the process could result in additional revenue, reduced waste, and potentially negate the requirement for a TSF.

**Environmental Baseline Studies for the Phase 1 L-Max® Proposed Plant site:** Lepidico completed logistics trade-off studies to decide that Sudbury, Ontario is the preferred location to construct the Phase 1 Plant. A number of short listed sites including industrial parks, old mine areas and greenfield locations were reviewed, with the preferred locations identified within existing industrial parks. The sites are well serviced with road and rail access and utilities.

Lepidico has commenced environmental approvals and baseline monitoring for one of the proposed plant sites and residue storage facility. Work commenced in 2017 including baseline review of surface and ground waters, fauna and flora, geotechnical, emissions and waste management studies. These will be finalised in late 2018 coinciding with completion of the engineering definitive plant design studies. It is anticipated the necessary environmental documents supporting an environmental licence application will be able to be lodged with the Ontario authorities upon completion of the requisite works.

## Stakeholder Consultation

Lepidico commenced comprehensive stakeholder consultation with Ontario and Sudbury stakeholders in August 2017. Consultation is imperative across a wide community cross section in order that the project is understood, including associated risks and opportunities. Lithium processing is a new industry for Sudbury, which has traditionally processed nickel and copper ores for over 100 years. Sudbury is actively seeking new industry and diversification. With fast moving technology advances and universal adoption of lithium based energy storage as a clean energy replacement, Lepidico has been welcomed as a new business opportunity for the City.

Company representatives have completed presentations on the proposed project to the Mayor and Officials from the City of Greater Sudbury, Provincial Ministries and other Departments. Both formal and informal presentations will continue to be made in Toronto and Sudbury as the project develops. Meetings have been conducted with the Wahnapiitae, Atikameksheng Anishnawbek (formerly known as the Whitefish Lake) and Sagamok First Nation representatives. The meetings have been used as a forum to introduce the company and project. A register has been established to document all of the community meetings and issues raised from discussions. Ongoing consultation will continue throughout the life of the project.

In 2018, Lepidico strengthened its operating management systems and commenced setting internal goals. These have focused on governance, occupational health and safety and the environment. Both the exploration and project development groups have commenced reporting against these indicators and a summary is tabulated opposite.

## Shareholder engagement

The executive management team regularly engage with the investment community in Australia and in other major financial centres globally. There is ongoing dialogue with shareholders, brokers, financial analysts, prospective institutional investors, family offices, private equity and sovereign wealth funds and prospective strategic investors around the world. We believe that Lepidico has international investment appeal. The company is committed to enhancing its investment appeal by delivering on its stated strategy from its platform on the Australia Securities Exchange (ASX).

Lepidico has established a suite of Corporate Governance documents and Charters to meet ASX standard disclosure requirements. These are available at the company's website.

# Summary of 2018 Sustainability Outcomes

| Goal                                              | Outcome | Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Governance</b>                                 |         | In compliance with all exploration licence conditions in Portugal and Western Australia.                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Occupational Health &amp; Safety</b>           |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Zero Fatalities</b>                            | Yes     | No Fatalities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Zero Lost Time Incidents</b>                   | Yes     | No LTI                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Zero Medical Aid incidents</b>                 | Yes     | No MAI                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>OHS Management System</b>                      |         | Draft OHS Policy and OHS Management Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Environment</b>                                |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Zero Major Incidents</b>                       | Yes     | No major spills at managed sites                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Environmental Management System</b>            | Yes     | Draft SD policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Environmental Baseline Studies</b>             | Ongoing | <p>Commenced Phase 1 Plant studies in Sudbury</p> <p>Preliminary review of environmental requirements for Alvarrões mine and concentrator. Engagement of Knight Piesold to commence studies when contractual arrangements in place.</p> <p>Vegetation assessment completed in Western Australia at Pioneer Resources – Peg 9 Prospect to support the exploration drilling application.</p>                                                                                                                    |
| <b>Metallurgical Studies</b>                      |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Metallurgical Studies (waste minimisation)</b> | Ongoing | <p>Work completed on sodium silicate by-product using new S-Max™ technology to produce amorphous silica, a value added product.</p> <p>Studies commenced in partnership with Waterloo University on using processing waste products as a potential soil ameliorant, which could significantly reduce waste reporting to tailings.</p> <p>Investigation of ore concentrator waste products to identify opportunities to produce value add products that can be sold into the industrial minerals industry.</p> |
| <b>Communities</b>                                | Ongoing | <p>Consultation with Sudbury First Nations representatives regarding the P1P project.</p> <p>Consultation with Ontario and Sudbury Government officials.</p>                                                                                                                                                                                                                                                                                                                                                  |

# BOARD OF 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:*

Potash West NL (resigned 26 September 2014)

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 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.



MR GARY JOHNSON



MR JOE WALSH



MR MARK RODDA

## 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

## Ms Cynthia Thomas

### Non-Executive Director

Appointed 10 January 2018

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

Appointed 10 January 2018

Qualifications - B.Sc Eng. (Hons)

Mr Talbot is the Chief Operating Officer of Galaxy Resources Ltd, which holds an 11.6% 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



MR TOM DUKOVIC



MS CYNTHIA THOMAS



MR BRIAN TALBOT

# MANAGEMENT TEAM



MS SHONTEL NORGATE

## CHIEF FINANCIAL OFFICER AND JOINT COMPANY SECRETARY

### 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)



MR ALEX NEULING

## JOINT COMPANY SECRETARY

### Mr Alex Neuling

Qualifications: BSc, FCA (ICAEW), ACIS

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.



MR PETER WALKER

### Mr Peter Walker

#### General Manager

Qualifications BScENG, CENG, ARSM

Peter Walker is a metallurgist with more than 30 years' experience in the design, commissioning and operation of processing plants and general management of operations, with experience in Europe, Africa, Asia, Australasia, and South America.

Peter has managed several feasibility studies encompassing a range of commodities and countries. In recent years Peter has been responsible for the feasibility and development of green and brown field projects in Thailand, Laos, and Chile.

Peter has worked for a number of engineering groups as well major and mid-tier operating companies. Commodities include lead/zinc, uranium, coal, nickel, copper, lithium, and precious metals.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lepidico Ltd (the “Company”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement sets out the main corporate governance practices in place throughout the financial year in accordance with the 3rd edition of the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

This Statement was approved by the Board of Directors and is current as at 18 October 2018.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

| ASX RECOMMENDATION                                                                                                                                                                                                                                                                                            | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                 |
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| <b>1.1: A listed entity should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.</b>                                                                                                                                                       | <p>The Company has complied with this recommendation.</p> <p>The Board has adopted a formal charter that details the respective Board and management functions and responsibilities. A copy of this Board charter is available in the corporate governance section of the Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a>.</p> |
| <b>1.2: A listed entity should undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a Director and provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.</b> | <p>The Company has complied with this recommendation.</p> <p>The Company appointed Ms Thomas and Mr Talbot on 10 January 2018.</p> <p>Information in relation to Directors seeking election and re-election is set out in the Directors report and Notice of Annual General Meeting.</p>                                                                   |
| <b>1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</b>                                                                                                                                                               | <p>The Company has complied with this recommendation.</p> <p>The Company has in place written agreements with each Director and Senior Executive.</p>                                                                                                                                                                                                      |
| <b>1.4: The company secretary of a listed company should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.</b>                                                                                                                          | <p>The Company has complied with this recommendation.</p> <p>The Board Charter provides for the Company Secretary to be accountable directly to the Board through the Chair.</p>                                                                                                                                                                           |

| ASX RECOMMENDATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| <p><b>1.5: A listed entity should:</b></p> <ul style="list-style-type: none"> <li>• <b>Have a diversity policy which includes the requirement for the Board to set measurable objectives for achieving gender diversity and assess annually the objectives and the entity's progress to achieving them;</b></li> <li>• <b>disclose the policy or a summary of it;</b></li> <li>• <b>disclose the measurable objectives and progress towards achieving them; and</b></li> <li>• <b>disclose the respective proportions of men and women on the Board and at each level of management and the company as a whole.</b></li> </ul> | <p>The Company has partly complied with this recommendation.</p> <p>The Company has adopted a Diversity Policy which is available in the corporate governance section of the Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a>.</p> <p>The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not practical. The Board will consider setting measurable objectives as the Company increases in size and complexity.</p> <p>There is one woman currently on the Board. The Company has three full-time employees which includes one woman in a senior management position.</p>                                                     |
| <p><b>1.6: A listed entity should disclose the process for evaluating the performance of the Board, its committees and individual Directors.</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>The Company has complied with this recommendation.</p> <p>The Company's Board charter outlines the process for evaluating the performance of the Board and its Committees.</p> <p>This provides that, once a year, the Board shall review and discuss the performance of the Board as a whole, its Committees and individual Directors. If it is apparent that there are problems which cannot be satisfactorily considered by the Board itself, the Board may decide to engage an independent adviser to undertake this review.</p> <p>The Company's Nomination and Remuneration Committee is also required review the performance of the Board, its committees and individual Directors.</p> <p>A performance review was undertaken for the reporting period.</p> |
| <p><b>1.7: A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose in relation to each reporting period where a performance evaluation was undertaken in accordance with a process.</b></p>                                                                                                                                                                                                                                                                                                                                                       | <p>The Company has complied with this recommendation.</p> <p>The Company has in place procedures for evaluating the performance of its senior executives overseen by the Nomination and Remuneration Committee. This evaluation is based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.</p> <p>A performance review was undertaken for the reporting period.</p>                                                                                                                                                                                                                                                       |

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

| ASX RECOMMENDATION                                                                                                                                                                                                                                                                                                                                                                                                                                                   | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| <p><b>2.1: The Board of a listed entity should establish a Nomination Committee:</b></p> <ul style="list-style-type: none"> <li>• With at least three members the majority of which are independent Directors;</li> <li>• chaired by an independent director; and</li> <li>• disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.</li> </ul> | <p>The Company has complied with this recommendation.</p> <p>The Board has established a Nomination and Remuneration Committee. The current members of the Nomination and Remuneration Committee are:</p> <ul style="list-style-type: none"> <li>• Mr Mark Rodda (Chair) - Independent</li> <li>• Ms Cynthia Thomas - Independent</li> <li>• Mr Gary Johnson</li> </ul> <p>The qualifications of the members of the committee are set out in the Directors' Report.</p> <p>The Board will reassess the composition of the committee upon future changes to the size and composition of the Board.</p> <p>A copy of the Committee's charter is available in the corporate governance section of the Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a>. Details of the number of meetings of the committee and attendance at those meetings are set out in the Directors' Report.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p><b>2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</b></p>                                                                                                                                                                                                                                                               | <p>The Company has complied with this recommendation.</p> <p>The Board has established a skill matrix. On a collective basis the Board has the following skills:</p> <p><b>Strategic expertise:</b> Ability to identify and critically assess strategic opportunities and threats and develop strategies.</p> <p><b>Specific Industry knowledge:</b> Geological and metallurgical qualifications are held by Board members and all members of the Board have a general background and experience in the resources sector including exploration, mineral resource project development, mining and mineral processing.</p> <p><b>Accounting and finance:</b> The ability to read and comprehend the Company's accounts, financial material presented to the Board, financial reporting requirements and an understanding of corporate finance.</p> <p><b>Legal:</b> Overseeing compliance with numerous laws, ensuring appropriate legal and regulatory compliance frameworks and systems are in place and understanding an individual Director's legal duties and responsibilities.</p> <p><b>Risk management:</b> Identify and monitor risks to which the Company is, or has the potential to be exposed to.</p> <p><b>Experience with financial markets:</b> Experience in working in or raising funds from the equity or other capital markets.</p> <p><b>Investor relations:</b> Experience in identifying and establishing relationships with Shareholders, potential investors, institutions and equity analysts.</p> |

| ASX RECOMMENDATION                                                                                                                                                                                           | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| <p><b>2.3: A listed entity should disclose the names of the Directors considered by the Board to be independent Directors and provide details in relation to the length of service of each Director.</b></p> | <p>The Company has complied with this recommendation.</p> <p>Mr Mark Rodda and Ms Cynthia Thomas are non-executive Directors and considered to be independent Directors.</p> <p>Mr Gary Johnson is a non-executive Director and is an associate of Strategic Metallurgy Pty Ltd (Strategic Metallurgy), a substantial shareholder of the Company. Mr Johnson, through his interest in Strategic Metallurgy controls 361,952,111 shares in Lepidico Ltd. In addition to its shareholding Strategic Metallurgy also receives fees on normal commercial terms for technical services in relation to the development of the L-Max® technology and as such is not considered independent. Where the Board considers matters relating to Strategic Metallurgy, Mr Johnson does not participate.</p> <p>Mr Brian Talbot is a non-executive Director as is the Chief Operating Officer of Galaxy Resources Limited (Galaxy), a substantial shareholder of the Company, as is not considered independent. Where the Board considers matters relating to Galaxy, Mr Talbot does not participate.</p> <p>Mr Joe Walsh and Mr Tom Dukovcic are Executive Directors and are not considered independent Directors as they are employed in an executive capacity.</p> <p>The appointment date of current Directors is set out in the Directors' Report.</p> |
| <p><b>2.4: The majority of the Board of a listed entity should be independent Directors.</b></p>                                                                                                             | <p>The Company has not complied with this recommendation.</p> <p>As in ASX recommendation 2.3, the majority of the Board is not considered to be independent.</p> <p>The Board considers that its current composition is appropriate given the current size and stage of development of the Company and allows for the best utilisation of the experience and expertise of its members.</p> <p>Directors having a conflict of Interest in relation to a particular Item of business must absent themselves from the Board meeting before commencement of discussion on the topic.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>2.5: The Chair of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.</b></p>                                                | <p>The Company has not complied with this recommendation.</p> <p>The Chairperson, Mr Gary Johnson is not considered to be an independent Director. Notwithstanding this the Directors believe that Mr Johnson is able to, and does make, quality and independent judgement in the best interests of the Company on all relevant issues before the Board.</p> <p>Mr Joe Walsh is Managing Director of the Company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>2.6: A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities.</b></p>                                                         | <p>The Company has complied with this recommendation.</p> <p>The Nomination and Remuneration Committee has responsibility for the approval and review of induction procedures for new appointees to the Board to ensure that they can effectively discharge their responsibilities which will be facilitated by the Company Secretary.</p> <p>The Nomination and Remuneration Committee is also responsible for the program for providing adequate professional development opportunities for Directors and management.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

### PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

| ASX RECOMMENDATION                                                                                             | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3.1: A listed entity should establish a code of conduct and disclose the code or a summary of the code.</b> | <p>The Company has complied with this recommendation.</p> <p>The Company has established a code of conduct that sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from Directors and employees.</p> <p>A copy of the Company's code of conduct is available in the corporate governance section of the Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a>.</p> |

### PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

| ASX RECOMMENDATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>4.1: The Board of a listed entity should establish an audit committee:</b></p> <ul style="list-style-type: none"> <li>• <b>With at least three members, all of whom are non-executive Directors and a majority of which are independent Directors;</b></li> <li>• <b>chaired by an independent Director; and</b></li> <li>• <b>disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.</b></li> </ul>                                                               | <p>The Company has complied with this recommendation.</p> <p>The Board has established an Audit and Risk Committee. The current members of the Audit and Risk Committee are:</p> <ul style="list-style-type: none"> <li>• Ms Cynthia Thomas (Chair) - Independent</li> <li>• Mr Mark Rodda - Independent</li> <li>• Mr Gary Johnson</li> </ul> <p>The role of the Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting, risk management and compliance.</p> <p>The qualifications of the members of the Audit and Risk committee are set out in the Directors report. Although all members of the committee do not hold accounting or finance qualifications they do have an understanding of financial reporting requirements and experience in ensuring that these requirements are met and that relevant controls are in place to ensure the integrity of the financial statements and reports.</p> <p>The Board will reassess the composition of the committee upon future changes to the size and composition of the Board.</p> <p>A copy of the charter of the Audit and Risk Committee is available in the corporate governance section of the Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a>.</p> <p>Details of the number of meetings of the committee and attendance at those meetings are set out in the Directors' Report.</p> |
| <p><b>4.2: The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</b></p> | <p>The Company has partly complied with this recommendation.</p> <p>The Board has received the assurance required by ASX Recommendation 4.2 in respect of the financial statements for the half year ended 31 December 2017 and the full year ended 30 June 2018. Given the size and nature of the Company's operations the Board has not received the assurance in respect of the quarterly cash flow statements believing that the provision of the assurance for the half and full year financial statements is sufficient.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| ASX RECOMMENDATION                                                                                                                                                                       | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>4.3: A listed entity should ensure that the external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.</b> | <p>The Company has complied with this recommendation.</p> <p>The external auditor attends the Annual General Meeting and is available to answer questions from shareholders relevant to the audit and financial statements. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act.</p> |

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

| ASX RECOMMENDATION                                                                                                                                                                                                                                                                  | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>5.1: A listed entity should establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.</b> | <p>The Company has complied with this recommendation.</p> <p>The Company has established a continuous disclosure policy which is designed to guide compliance with ASX Listing Rules disclosure requirements and to ensure that all Directors, senior executives and employees of the Company understand their responsibilities under the policy.</p> <p>The Board has designated the Chairman, Managing Director and the Company Secretary as the persons responsible for ensuring that this policy is implemented and enforced and that all required price sensitive information is disclosed to the ASX as required.</p> <p>In accordance with the Company's continuous disclosure policy, all information provided to ASX for release to the market is posted to its website at <a href="http://www.lepidico.com">www.lepidico.com</a> after ASX confirms an announcement has been made.</p> <p>A copy of the continuous disclosure policy is available in the corporate governance section of the Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a>.</p> |

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

| ASX RECOMMENDATION                                                                                                                                                | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>6.1: A listed entity should provide information about itself and its governance to investors via its website.</b>                                              | <p>The Company has complied with this recommendation.</p> <p>The Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a> contains information about the Company's projects, Directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements made to the market, including annual and half year financial results are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations are posted on the website.</p> |
| <b>6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</b>               | <p>The Company has complied with this recommendation.</p> <p>The Company's Managing Director and Director Exploration are the Company's main contacts for investors and potential investors and make themselves available to discuss the Company's activities when requested. In addition to announcements made in accordance with its continuous disclosure obligations, the Company, from time to time, prepares and releases general investor updates about the Company.</p> <p>Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's email contact list.</p>    |
| <b>6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</b> | <p>The Company has complied with this recommendation.</p> <p>The Company encourages participation of shareholders at any general meetings and its Annual General Meeting each year. Shareholders are encouraged to lodge direct votes or proxies subject to the adoption of satisfactory authentication procedures if they are unable to attend the meeting.</p> <p>The full text of all notices of meetings and explanatory material are posted on the Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a>.</p>                                                                                                     |

| ASX RECOMMENDATION                                                                                                                                                                   | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security register electronically.</b> | <p>The Company has complied with this recommendation.</p> <p>Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's email contact list.</p> <p>The Company's share register provides a facility whereby investors can provide email addresses to receive correspondence from the Company electronically and investors can contact the share registry via telephone, facsimile or email.</p> |

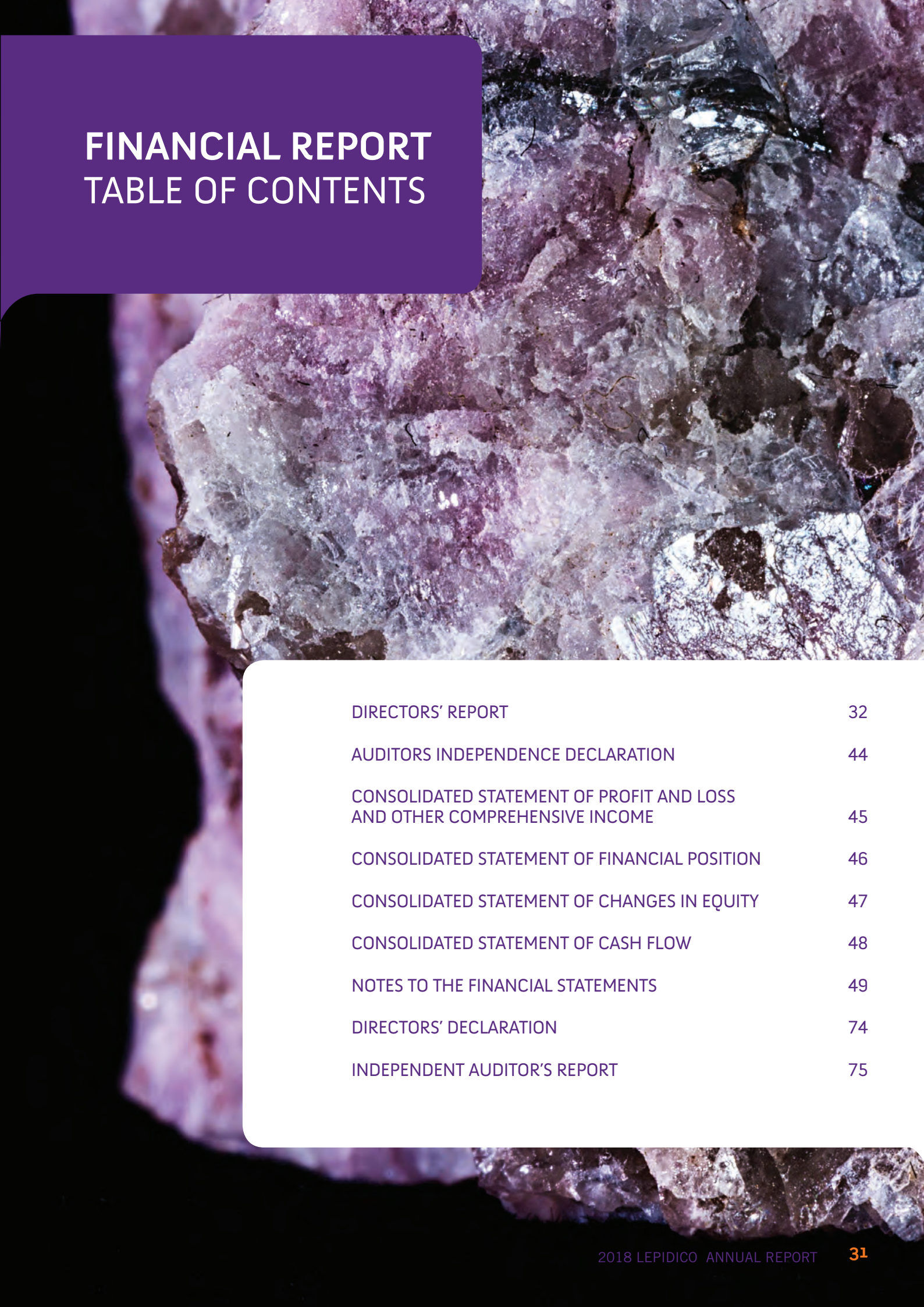
## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

| ASX RECOMMENDATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>7.1: The Board of a listed entity should have a committee to oversee risk:</b></p> <ul style="list-style-type: none"> <li>• <b>With at least three members, all of whom are non-executive Directors and a majority of which are independent Directors;</b></li> <li>• <b>chaired by an independent director; and</b></li> <li>• <b>disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.</b></li> </ul> | <p>The Company has complied with this recommendation.</p> <p>The Board has established an Audit and Risk Committee and adopted a charter that sets out the committee's role and responsibilities, composition and membership requirements.</p> <p>The current members of the Audit and Risk Committee are:</p> <ul style="list-style-type: none"> <li>• Ms Cynthia Thomas (Chair) - Independent</li> <li>• Mr Mark Rodda - Independent</li> <li>• Mr Gary Johnson</li> </ul> <p>The role of the Audit and Risk Committee is to oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements.</p> <p>A copy of the charter of the Audit and Risk Committee is available in the corporate governance section of the Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a>.</p> <p>Details of the number of meetings of the committee and attendance at those meetings are set out in the Directors' Report.</p> |
| <p><b>7.2: The Board or a committee of the Board, of a listed entity should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose in relation to each reporting period whether such a review was undertaken.</b></p>                                                                                                                                                                                                                                          | <p>The Company has complied with this recommendation.</p> <p>The charter of the Audit and Risk Committee provides that the committee will annually review the Company's risk management framework to ensure that it remains sound.</p> <p>The Board conducted such a review for the reporting period.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p><b>7.3: A listed entity should disclose if it has an internal audit function and if it does not have an internal audit function that fact and the processes it employs for evaluating and continually improving the effectiveness of risk management and internal control processes.</b></p>                                                                                                                                                                                                                                      | <p>The Company has complied with this recommendation.</p> <p>Given the Company's current size and level of operations it does not have an internal audit function. The Audit and Risk Committee oversees the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements and monitors the quality of the accounting function.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

| ASX RECOMMENDATION                                                                                                                                                                                          | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| <b>7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does how it manages or intends to manage those risks.</b> | <p>The Company has complied with this recommendation.</p> <p>The Company has exposure to economic risks, including general economy wide economic risks and risks associated with the economic cycle which impact on the price and demand for minerals which affects the sentiment for investment in exploration companies.</p> <p>There will be a requirement in the future for the Company to raise additional funding to pursue its business objectives.</p> <p>The Company's ability to raise capital may be effected by these economic risks.</p> <p>The Company has in place risk management procedures and processes to identify, manage and minimise its exposure to these economic risks where appropriate.</p> <p>The operations and proposed activities of the Company are subject to International, Federal and State laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceed.</p> <p>It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.</p> <p>The Board currently considers that the Company does not have any material exposure to social sustainability risk.</p> <p>The Company's Corporate Code of Conduct outlines the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees when dealing with stakeholders.</p> |

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

| ASX RECOMMENDATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>8.1: The Board of a listed entity should establish a remuneration committee:</b> <ul style="list-style-type: none"> <li>• <b>With at least three members the majority of which are independent Directors;</b></li> <li>• <b>chaired by an independent Director; and</b></li> <li>• <b>disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.</b></li> </ul> | <p>The Company has complied with this recommendation.</p> <p>The Board has established a Nomination and Remuneration Committee and adopted a charter that sets out the remuneration and nomination committee's role and responsibilities, composition and membership requirements.</p> <p>The current members of the Nomination and Remuneration Committee are:</p> <ul style="list-style-type: none"> <li>• Mr Mark Rodda (Chair) - Independent</li> <li>• Ms Cynthia Thomas - Independent</li> <li>• Mr Gary Johnson</li> </ul> <p>A copy of the Committee's charter is available in the corporate governance section of the Company's website at <a href="http://www.lepidico.com">www.lepidico.com</a>.</p> <p>Details of the number of meetings of the committee and attendance at those meetings are set out in the Directors' Report.</p> |
| <b>8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.</b>                                                                                                                                                                                                                                                                     | <p>The Company has complied with this recommendation.</p> <p>The Non-Executive Directors are paid a fixed annual fee for their service to the Company as a Non-Executive Directors. Non-Executive Directors may, subject to shareholder approval, be granted equity based remuneration.</p> <p>Executives of the Company typically receive remuneration comprising a base salary component and other fixed benefits based on the terms of their employment agreements with the Company and potentially the ability to participate in short term incentives and may, subject to shareholder approval and if appropriate, be granted equity based remuneration.</p>                                                                                                                                                                                |
| <b>8.3: A listed entity which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or a summary of that policy.</b>                                                                                                                                                                                                    | <p>The Company has complied with this recommendation.</p> <p>Participants in any Company equity based remuneration scheme are not permitted to enter into transactions which limit the economic risk of participating in the scheme.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |



# FINANCIAL REPORT

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# 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.

## PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the financial year was mineral exploration and the development and licensing of the L-Max® 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® PLANT PROJECT

#### a) Feasibility Study

Key activities on the Phase 1 L-Max® Plant Feasibility Study (the “Study”) continued during the year, including: process design and engineering; optimisation of the L-Max® process through vendor testwork; selection of preferred sites within Sudbury for the location of the L-Max® 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® 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® 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™ 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® 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® 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® 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 Plésold 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® 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 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® 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® 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.

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<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.

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.

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® Plant but also conceptual larger-scale L Max® 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® process technology from a tailings stream sourced from the Galaxy Resources Ltd ("Galaxy") Mt Cattlin spodumene operations. A standard suite of L-Max® 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® 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.

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<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® 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 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.

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<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.

<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.

### 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”), 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® 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 11.6% interest in the Company. Mr Talbot’s operational experience within the lithium industry will assist the Company as it transitions from developer to producer.

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<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).

## 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 2017. 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® 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® 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   | -                                    | -                 |
|                   | 402,733,100                          | 82,500,000        |

## 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 Dukovic | Director Exploration |

#### **Executives**

|                    |                         |
|--------------------|-------------------------|
| Ms Shontel Norgate | Chief Financial Officer |
|--------------------|-------------------------|

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® Plant and site selection for the Phase 1 L-Max Plant in Sudbury, Canada. The Company successfully raised over \$70 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, 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 always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

|                        | 2014        | 2015        | 2016        | 2017        | 2018        |
|------------------------|-------------|-------------|-------------|-------------|-------------|
|                        | \$          | \$          | \$          | \$          | \$          |
| 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         |
|----------------------------------------------|------|----------------------|----------------|--------------------------|----------------------|---------------|
|                                              |      | Cash Salary and Fees | Other          | Superannuation Benefits  | Equity Options       |               |
|                                              |      | \$                   | \$             | \$                       | Vested \$            | \$            |
| <b>Non-Executive Directors</b>               |      |                      |                |                          |                      |               |
| Mr Brian Talbot                              | 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 | -                    | -              | -                        | -                    | -             |
| <b>Executive Directors</b>                   |      |                      |                |                          |                      |               |
| 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       |
| <b>Executives</b>                            |      |                      |                |                          |                      |               |
| 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       |
| <b>Total Directors' and KMP remuneration</b> |      | <b>2018</b>          | <b>2017</b>    | <b>2018</b>              | <b>2017</b>          | <b>2018</b>   |
|                                              |      | <b>819,778</b>       | <b>587,049</b> | <b>218,096</b>           | <b>111,162</b>       | <b>49,667</b> |
|                                              |      | <b>66,331</b>        | <b>525,000</b> | <b>1,289,542</b>         |                      |               |

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

<sup>(2)</sup> 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/<br>Exercised Options | 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              |
| Total                          | 361,131,961              | 51,350,126                      | 29,000,000        | (43,741,368) | 397,740,719            |

### Option Holdings

| 2018                           | Balance at start of year | Granted during the year as remuneration | Exercised/<br>Expired during year | Net other change | 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                              |
| Total                          | 113,500,000              | 50,000,000                              | (31,000,000)                      | (7,500,000)      | 125,000,000            | 125,000,000                             |

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 Dukovcic   | 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 44 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 28th day of September 2018

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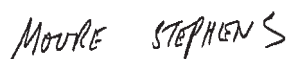
## AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF LEPIDICO LIMITED

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

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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 28th day of September 2018

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# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

as at 30 June 2018

|                                                                                  | Note | 2018<br>\$         | 2017<br>\$         |
|----------------------------------------------------------------------------------|------|--------------------|--------------------|
| Revenue                                                                          | 3    | 61,170             | 126,548            |
| Other income                                                                     | 3    | 179,952            | 127,573            |
|                                                                                  |      | 241,122            | 254,121            |
| 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)              | -                  |
| Loss before income tax                                                           |      | (7,219,713)        | (5,357,243)        |
| 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>(7,236,854)</b> | <b>(5,357,243)</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<br>\$        | 2017<br>\$        |
|----------------------------------------|------|-------------------|-------------------|
| <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>            |      | 5,484,518         | 3,926,834         |
| <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>        |      | 19,870,560        | 18,411,731        |
| <b>TOTAL ASSETS</b>                    |      | 25,355,078        | 22,338,565        |
| <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>       |      | 855,505           | 1,708,652         |
| <b>TOTAL LIABILITIES</b>               |      | 855,505           | 1,708,652         |
| <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                    |                     |              |               |                                          |                             |             |
|-----------------------------------|---------------------|--------------|---------------|------------------------------------------|-----------------------------|-------------|
|                                   | Number of<br>shares | Amount<br>\$ | Options<br>\$ | Foreign<br>Currency<br>Translation<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$ |
| 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   |
| Balance at 30 June 2017           | 2,035,978,065       | 31,491,798   | 1,513,250     | -                                        | (12,375,135)                | 20,629,913  |
|                                   |                     |              |               |                                          |                             |             |
| 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   |
| Balance at 30 June 2018           | 2,901,520,897       | 40,733,812   | 3,377,750     | (17,141)                                 | (19,594,484)                | 24,499,573  |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOW

For the Year ended 30 June 2018

|                                                    | Note | 2018<br>\$       | 2017<br>\$       |
|----------------------------------------------------|------|------------------|------------------|
| <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 2017. 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### for the Year ended 30 June 2018

#### Note 1: Statement of Significant Accounting Policies

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies

#### (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).

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies

#### **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.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies

#### **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<br>Incorporation | Interest as at<br>30 June<br>(%) |      | Principal Activity                              |
|--------------------------------------------|-----------------------------|----------------------------------|------|-------------------------------------------------|
|                                            |                             | 2018                             | 2017 |                                                 |
| Parent Entity:                             |                             |                                  |      |                                                 |
| 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® Technology                     |
| Silica Technology Pty Ltd                  | Australia                   | 100                              | -    | Holder of S-Max™Technology                      |
| Mica Exploration Pty Ltd                   | Australia                   | 100                              | 100  | Lithium Exploration                             |
| Lepidico (Netherlands)<br>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<br>L-Max® Plant |

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 3: Revenue

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

#### 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>1,550,458</b> | <b>1,753,598</b> |

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year ended 30 June 2018

**Note 5: Income Tax Expense**

|                                                                                                                                       | 2018<br>\$  | 2017<br>\$  |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>(a)</b> The components of tax expense comprise:                                                                                    |             |             |
| Current tax                                                                                                                           | -           | -           |
| Deferred tax                                                                                                                          | -           | -           |
| Losses recouped not previously recognised                                                                                             | -           | -           |
| Income tax expense reported in statement of comprehensive income                                                                      | -           | -           |
| <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% (2016: 30%)                                       | (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   |

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### (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

|                             | 2018<br>\$ | 2017<br>\$ |
|-----------------------------|------------|------------|
| Audit services              | 34,789     | 36,500     |
| Taxation and other services | -          | -          |
|                             | 34,789     | 36,500     |

### 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.

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

### Note 8: Cash and Cash Equivalents

|                          | 2018<br>\$ | 2017<br>\$ |
|--------------------------|------------|------------|
| Cash at bank and in hand | 4,859,962  | 3,307,337  |
|                          | 4,859,962  | 3,307,337  |

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

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 9: Trade and Other Receivables

|                                                      | 2018<br>\$     | 2017<br>\$     |
|------------------------------------------------------|----------------|----------------|
| <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

|                                          | 2018<br>\$    | 2017<br>\$   |
|------------------------------------------|---------------|--------------|
| <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       |
| Additions                                | 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> |

## NOTES TO THE FINANCIAL STATEMENTS

### for the Year ended 30 June 2018

#### Note 11: Exploration and Evaluation Expenditure

|                         | 2018<br>\$ | 2017<br>\$ |
|-------------------------|------------|------------|
| 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.

|                                                     | 2018<br>\$     | 2017<br>\$       |
|-----------------------------------------------------|----------------|------------------|
| <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 asset

|                                       | 2018<br>\$        | 2017<br>\$        |
|---------------------------------------|-------------------|-------------------|
| L-Max® Technology                     | 19,495,455        | 16,698,154        |
| S-Max™ Technology                     | 16,040            | -                 |
| <b>Balance at the end of the year</b> | <b>19,511,495</b> | <b>16,698,154</b> |

The recoverability of the carrying amount of the L-Max® Technology and the S-Max™ 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.

|                                                                | 2018<br>\$        | 2017<br>\$        |
|----------------------------------------------------------------|-------------------|-------------------|
| <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>Research and Development Tax Credit received/receivable</b> | <b>19,026,700</b> | <b>16,698,154</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 13: Trade and Other Payables

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

|                                                     | 2018<br>\$    | 2017<br>\$    |
|-----------------------------------------------------|---------------|---------------|
| <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 | 43,961,658  | 2,035,978,065 | 33,999,124  |
| Share Issue Costs          |               | (3,227,846) |               | (2,507,326) |
|                            |               | 40,733,812  |               | 31,491,798  |

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.

## NOTES TO THE FINANCIAL STATEMENTS

### for the Year ended 30 June 2018

#### Movements in ordinary share capital

| Description                        | Date             | Number of shares | Issue Price | \$         |
|------------------------------------|------------------|------------------|-------------|------------|
| 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     | 2,901,520,897    |             | 40,733,812 |

#### b) Share options

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

| Number      | Exercise Price | Grant            | Expiry           |
|-------------|----------------|------------------|------------------|
| 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 |
| 130,000,000 |                |                  |                  |

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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Movements in Options

|                         | Number       | Weighted<br>Average Exercise<br>Price<br>\$ |
|-------------------------|--------------|---------------------------------------------|
| 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 | 130,000,000  | 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:

| Unlisted Options       |            |
|------------------------|------------|
| 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:

| Unlisted Options            |            |
|-----------------------------|------------|
| 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 16: Reserves

|                                      | 2018<br>\$       | 2017<br>\$       |
|--------------------------------------|------------------|------------------|
| 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.

|                                          | 2018<br>\$       | 2017<br>\$       |
|------------------------------------------|------------------|------------------|
| 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.

|                          | 2018<br>\$      | 2017<br>\$ |
|--------------------------|-----------------|------------|
| 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 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<br>Exploration | Technology | Corporate &<br>Unallocated items | Total |
|--|------------------------|------------|----------------------------------|-------|
|  | \$                     | \$         | \$                               | \$    |

#### (i) Segment performance

| Year ended 30 June 2018 |             |          |             |             |
|-------------------------|-------------|----------|-------------|-------------|
| Revenue                 | 110,000     | 61,170   | 69,952      | 241,122     |
| Total Profit/(Loss)     | (2,060,815) | 51,211   | (5,210,109) | (7,219,713) |
| Year ended 30 June 2017 |             |          |             |             |
| Revenue                 | 66,364      | 126,548  | 61,209      | 254,121     |
| Total Profit/(Loss)     | (812,935)   | (86,290) | (4,458,018) | (5,357,243) |

#### (ii) Segment assets

|                    |           |            |           |            |
|--------------------|-----------|------------|-----------|------------|
| 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<br>\$        | 2017<br>\$        |
|----------------------|-------------------|-------------------|
| 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> |

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### Note 19: Commitments

#### Operating lease commitments

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

#### 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<br>\$ | 2017<br>\$ |
|----------------------------------------|------------|------------|
| Not later than one year                | -          | 1,207,874  |
| After one year but less than two years | -          | 203,656    |
|                                        | -          | 1,411,530  |

### Note 20: Cash Flow Information

|                                                                               | 2018<br>\$  | 2017<br>\$  |
|-------------------------------------------------------------------------------|-------------|-------------|
| <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                                                  | (3,038,346) | (2,669,730) |

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2017

### Note 21: Related Party Transactions Key Management Personnel Remuneration

|                                        | 2018<br>\$ | 2017<br>\$ |
|----------------------------------------|------------|------------|
| 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    |
|                                        | 3,225,041  | 1,289,542  |

Detailed remuneration disclosures are provided in the remuneration report on pages 38 to 42.

### Payments to director-related parties

|                                                      | 2018<br>\$ | 2017<br>\$ |
|------------------------------------------------------|------------|------------|
| 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 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 management consider the Group's exposure to credit risk is low.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

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<br>\$       | 2017<br>\$       |
|-------------------------------|------|------------------|------------------|
| <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<br>\$ | 2017<br>\$ |
|------------------------------|------|------------|------------|
| <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<br>\$ |       | 2017<br>\$ |
|-------------------------|---------------|-------|------------|-------|------------|
|                         |               | %     |            | %     |            |
| <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.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

|                         | 2018<br>\$ | 2017<br>\$ |
|-------------------------|------------|------------|
| <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<br>\$         | 2017<br>\$         |
|----------------------------------------------|--------------------|--------------------|
| <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> | <b>(5,527,720)</b> | <b>(4,579,238)</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2018

### (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® 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 2017. 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® 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® 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® 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 28th day of September 2018

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

### 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:

- a) 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

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.

The intangible asset includes the Group's investment in the L-Max® Technology and S-Max™ 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.

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.

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.

Our procedures included, amongst others:

- 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.
- 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.
- 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.
- 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.
- 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.
- Assessing the appropriateness of the relevant disclosures in the financial statements.

## Key Audit Matters (continued)

### Related Party Transactions and Share Based Payments to Key Management Personnel

Remuneration Report, Note 15c Share Based Payments, Note 21 Related Party Transactions

During the year ended 30 June 2018, the Group transacted with Key Management Personnel and their related entities including:

- Awarded share-based payments amounting to \$2,137,500, in the form of share options, to Key Management Personnel
- Paid \$857,219 in development and consulting costs related to the L-Max Technology

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.

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.

Our procedures included, amongst others:

- Enquiring and obtaining confirmations from Key Management Personnel regarding related party transactions occurring during the period.
- Reviewing minutes of meetings, ASX announcements and agreements, and considered other transactions undertaken during the financial year.
- 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.
- Evaluating, based on supporting documentation, whether related party transactions were on an arms-length basis.
- 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.
- Assessing whether the share-based payments have been appropriately classified and accounted for in the financial statements.

Assessing the appropriateness of the relevant disclosures in the financial statements.

## 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.

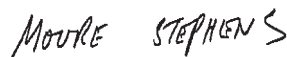
In our opinion, the Remuneration Report of Lepidico Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

**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 28th day of September 2018

## SUPPLEMENTARY (ASX) INFORMATION

The Shareholder information set out below was applicable as at 11 October 2018.

### FULLY PAID ORDINARY SHARES (ASX : LPD)

#### Top 20 Holders of Fully Paid Ordinary Shares

|    | Shareholder                      | Number               | %             |
|----|----------------------------------|----------------------|---------------|
| 1  | Galaxy Resources Ltd             | 389,001,214          | 11.59%        |
| 2  | Strategic Metallurgy Pty Ltd     | 292,924,098          | 8.73%         |
| 3  | JP Morgan Nominees Australia Ltd | 118,717,499          | 3.54%         |
| 4  | Strategic Metallurgy Pty Ltd     | 50,000,134           | 1.49%         |
| 5  | Perth Capital Pty Ltd            | 48,428,572           | 1.44%         |
| 6  | HSBC Custody Nom Australia Ltd   | 43,909,033           | 1.31%         |
| 7  | Becker Gavin S B & W M           | 41,142,858           | 1.23%         |
| 8  | Bacchus Capital Advisers Ltd     | 40,894,371           | 1.22%         |
| 9  | Georgaklis Bill & G              | 40,468,389           | 1.21%         |
| 10 | Citicorp Nominees Pty Ltd        | 38,597,230           | 1.15%         |
| 11 | Invia Custodians Pty Ltd         | 30,250,000           | 0.90%         |
| 12 | Netwealth Inv Pty Ltd            | 29,674,010           | 0.88%         |
| 13 | Avalon Retmnt Inv Pty Ltd        | 29,461,610           | 0.88%         |
| 14 | Isaiah Sixty Pty Ltd             | 22,000,000           | 0.66%         |
| 15 | T&G Corp Pty Ltd                 | 21,000,000           | 0.63%         |
| 16 | Rennie Jackson SMSF Pty Ltd      | 20,234,287           | 0.60%         |
| 17 | BNP Paribas Nom Pty Ltd          | 19,262,317           | 0.57%         |
| 18 | BNP Paribas Noms Pty Ltd         | 18,872,584           | 0.56%         |
| 19 | Vadzis Ivars                     | 18,366,250           | 0.55%         |
| 20 | Erfanul Haque Pty Ltd            | 13,430,858           | 0.40%         |
|    | <b>Total Top 20</b>              | <b>1,326,635,314</b> | <b>39.54%</b> |

#### Substantial Shareholding

The following shareholders held a substantial interest, being 5.0% or greater, in the issued capital of the Company:

| Shareholder                  | Number of Shares | %      |
|------------------------------|------------------|--------|
| Galaxy Resources Ltd         | 389,001,214      | 11.59% |
| Strategic Metallurgy Pty Ltd | 361,952,211      | 10.78% |

#### Distribution of Shares

The distribution of members and their shareholding was as follows:

| Number Held                         | Number of Shareholders |
|-------------------------------------|------------------------|
| 1 - 1,000                           | 895                    |
| 1,001 - 5,000                       | 298                    |
| 5,001 - 10,000                      | 533                    |
| 10,001 - 100,000                    | 3,438                  |
| 101,000 and above                   | 2,660                  |
| <b>Total number of shareholders</b> | <b>7,824</b>           |

**LISTED OPTIONS EXPIRING 30 SEPTEMBER 2020 AT \$0.045 (ASX : LPDOA)****Top 20 Holders of Listed Options**

|    | Shareholder                    | Number            | %             |
|----|--------------------------------|-------------------|---------------|
| 1  | Galaxy Resources Ltd           | 24,312,576        | 11.03%        |
| 2  | Isaiah Sixty Pty Ltd           | 5,785,710         | 2.62%         |
| 3  | JP Morgan Nom Australia Ltd    | 5,661,194         | 2.57%         |
| 4  | Ruan Xiaoling                  | 5,000,000         | 2.27%         |
| 5  | Pershing Australia Nom Pty Ltd | 3,781,579         | 1.71%         |
| 6  | Spreadborough Ryan             | 3,500,000         | 1.59%         |
| 7  | Soucik Michael & Heather       | 3,445,119         | 1.56%         |
| 8  | Perth Capital Pty Ltd          | 3,214,286         | 1.46%         |
| 9  | Strategic Metallurgy Pty Ltd   | 3,157,895         | 1.43%         |
| 10 | Rae Michael                    | 2,974,999         | 1.35%         |
| 11 | Carson Darryl R & L A          | 2,695,000         | 1.22%         |
| 12 | Rookharp Inv Pty Ltd           | 2,631,579         | 1.19%         |
| 13 | Cameron Sarah                  | 2,631,579         | 1.19%         |
| 14 | Rowe Ryan James                | 2,631,578         | 1.19%         |
| 15 | Becker Gavin S B & W M         | 2,571,429         | 1.17%         |
| 16 | Yin Xin                        | 2,500,000         | 1.13%         |
| 17 | Boss John Robert & L M         | 2,494,132         | 1.13%         |
| 18 | Cheung & Nguyen Prop Mgn       | 2,492,525         | 1.13%         |
| 19 | Zhang Luyu                     | 2,324,898         | 1.05%         |
| 20 | Pulmano Denton Quinones        | 2,000,000         | 0.91%         |
|    | <b>Total Top 20</b>            | <b>85,806,078</b> | <b>38.90%</b> |

**Distribution of Listed Options**

The distribution of members and their option holding was as follows:

| Number Held                         | Number of Shareholders |
|-------------------------------------|------------------------|
| 1 – 1,000                           | 119                    |
| 1,001 – 5,000                       | 424                    |
| 5,001 – 10,000                      | 250                    |
| 10,001 – 100,000                    | 684                    |
| 101,000 and above                   | 301                    |
| <b>Total number of shareholders</b> | <b>1,778</b>           |

## UNLISTED OPTIONS

### Unlisted Option holdings as at 11 October 2018

The company has 110,000,000 unlisted options with varying expiry and exercise price on issue.

5,000,000 options expiring 8 November 2019 with an exercise price of 1.5c ("A"), all of which were issued to the underwriter pursuant to the Entitlement Prospectus dated 10 October 2017.

42,500,000 options expiring 31 December 2019 with an exercise price of 2.5c ("B"), which were issued to the Company's Directors.

12,500,000 options expiring 31 December 2019 with an exercise price of 2.5c ("C"), which were issued under the Company Employee Share Plan.

40,000,000 options expiring 23 November 2020 with an exercise price of 9.1c ("D"), which were issued to the Company's Directors.

10,000,000 options expiring 23 November 2020 with an exercise price of 9.1c ("E"), which were issued under the Company Employee Share Plan.

|                         | A | B | C | D | E |
|-------------------------|---|---|---|---|---|
| 1 - 1,000               | - | - | - | - | - |
| 1,001 - 5,000           | - | - | - | - | - |
| 5,001 - 10,000          | - | - | - | - | - |
| 101,000 and above       | 1 | 4 | 1 | 4 | 1 |
| Total number of holders | 1 | 4 | 1 | 4 | 1 |

## VOTING RIGHTS

Lepidico Ltd ordinary shares carry voting rights of one vote per share. There are no voting rights attaching to any other class of security.

## UNMARKETABLE PARCELS

|                                              | Minimum Parcel Size | Holders | Shares     |
|----------------------------------------------|---------------------|---------|------------|
| Minimum \$500.00 parcel at \$0.019 per share | 26,315              | 2,981   | 28,183,416 |

## RESTRICTED AND ESCROWED SECURITIES

3,647,768 shares are currently held under voluntary escrow until completion of the engineering work for the Phase 1 L-Max® Plant Feasibility Study.

## ON-MARKET BUY-BACK

There is no current on-market buy-back.

## TENEMENT INFORMATION

### AUSTRALIAN OPERATIONS

The Company currently holds interests in tenements as set out below.

#### Farm-in Agreements

| Project/<br>Tenement ID                                | Registered Holder                | Lepidico Interest in<br>tenement                    | Expiry Date     | Area      |
|--------------------------------------------------------|----------------------------------|-----------------------------------------------------|-----------------|-----------|
| Youanmi Lepidolite<br>Project (E57/983)<br>Youanmi, WA | Venus Metals Corporation Limited | Earning up to<br>80% of lithium<br>pegmatite rights | 3 February 2020 | 29 blocks |

\* Mica Exploration Areas Pty Ltd is a wholly owned subsidiary of the Company





