

FOUNDATIONS FOR A FULLY INTEGRATED BUSINESS



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**DRIVING  
INNOVATION.  
FROM MINE  
TO LITHIUM  
CHEMICAL.**



# 2019 HIGHLIGHTS

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

The Karibib Lithium Project in Namibia was acquired following the successful off-market takeover of Desert Lion Energy Inc., giving an 80% interest in Mineral Resources of 8.8 million tonnes grading 0.56% Li<sub>2</sub>O within a granted 68km<sup>2</sup> Mining Licence.

In addition, the Karibib Lithium Project includes four granted exploration tenements encompassing 1,054km<sup>2</sup> of the prospective Karibib Pegmatite Belt.

Global Mineral Resource tonnes at Alvarrões increased by 290% and contained lithium rose by approximately 210%, versus the previous estimate. The JORC 2012 Mineral Resource is estimated at 5.87Mt @ 0.87% Li<sub>2</sub>O in Indicated and Inferred categories.

High purity lithium hydroxide was produced using a new proprietary process, LOH-Max™, over which Lepidico has entered into a worldwide exclusivity arrangement.

Considerable capital and operating cost savings were identified associated with the integration of LOH-Max™ into the Phase 1 Plant design.

A Memorandum of Understanding was entered into with Gulf Fluor LLC for: 1) the supply of sulphuric acid; 2) provision of land to construct the Phase 1 Plant Project; and 3) the marketing of Phase 1 Plant by-products to be sold within the United Arab Emirates region.

Phase 1 Plant Feasibility Study design was adapted for lithium hydroxide production, employing LOH-Max™ technology and for location in Abu Dhabi, with engineering on-track for completion in the December 2019 quarter.

Mine and concentrator design work commenced for both Karibib and Alvarrões, to allow inaugural Ore Reserves to be estimated for both Projects in fiscal year 2020.

The design and construct phase of the L-Max® Pilot Plant was completed on schedule and within budget before contingency. The continuous operation phase for Campaign 1 completed in July 2019, verifying the L-Max® process chemistry.

Preliminary assessment of L-Max® residue as a land reclamation product completed with promising results that indicate the material should be viable for industrial applications, with the objective of the Phase 1 Chemical Plant being a zero-waste facility.

National patent applications for the L-Max® technology progressed in key strategic jurisdictions with first patent granted in the USA and a provisional patent application was lodged for LOH-Max™.

Equity issues for advancing Lepidico's process technologies and studies, and acquiring lepidolite Mineral Resources successfully raised gross proceeds of over \$19 million in two over-subscribed offerings.

**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



The 2019 year was transformational for Lepidico.

Acquisition of its first directly owned lepidolite Mineral Resource at Karibib, development of a new proprietary process technology for the production of lithium hydroxide and the successful piloting of L-Max® represent huge advancements in Lepidico's strategy to become a globally significant lithium chemical producer.

Market conditions for both lithium chemical prices and lithium equities continued to be weak throughout fiscal 2019. Despite this Lepidico successfully raised over \$19 million, mainly due to the overwhelming support that eligible shareholders continue to show the Company. Proceeds from these issues were deployed to acquire the Karibib Lithium Project in Namibia, build and operate an L-Max® Pilot Plant and to fund the expanded Feasibility Study for its vertically integrated Phase 1 mine, concentrator and chemical plant Project.

In order to take advantage of new value add opportunities Lepidico had to strike a balance between business flexibility and locking down the scope for the Phase 1 Project Feasibility Study. This meant that the timing to complete the Study needed to be extended to accommodate the newly developed LOH-Max™ lithium hydroxide technology, as well as the integration of the Karibib Lithium Project as a lepidolite concentrate feed source. Both these opportunities are expected to enhance the economics and sustainability characteristics of the Project when complete.

Electric vehicle manufacturers have in recent years progressively moved towards higher nickel content lithium-ion battery cathodes, which require lithium hydroxide in their manufacture rather than lithium

carbonate. As a result most new lithium chemical projects that were financed in 2018 and into 2019 are designed to produce lithium hydroxide.

Also, most hard rock lithium conversion processes employ sulphur based chemistries that result in a sodium sulphate by-product, irrespective of the lithium chemical produced. The sodium sulphate market is mature, yet supply is set to rise dramatically as new hard rock sourced lithium chemical capacity comes on stream over the next ten or more years.

These two trends led Lepidico to seek an alternative process for making more sought after lithium hydroxide without a sodium sulphate by-product. In early 2019 the LOH-Max™ process was developed, which achieves this dual objective. As part of Lepidico's Phase 1 Plant Feasibility Study, cost comparisons were conducted for LOH-Max™ versus the industry conventional process step to convert lithium sulphate to either lithium carbonate (employed by L-Max®) or lithium hydroxide. This work indicates that material reductions in both capital cost and operating cost should be achieved using LOH-Max™. Lepidico has the right to use LOH-Max™ and sole rights for marketing the technology to third parties worldwide, in exchange for funding its development.

Short logistics routes, affordable supply of key consumables, established local markets for L-Max® by-products and streamlined permitting processes are important elements in the evaluation of a strategic location for a lithium conversion plant. In fiscal 2019 study work identified the United Arab Emirates as having all of these attributes and more, making it a favourable location for an L-Max®-LOH-Max™ plant.

Subsequently, Lepidico entered into a Memorandum of Understanding with Abu Dhabi based Gulf Fluor LLC, the largest manufacturer of sulphuric acid in the region. The Phase 1 Plant Feasibility Study is now evaluating the building of the chemical conversion plant adjacent to Gulf Fluor's facilities, allowing acid to be piped directly to the L-Max® plant, thereby negating the requirement for trucking. Gulf Fluor is also well placed to support Lepidico in the marketing of sulphate of potash and amorphous silica by-products.

Since inception Lepidico's business strategy has acknowledged the merits of a vertically integrated business, with quality lithium mica concentrate feed sourced from a majority owned and Lepidico operated upstream asset. The Rubicon and Helikon deposits, situated within the Karibib Mining Licence area, host JORC Code compliant lepidolite-rich Mineral Resources that have been evaluated as being capable of providing concentrate feed to Lepidico's planned Phase 1 Plant for approximately 14 years. Mineralisation outcrops at surface, which should allow for a favourable strip ratio in the early years of operation. Importantly these deposits are covered by a granted Mining Licence for the development of both mines and a concentrator, allowing for rapid development. These deposits have yet to be closed off by drilling and represent excellent targets for expanding the Mineral Resource base to support Lepidico's growth ambitions. Furthermore, numerous pegmatite occurrences have been identified within the larger 1,054km<sup>2</sup> land package, which will become the focus of a regional exploration programme for its lepidolite mica potential in fiscal 2020.

To become a globally significant lithium chemical company a series of projects will be required, in part to diversify business risk. The Alvarrões Lepidolite Mine in Portugal represents an opportunity for a separate source of lepidolite concentrate feed. To this end, a more definitive arrangement to the current ore offtake agreement between Lepidico and Grupo Mota is being developed, with the intention of providing a sustainable framework for operations. Drilling at Alvarrões met with considerable success this past year, as Mineral Resource tonnes increased by 290% and contained lithium rose by approximately 210%, versus the previous estimate. Mining studies are now focused on a modest scale open pit operation complemented by underground extraction of a newly discovered, deeper lepidolite-rich pegmatite sill.

Another major achievement in fiscal 2019 was the successful development of the L Max® pilot plant, which was completed on schedule and within budget before contingency. The continuous operation phase for Campaign 1 on lepidolite concentrate sourced from Alvarrões completed

in July 2019. The Campaign had to be adapted from the original plan in order to stockpile lithium sulphate intermediate as a feed source for the planned LOH-Max™ pilot plant circuit that is scheduled to be constructed in the first half of fiscal 2020. Importantly Campaign 1 confirmed the chemistry underlying the L-Max® process through to production of high purity lithium carbonate, thereby achieving its primary objective. Furthermore, average lithium extraction of 94% to lithium sulphate was realised, an excellent result, and opportunities for improvements were also identified.

By-product SOP fertiliser and amorphous silica were successfully produced from the pilot plant providing the first samples for testing by prospective customers. Of particular note, high purity SOP grading 52.2% K<sub>2</sub>O was produced. Research and development testwork is also planned to manufacture a range of caesium and rubidium products from one of the pilot plant streams, for market evaluation.

Looking forward, priorities for fiscal 2020 are to complete the integrated mine, concentrator and chemical plant Phase 1 Project Feasibility Study, as well as secure product offtake commitments and financing for development. Considerable advances have already been made in the permitting and approvals required in Namibia and Abu Dhabi, and other preparatory work that includes business systems development will continue to transition the business to construction.

We are committed to developing a sustainable business that makes quality products for the needs of the twenty first century. Implicit in this are industry best practice protocols in the areas of health, safety, the environment, human resources, sustainability, and stakeholder engagement. Lepidico is also striving to be an industry leader in minimising waste generation and emissions, with the objective of the Phase 1 chemical plant ultimately being a zero-waste facility and the Company's mines not requiring dedicated tailings storage facilities.

Finally, we thank shareholders for another year of tremendous support on our quest to build a new vertically integrated lithium chemical company fuelled by non-traditional minerals.



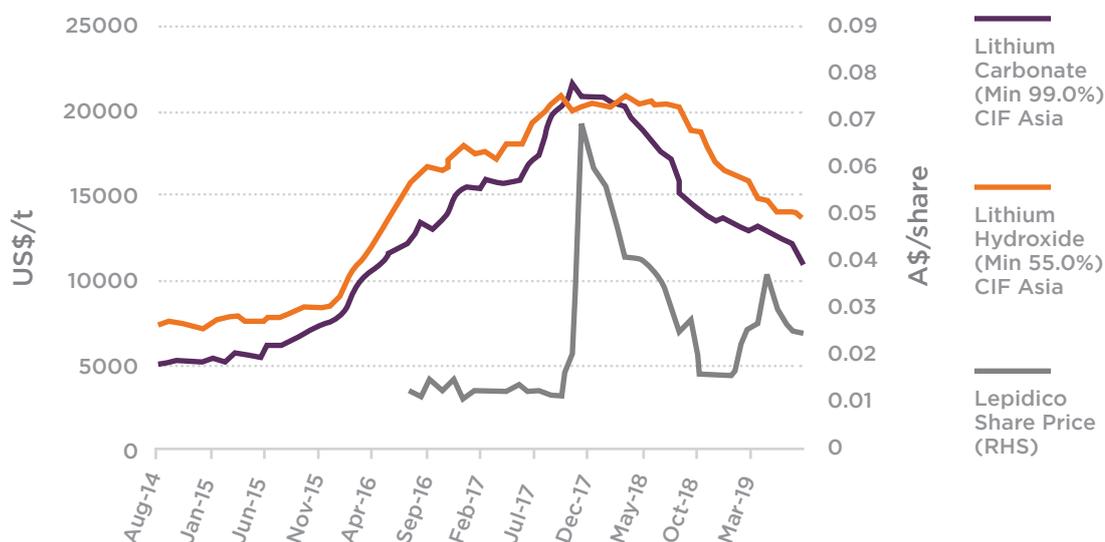
Yours Faithfully

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

# LITHIUM INDUSTRY AND MARKET

## Review

Lithium chemical prices posted cycle highs on the back of strong demand growth during the first half of the 2018 calendar year. Since then chemical prices have declined on the back of new sources of supply coming on stream and concerns that electric vehicle purchase incentives, particularly in China were being withdrawn. Lithium equity prices have suffered as a result and Lepidico's share price has not been immune. Lithium chemical price stabilisation is seen in fiscal 2020 as margins for higher-cost converters in China come under pressure and incumbent producers exercise growth discipline, evidenced by the deferral of many expansion plans.



Source: Benchmark Mineral Intelligence, ASX

## Outlook

Lithium is expected to remain an essential element for most battery formats used in both electric vehicles and energy storage systems, for the foreseeable future. This, coupled with predictions that electric vehicle adoption will broaden geographically and continue to accelerate globally underpins many industry forecasts that annual lithium demand will rise to around one million tonnes by 2025-26. Such demand growth will require numerous sources of new lithium supply with compelling associated economics to be identified, evaluated, permitted, financed and brought into production. Lepidico continues to navigate this path with the strategic objective of becoming a sustainable integrated producer through the lithium chemical supply chain.

## Supply

Lithium as an element is abundant. However, it is clear that not all lithium occurrences are equal and the identification of lithium deposits of sufficient scale, concentration and quality to support the delineation of economic mineral resources suitable for the production of battery grade chemicals has considerable lead time and challenges. Be it brine or spodumene, most sources of new supply over the past ten years were committed to when lithium prices were in the ascendant and an incentive price prevailed.

DEMAND FUNDAMENTS  
REMAIN SUPPORTIVE  
FOR SIGNIFICANTLY  
HIGHER LITHIUM  
CHEMICAL PRICES  
IN THE EARLY 2020'S  
TO INCENTIVISE NEW  
SUPPLY GROWTH.

One lithium commentator believes that 90% of the price weakness in calendar 2018 was in response to the new supply from the hard rock producers that recently started up in Australia. As these operations continued to ramp-up into calendar 2019 supply again increased faster than demand. However, weaker lithium chemical prices have led to several large scale new spodumene and conversion plant projects being deferred, and many expansion plans postponed.

It is evident that lithium project developers and their financiers will need confidence from the belief that the lithium price cycle has indeed turned back up before committing to new projects. This will inevitably lead to a paucity of future new supply just when demand growth once again accelerates.

## Demand

Lithium chemical demand rose to an estimated 269,000 tonnes in calendar 2018, up 15% versus the previous year, on the back of a 64% jump in global Electric Vehicle (EV) sales, which breached 2 million units for the first time. EV adoption is in its infancy with sales positioned at the early stage of the S-curve pattern for innovation. The small number of EV models available, particularly in Europe and North America has to date limited consumer take-up. Here however, the automotive industry is on the cusp of change, with at least twenty new electric models planned to roll-off production lines in calendar 2019 and a raft of further new model offerings in 2020.

Many battery materials commentators forecast that the demand outlook for lithium chemicals is exceptionally strong and that annual demand will breach one million tonnes of lithium carbonate equivalent (LCE) by 2025. The major auto manufacturers will fuel this demand; Ford plans to have 40 hybrid and EV models and Renault 12 EV models by 2022, GM 20 EV models by 2023 and VW expects to have developed 80 EV models by 2025. Many other manufacturers have similar aspirations and Chinese autos are expected to comply with a 20% EV penetration rate ruling by 2025. Such choice will undoubtedly lead to greater consumer adoption of the EV.

New developments in mobile batteries should continue to rely on the unique properties of lithium and its chemical salts. Solid state batteries are seen as the most likely next generation technology, which should deliver superior charge density and employ a lithium metal anode as well as a lithium chemical based cathode.

Small, fast growing markets tend to exhibit amplified boom-bust cycles, evidenced by the sharp lithium chemical price correction experienced since early calendar 2018, which in large part was in anticipation that the market would transition into surplus. However, many industry commentators and producers continue to predict that lithium chemical demand will continue to have a compound annual growth rate of between 16% and 18% to 2030, with lithium-ion batteries accounting for the majority of this growth. Such growth coupled with continued constraint in new supply shown by incumbent producers is predicted to transition the lithium market back into deficit in the early 2020's. Lepidico is well positioned to have its Phase 1 Project feasibility study complete for when lithium market fundamentals again become supportive for new developments.



# TECHNOLOGY

Central to Lepidico's strategy to become a globally significant lithium chemical producer are its proprietary process technologies. In fiscal 2019 LOH-Max™ was added to the technology suite; a hydrometallurgical solution for producing lithium hydroxide from intermediate lithium sulphate without generating by-product sodium sulphate.

## Why Lithium Hydroxide?

Feedback from a number of lithium chemical consumers revealed that they now favour lithium hydroxide rather than lithium carbonate for their products. Furthermore, most new lithium projects that were financed in calendar 2018 are designed to produce lithium hydroxide. These, amongst other factors led Lepidico to evaluate the process technology developed by the owners of Strategic Metallurgy for producing lithium hydroxide directly from lithium sulphate, an intermediate product of Lepidico's proprietary L-Max® process. Lithium carbonate however, is expected to continue to be used extensively within the industry and as such Lepidico will continue to evaluate new cost effective lithium carbonate processes that do not result in by-product sodium sulphate, as part of its research and development activities.

## Why avoid producing sodium sulphate?

Much of the world's new lithium chemical capacity, both committed and under study, sourced from either hard rock or sedimentary hosted deposits, employ sulphur based process chemistries that result in a sodium sulphate by-product. The sodium sulphate market is mature with annual demand growth estimated at just over 1% over the next five years, with most of this growth in China. Demand in many other parts of the world is in decline, in large part due to the shift from powdered to liquid detergents, and demand for pulp and paper waning. Worryingly, against this backdrop global sodium sulphate supply is set to rise significantly as new lithium chemical capacity comes on stream over the next decade. A risk assessment for Lepidico's Phase 1 Plant Project identified sodium sulphate as a material exposure should demand growth remain stagnant and global production materially increase, thereby necessitating a contingency disposal method be found. This led Lepidico to seek alternative process routes to making lithium chemicals from the L-Max® intermediate product, lithium sulphate.

## Why LOH-Max™?

LOH-Max™ provides an elegant solution to produce lithium hydroxide from lithium sulphate, using conventional industrial equipment and without the production of sodium sulphate. As part of Lepidico's Phase 1 Plant Feasibility Study, cost comparisons were conducted for LOH-Max™ versus the industry conventional process step to convert lithium sulphate to either lithium carbonate or lithium hydroxide. This work indicates that material reductions in both capital cost and operating cost should be achieved using LOH-Max™. Such cost advantages mean that LOH-Max™ has application in the final processing of a broad range of lithium concentrates from hard rock sources including spodumene and sedimentary hosted deposits. Accordingly, Lepidico sees opportunity for licensing this process technology to a growing number of lithium chemical producers.

The LOH-Max™ technology is held within a special purpose vehicle owned by the principals of Strategic Metallurgy that developed the process. A provisional patent application for this process was filed in February 2019 with the Australia Patent Office. Lepidico has entered into a worldwide, binding exclusivity arrangement for LOH-Max™ in exchange for it funding the development of the process.

## L-Max®

L-Max® continues to be the core process technology to Lepidico's development plans and is compatible with the company's other processes including LOH-Max™. L-Max® is owned 100% by the Lepidico 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. L-Max® leaches lithium from non-conventional and relatively uncontested mineral sources; lithium micas and phosphates, and achieves high extraction rates. The process utilises common use, inexpensive reagents, is energy efficient and utilises conventional equipment operated at atmospheric pressure and modest temperature; and has straightforward occupational health and safety, and environmental characteristics. L-Max® by-products: include potassium sulphate fertiliser (SOP), amorphous silica and potentially tantalum, tin, caesium and rubidium. Finally, L-Max® is a sustainable process, as steam is the only material emission and the gypsum rich benign process residue is being evaluated as an environmental remediation product.

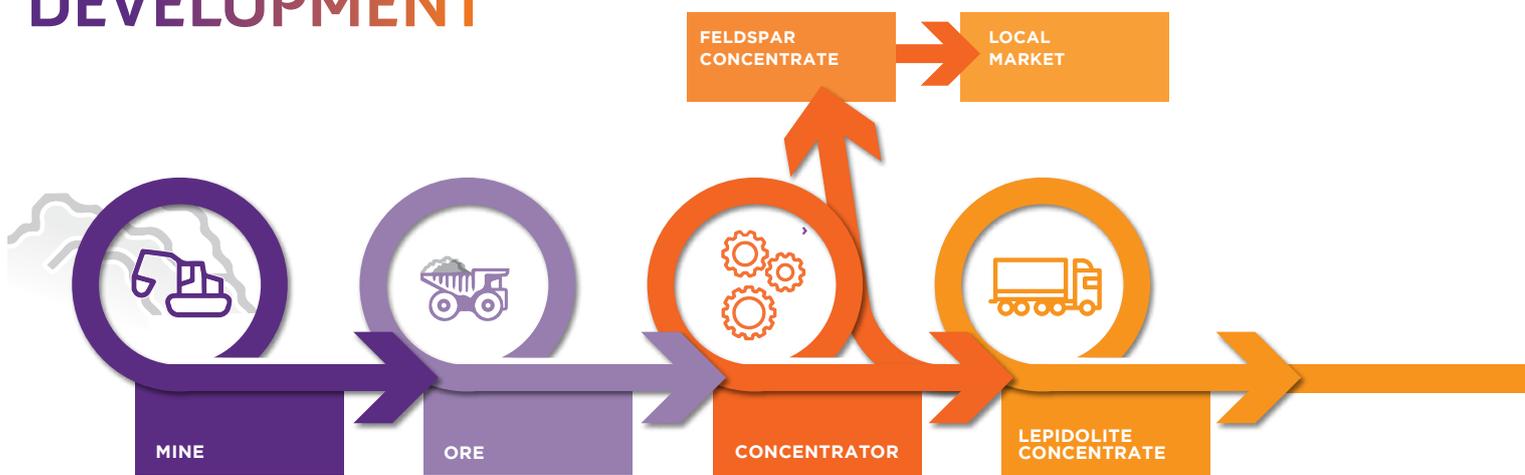
## S-Max™

A provisional patent application was lodged for S-Max™ in May 2018. S-Max™ 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™ is compatible with L-Max® in that it can replace the initial direct leach process step.

RESEARCH AND DEVELOPMENT ARE CORE TENANTS OF LEPIDICO'S STRATEGY THAT WILL ENABLE IT TO MAINTAIN A COMPETITIVE EDGE.



# BUSINESS DEVELOPMENT



PILOT PLANT  
PRODUCED HIGH  
PURITY LITHIUM  
CARBONATE  
GRADING 99.9%

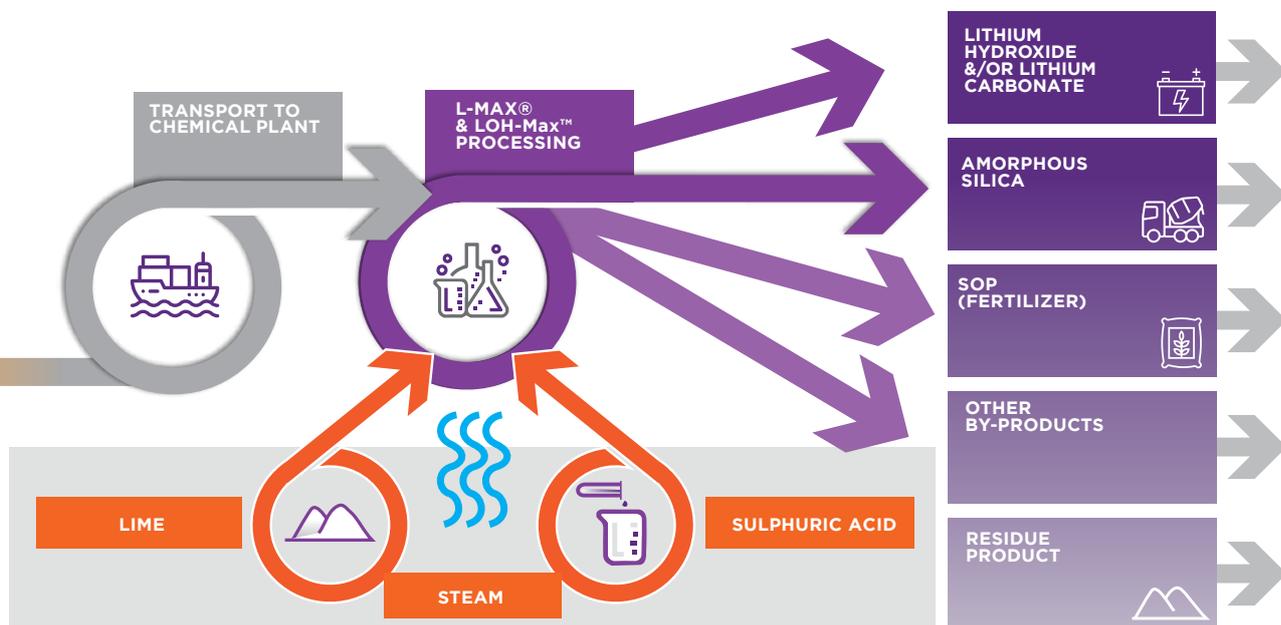
## L-Max® Pilot Plant

Major advances in the L-Max® process were achieved in fiscal 2019 with the development and operation of a pilot plant capable of processing 15 kilograms per hour of lepidolite concentrate feed, a ten-fold increase from the mini-plant trial undertaken in 2016. Importantly the pilot plant employs small scale industrial equipment versus the mini-plant, which relied on predominantly laboratory equipment. Scale-up from the pilot plant to the planned Phase 1 Plant, that is designed to process 6.9 tonnes per hour of lepidolite concentrate is a manageable 460 times.

The pilot plant design and construct phase was delivered on schedule and within the budget of \$2.6 million before contingency. Importantly, the Project was completed lost time incident free. After a seven week commissioning, Campaign 1 commenced on lepidolite concentrate feed sourced from the Alvarrões mine in Portugal. This Campaign lasted for 10-days of continuous operation and was modified to allow stockpiling of lithium sulphate, to accommodate a subsequent trial of a planned retrofitted LOH-Max™ circuit.

Campaign 1 produced excellent results based on assay received. These data confirmed the chemistry underlying the L-Max® process and support the Phase 1 Plant design parameters, including an average lithium recovery of more than 90% to the intermediate product liquor. Process optimisation, including improved process control capabilities are expected to lead to higher future recoveries.

A proportion of the stockpiled lithium sulphate liquor was successfully processed to a high purity lithium carbonate of 99.9%. SOP fertiliser of more than 96% purity was produced from Campaign 1, equivalent to 52.2% K<sub>2</sub>O, a high purity product. The results also confirm the design parameters for the SOP recovery circuit in the Phase 1 Plant. The rubidium and caesium rich sulphate by-product from the potassium sulphate crystalliser was stockpiled for research and development work during fiscal 2020. Development work is also planned on the amorphous silica rich leach residue from Campaign 1, along with the aggregated impurity removal residue streams which will be assessed as a potential landfill remediation product (see Sustainable Development).



## LOH-Max™ capability and Campaign 2

Design of a LOH-Max™ pilot plant circuit was completed in late fiscal 2019. It is planned that LOH-Max™ capability will be retro-fitted in early fiscal 2020 for larger batch lithium hydroxide trials using stockpiled lithium sulphate feed from Campaign 1. Data generated from Campaign 1 and the LOH-Max™ batch test will be used to optimise the pilot plant, including the S-Max™ leach and L-Max® impurity removal circuits, ahead of the next campaign.

Drilling at Karibib is planned to generate improved understanding of the Rubicon and Helikon 1 deposits, allowing representative mineralisation samples to be taken mid-fiscal 2020 for concentration to generate lepidolite feed for a planned pilot plant Campaign 2. Campaign 2 will generate lithium hydroxide and certain by-product samples, which are planned to be used for the first stages of product qualification.



## Other Research & Development

Caesium and rubidium were selectively concentrated into two separate product streams, including a caesium rich brine, which has potential application in the oil and gas industry. This work led to a provisional patent application being lodged for the associated hydro-metallurgical process. Further development activities are planned in early fiscal 2020 as larger caesium-rubidium samples became available from the first pilot plant campaign. The objective is to develop another by-product stream from the processing of lepidolite concentrates.

Work was completed in January 2019 by the Department of Earth and Environmental Sciences at the University of Waterloo in Ontario to characterise the blended residue streams from the L-Max® process and assess this material as a potential product for the environmental reclamation of industrial and/or city landfill sites. Encouraging results were received that indicate the material should be viable for industrial applications. Growth trials were performed using the residue blended with various proportions of nutrients including soil and peat, providing further promising results. Follow up work programmes are planned on samples generated from the pilot plant for application in Abu Dhabi. Assuming the land reclamation residue project is successful, the need to have a dedicated residue storage on site may be eliminated, thereby making the Phase 1 Plant a “zero waste” facility, and result in additional capital and operating cost savings.

## Phase 2 Plant Scoping Study

To become a globally significant producer, a larger lithium chemical conversion facility will be required to that envisaged in the Phase 1 Plant design. To this end, Lepidico continued scoping study activities during fiscal 2019 for a Phase 2 Plant. This work included continued optimal location studies, which identified Abu Dhabi as a favourable setting for a plant. Work in fiscal 2020 will capture valuable data from the Phase 1 Plant Feasibility Study, which is expected to allow Phase 2 scale alternatives to be assessed. The scoping study remains a longer term initiative to ultimately provide Lepidico with a project pipeline.



# PROJECTS

## Phase 1 Feasibility Study

The flowsheet for a Phase 1 chemical plant in L-Max® configuration was finalised in August 2018, incorporating the findings from a major equipment vendor testwork programme. This allowed Lycopodium Minerals Pty Ltd (“Lycopodium”) to undertake the engineering for the Phase 1 L-Max® chemical conversion plant, based on a nominal concentrate throughput rate of approximately 6.9 tonnes per hour (tph), which it completed on schedule in December 2018.

Two opportunities were subsequently identified during the review of the engineered design that could materially enhance the economics of the Project: 1) production of lithium hydroxide using LOH-Max™ (see Technology Section of this report); and 2) locating the plant in Abu Dhabi as an alternative to Sudbury, Canada. Lycopodium started work on the additional engineering to accommodate these scope changes in July 2019.

In May 2019 Lepidico entered into a non-binding Memorandum of Understanding with Gulf Fluor LLC (“Gulf Fluor”) – an established Abu Dhabi based industrial chemicals company – for: 1) the supply of sulphuric acid; 2) provision of land to construct the Phase 1 Plant Project; and 3) the marketing of Phase 1 Plant by-products for sale in the region.

Gulf Fluor has sulphuric acid production capacity of 140,000 tonnes per annum (tpa), along with hydrogen fluoride and aluminium fluoride plants. Gulf Fluor’s facilities are located within the Industrial City of Abu Dhabi (ICAD), just 30km from the heart of Abu Dhabi and in close proximity to some of the world’s largest aluminium producers.





Material capital and operating cost benefits have been identified associated with developing the Phase 1 conversion plant at ICAD and a separate study has revealed that local markets exist for L-Max® and S-Max® by-products. Logistics costs for shipping concentrate from both Namibia and Portugal to ICAD are estimated to be lower than to Sudbury. Gas, labour and the cost of certain consumables have also been identified as being lower at ICAD. Finally, ICAD promotes a “plug and play” philosophy for new developments, allowing for rapid permitting and approvals. This is, in part afforded by having world class established infrastructure, including power, gas, water and developed roads, storage and logistic hubs that have quick and easy access to multiple ports and airports.

Environmental consultant GHD Global Pty Ltd (“GHD”) was appointed in July 2019 to manage the environmental approval process in Abu Dhabi for the development of the Phase 1 conversion plant and secure all relevant permits to construct. This process is expected to complete in 4 to 6 months. Following on from the work undertaken by the University of Waterloo in Ontario on evaluating the L-Max® residues as a potential product for landfill reclamation, GHD is also tasked with identifying technically sound solutions for the processing and use of the residue-products within the UAE, along with fall back solutions for disposal. Ultimately, the objective of this work continues to be for the Phase 1 Plant to become a zero-waste facility.

Key results for the integrated Phase 1 Project Feasibility Study are scheduled to become available late in the March 2020 quarter. This will incorporate mine and concentrator designs for the Karibib Lithium Project, following a planned intensive drill programme intended to upgrade the Mineral Resource; a new mine plan for Alvarrões based on the significant April 2019 Mineral Resource upgrade; and the re-engineered Phase 1 lithium hydroxide chemical plant designs for ICAD. This strategy will provide optionality for the selection of a low permitting risk development scenario, coupled with considerable expansion potential.



## Karibib Lithium Project (80% Lepidico)

Lepidico acquired the Karibib Lithium Project in July 2019 on closing of the plan of arrangement for the takeover of former TSX-V listed Desert Lion Energy Inc. Within the large exploration package is a 68km<sup>2</sup> Mining Licence (ML) area, awarded for 10 years in 2018 for the re-development of mines at Rubicon and Helikon and the development of a flotation plant to produce lepidolite concentrate. Accordingly, permitting for this upstream component of the Phase 1 Project is largely resolved, providing an opportunity to rapidly transition the project to implementation.

The Rubicon and Helikon deposits, located approximately 17km outside of the town of Karibib and within the ML, were mined at various times during the twentieth century, primarily for petalite with some tantalite, quartz and minor lepidolite. More than 8.0 million tonnes of Mineral Resources have been estimated at three deposits, Rubicon, Helikon 1 and Helikon 4. An intensive drill programme started in July 2019 at Rubicon and Helikon 1 with the objective of upgrading the Mineral Resources at these deposits to Measured and Indicated categories and allow a maiden Ore Reserve to be estimated to support a Phase 1 Project.

Mineralisation at Rubicon and Helikon outcrops at surface and previous mining for petalite has partially stripped the high-grade lepidolite zones at both deposits. As such, preliminary mining studies indicate that the strip ratio should be less than 1 to 1 in the early years of production. Due diligence also indicated the Karibib Lithium Project could provide feed to Lepidico's planned Phase 1 Plant for approximately 14 years, based on the current Mineral Resources base. L-Max<sup>®</sup> amenability testwork, undertaken on a sample of Karibib lepidolite mineralisation returned excellent results, with a lithium extraction of 94% from concentrate and production of lithium carbonate with 99.8% purity. Design of a 300,000 tonne per year concentrator capable of producing 60,000 tonnes of lepidolite concentrate grading approximately 4.0% Li<sub>2</sub>O is scheduled for completion in the March quarter 2020. It is envisaged that concentrate from Karibib will be exported to the Phase 1 chemical conversion plant in Abu Dhabi.





## Alvarrões Lepidolite Mine

Lepidico entered into an ore offtake agreement with Mota Ceramic Solutions (“MCS”), operator of the Alvarrões lepidolite mine, in fiscal 2017 with a three year exclusivity period. A more definitive arrangement for expanding Alvarrões to produce a lepidolite concentrate is being developed between MCS and Lepidico, with the intention of providing a sustainable framework for operations. Alvarrões, located in Gonçalo, Portugal has been in operation since 1992, producing a lepidolite-feldspar material for use in the ceramics industry. Significant increases in the Mineral Resource tonnes, in large part due to the identification of a new pegmatite at depth, Sill P, necessitated a reassessment of the mine development plan for Alvarrões in late fiscal 2019 (see Mineral Resource and Exploration Section).

Studies for a small open pit mine to extract the near surface mineralised sills along with an underground mine for Sill P are ongoing. An annual ore mining rate of up to 200,000 tonnes per year is now contemplated. It is planned that the mined ore will be processed on site by a new flotation plant with nominal annual output of 60,000 tonnes of lepidolite concentrate. The concentrate is to be containerised and transported to port for shipping to Abu Dhabi. An inaugural Alvarrões Ore Reserve estimate is now scheduled for completion in the December 2019 quarter. Permits and approvals represent the critical path for the further development of Alvarrões.

# MINERAL RESOURCES & EXPLORATION OVERVIEW

## Karibib Lithium Project

The Karibib Lithium Project comprises four granted tenements encompassing 1,054km<sup>2</sup> of the Karibib Pegmatite Belt in central Namibia, a major regional intrusive zone of LCT-type (lithium caesium tantalum) pegmatites.

The project itself contains numerous highly fractionated LCT-type pegmatites in which the dominant lithium minerals are lepidolite, lithium-mica and petalite, with minor cookeite, and trace amblygonite and spodumene. A number of the pegmatites have been mined since the 1930's for beryl, tantalite and petalite for use in the ceramics industry. The largest of the known lepidolite-rich deposits occur at Rubicon and Helikon.

Mineral Resources include the Rubicon pegmatite and five pegmatites in the Helikon field (Helikon 1 – 5) located 7km to the north. All these Resources are located within the granted Mining Licence (ML 204).

The Mineral Resource estimate is based on an extensive programme of work completed between 2016 and 2018 that includes data from 264 diamond core and RC drill holes, totalling 20,400 metres. The estimate is derived from modelling of lepidolite-dominant mineralised zones (1m to 24m thick) within much larger quartz-feldspar pegmatites ranging up to approximately 70m in thickness.

The largest deposit, Rubicon Main, is modelled to 400m down dip and 600m along strike. The pegmatite dips to the northeast at 45° near surface, flattening to between 18° and 25° at depth.

A 4,700m diamond core drill programme commenced at Rubicon and Helikon 1 in July 2019, aimed at upgrading portions of the current Mineral Resource to Measured and Indicated categories, along with extending the mineralisation envelope in selected areas at both deposits.

### Rubicon and Helikon Mineral Resource estimate (0.2% Li<sub>2</sub>O cut-off)

Deposit		Resource Category	Tonnes (thousands)	Li <sub>2</sub> O (%)	Ta <sub>2</sub> O <sub>5</sub> (ppm)
Rubicon	Rubicon	Indicated	3,006.9	0.63	70
	Rubicon	Inferred	1,600.9	0.58	67
Helikon	Helikon 1	Inferred	2,030.0	0.62	105
	Helikon 2	Inferred	215.6	0.56	180
	Helikon 3	Inferred	294.7	0.48	75
	Helikon 4	Inferred	1,510.1	0.38	47
	Helikon 5	Inferred	179.2	0.31	44
<b>Total</b>	<b>Rubicon + Helikon</b>	<b>Indicated</b>	<b>3,006.9</b>	<b>0.63</b>	<b>70</b>
<b>Total</b>	<b>Rubicon + Helikon</b>	<b>Inferred</b>	<b>5,830.4</b>	<b>0.53</b>	<b>53</b>
<b>Total</b>			<b>8,837.3</b>	<b>0.56</b>	<b>59</b>

1. The Mineral Resource is stated as at 1 October 2018.
2. The Mineral Resource is depleted by surface and underground excavations where data is available.
3. All tabulated data have been rounded and as a result minor computational differences may occur.
5. The gross Mineral Resource for the project is reported.
6. Preliminary mineralogical work has demonstrated that the lithium mineralogy is dominantly lepidolite, which increases in proportion to other lithium bearing minerals with increasing Li<sub>2</sub>O grade.



## Alvarrões Lepidolite Project

The Alvarrões property comprises an extensive system of flat-lying lepidolite-bearing pegmatite sills intruded into a granite host over an 8km by 2km corridor.

In December 2018, the Company completed a diamond drilling programme to infill and extend the existing Inferred Mineral Resource, with 25 holes for 1,677m of core. Subsequently, an updated Mineral Resource estimate was completed by Snowden Mining Industry Consultants Pty Ltd (“Snowden”). Global Mineral Resource tonnes increased by 290% and contained lithium within the estimate rose by approximately 210%, versus the previous estimate. While the global grade reduced as a result of the inclusion of mineralised halo material, the average grade of the pegmatite mineralised units rose modestly.

Snowden estimates a total JORC (2012) Code-compliant Indicated and Inferred Resource at Alvarrões of 5.87Mt @ 0.87% Li<sub>2</sub>O comprising lithium mineralisation within the thicker pegmatite sills and a 0.5m mineralised halo within the granite host rock. The pegmatites themselves represent an Indicated and Inferred Resource of 3.9Mt @ 1.16% Li<sub>2</sub>O, with the sub-horizontal pegmatite system remaining open in all directions.

The Mineral Resource estimate is based on the geological interpretation by Lepidico of just four of the thicker pegmatite sills, where continuity across the deposit was established by drilling, designated Sill M, Sill N, Sill O and Sill P, the last of which was delineated in fiscal 2019.

### Alvarroes Mineral Resource estimate (0.20% Li<sub>2</sub>O cut-off)

	Pegmatite	Li <sub>2</sub> O%	0.5 m Halo	Li <sub>2</sub> O%	Total
Indicated	1.84Mt	1.12	0.76Mt	0.26	2.60 Mt @ 0.87% Li <sub>2</sub> O
Inferred	2.06Mt	1.20	1.21Mt	0.31	3.27 Mt @ 0.87% Li <sub>2</sub> O
<b>Total</b>	<b>3.90Mt</b>	<b>1.16</b>	<b>1.97Mt</b>	<b>0.30</b>	<b>5.87 Mt @ 0.87% Li<sub>2</sub>O</b>



## Other exploration

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

Lepidico is committed to building a portfolio of quality lithium mica Mineral Resources. The Company will continue to critically assess promising assets to support its longer term growth objectives.

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 the Karibib Lithium Project Mineral Resource estimate in Namibia is based on information compiled by Mr Jeremy Witley, who is a fellow of The Geological Society of South Africa (GSSA) and is registered professional with the South African Council for Natural Scientific Professions (SACNSAP). Mr Witley is the Head of Mineral Resources at The MSA Group (Pty) Ltd (an independent consulting company). Mr Witley has sufficient experience relevant to the style of mineralisation and the types of deposit under consideration, and to the activity he is undertaking, 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 Witley 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 the Alvarrões Mineral Resource estimate is based on information compiled by John Graindorge who is a Chartered Professional (Geology) and a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking 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". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd and consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

# SUSTAINABLE DEVELOPMENT



The aim of this second sustainability report is to discuss management's approach to social responsibility initiatives and how these are being integrated into a sustainable business strategy. This report is not a full sustainability report, but rather an insight into the sustainability initiatives Lepidico is undertaking as it transitions, from a pre-development company, into a future lithium chemical producer.

Lepidico is committed to developing a sustainable lithium business providing high quality products whilst minimising environmental, and social impacts. Operating in a corporately responsible manner within a rapidly changing and challenging global environment is embedded within our approach to strategic planning.

As a modern company that is quickly moving forward to complete the feasibility study on the Phase 1 Lithium Project, we have embraced the opportunity to integrate social, economic, environmental and health and safety best practices into project design criteria while also minimising business risks. Once the business transitions to a production footing detailed sustainability performance data metrics will be captured from our operations and contractors. Accordingly, we believe the appropriate timing for full sustainability disclosure will be the year following the commissioning of the Phase 1 Project, currently scheduled for 2021. We expect that our understanding of the material issues will become clearer for each business unit as we progress regulatory approval processes and gain 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 expanding 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 here our experiences to date, 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 continues to implement improvements to our Corporate Governance system as the company grows in complexity to meet our development needs.

In fiscal 2019, we developed measurable objectives in accordance with our Diversity Policy which is available under Corporate Governance on the Company's website. We also started to benchmark and track gender diversity against our peers and we are committed to provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of our employees. In addition, all job descriptions and job titles were reviewed to be more gender neutral and inclusive.

The proportion of women employed by Lepidico as at 30 June 2019 is outlined below. These data do not include new Namibian based employees that joined the Company effective 12 July 2019.

Non-Executive Directors	25%
Senior Executive Positions (including Executive Directors)	33%
Non-Management	66%
All Employees	40%

## Sustainability Policy and Risk

The corporate risk register was extended in fiscal 2019 to include a residual risk rating for all risks following the implementation of all planned actions and controls. The risk register covers corporate, exploration, technical evaluation and project implementation activities. Risks are based on the critical tasks identified in the Company's Strategic Plan with risks ranked based on their residual risk rating. 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, securing offtake contracts for products and project implementation risks.

A risk assessment in fiscal 2019 for Lepidico's Phase 1 Plant identified by-product sodium sulphate as a material exposure should demand growth remain stagnant and global production materially increase, thereby necessitating a contingency disposal method be found. This led Lepidico to seek alternative process routes for making lithium chemicals from the L-Max<sup>®</sup> intermediate, lithium sulphate and resulted in the development of the LOH-Max<sup>™</sup> process (see Technology Section). LOH-Max<sup>™</sup> produces lithium hydroxide without by-product sodium sulphate, thereby eliminating the associated risk.

## Environmental Initiatives

**Partnership to Investigate Waste Re-use Opportunities:** in fiscal 2019 Lepidico commissioned the University of Waterloo in Ontario to undertake characterisation studies of the potential waste streams from the Phase 1 L-Max<sup>®</sup> Plant to determine if the combined residues can be used, when blended with a nutrient such as soil or peat, as a contaminated land encapsulation and remediation material.

Work was completed in early January 2019 by the University of Waterloo which identified that when mixed with certain nutrients at a one to one ratio the blended L-Max<sup>®</sup> residue has the potential to be used for the environmental remediation of industrial and/or city landfill sites in the Sudbury region, including mine waste and tailings facilities.

Chemical analysis, to USEPA land fill testing standards determined that the gypsum rich (60% of solids) residue is benign and alkaline; containing 74% moisture and having a pH of 8.5, thereby providing an acid neutralising capacity. Furthermore, laboratory leach testwork indicated that the blended soil or clay residue meets Ontario standards for industrial (non-potable) ground water. Follow up work programmes are being undertaken by consultant GHD for the Phase 1 Plant feasibility Study based on the residue being deployed in the Abu Dhabi region. The objective of this work is for the Phase 1 Plant to become a zero-waste facility. This may then lead to significant community environmental benefits including, vegetation of landfill sites, a reduced Phase 1 Plant footprint, as well as lower capital and operating costs.

**Ore Concentrator Waste Minimisation:** feasibility studies for both Karibib and Alvarrões contemplate that 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). However, testwork indicates that thickened concentrator tailings will be a benign mix of predominantly feldspar and quartz with some residual mica, which may be co-disposed with mine waste rock and thereby negate the requirement for a TSF. This work will continue in fiscal 2020.



**Environmental Baseline Studies for the Phase 1 L-Max® Proposed Plant site:** Lepidico completed logistics trade-off studies which identified that Sudbury, Ontario and Abu Dhabi in the UAE represent strategic locations to construct an L-Max® chemical plant. Established industrial parks in both locations have been identified as suitable for the development. These sites are well serviced with road access and utilities, thereby minimising the development footprint and restricting the development to land that is already designated for industrial use.

Lepidico has commenced environmental approval processes and baseline monitoring for one site in each location. This work is planned to be finalised in fiscal 2020 for the Abu Dhabi site, coinciding with completion of the engineering definitive plant design studies. It is anticipated that the necessary environmental documents supporting a development application will be able to be lodged to allow the required permits and approvals to be granted by mid-fiscal 2020.

**Carbon emissions:** at the pre-development stage of its evolution Lepidico's carbon emissions are largely associated with air travel. The international business footprints necessitates air travel, however, efforts are made to minimise this by employing audio-visual conferencing favouring public transport and aggregation of business initiatives into single travel itineraries. In fiscal 2019 Lepidico generated an estimated 285 tonnes of CO<sub>2</sub> compared with 234 tonnes the previous year. In Toronto, Lepidico employees exclusively use public transport for local business needs.

## Stakeholder Consultation

Comprehensive consultation with Ontario and particularly Sudbury stakeholders continued during fiscal 2019. Consultation is imperative across a wide community cross section in order that Lepidico development and operational plans are understood, including associated risks and opportunities. A consultation processes has also commenced in Abu Dhabi for the development of a Phase 1 lithium chemical plant.



Lithium processing is a new industry for both Sudbury and Abu Dhabi. Both cities are 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. The Company will need to select a location for the development of the Phase 1 Project but also sees opportunity to develop a possible Phase 2 Project at either location in the fullness of time. Lepidico will continue to keep stakeholders informed as to its plans in a timely manner in all jurisdictions in which it evaluates for possible future operations.

Stakeholder engagement in Namibia commenced following the end of fiscal 2019 and will be reported upon in 2020.

In 2019, Lepidico further developed its operating management systems. Internal goals focus on governance, occupational health and safety, the environment and meeting project milestones. Both the exploration and project development groups report 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 Australian Securities Exchange (ASX). Lepidico has established a suite of Corporate Governance documents and Charters to meet ASX standard disclosure requirements, which are available at the Company's website.



## Summary of 2019 Sustainability Outcomes

Goal	Outcome	Comments
<b>Governance</b>	Compliance	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>		OHS Policy and OHS Management Plan.
<b>Environment</b>		
<b>Zero Major Incidents</b>	Yes	No recordable spills at managed sites.
<b>Environmental Management System</b>	Yes	Sustainable Development Policy.
<b>Environmental Baseline Studies</b>	Ongoing	<p>Phase 1 Plant studies continued in Sudbury and consultant appointed in Abu Dhabi.</p> <p>Preliminary review of environmental requirements for Karibib and Alvarrões mines and concentrators. Engagement of Knight Piesold to commence works to meet study timelines.</p> <p>Remediation of disturbed land at exploration sites in Western Australia completed.</p>
<b>Metallurgical Studies</b>		
<b>Metallurgical Studies (waste minimisation)</b>	Ongoing	<p>Initial development work completed for LOH-Max™ to produce lithium hydroxide without by-product sodium sulphate.</p> <p>Studies completed by University of Waterloo on using process waste residues as a potential soil ameliorant, which could significantly reduce or eliminate the mass reporting to waste.</p> <p>Investigation of ore concentrator waste characteristics to identify opportunities to co-dispose with mine waste and eliminate the requirement for a dedicated tailings storage.</p> <p>Investigation of opportunities to produce saleable feldspar and quartz products from lepidolite ore.</p>
<b>Communities</b>	Ongoing	<p>Consultation with Sudbury region First Nations representatives regarding the PIP project.</p> <p>Consultation with Ontario and Sudbury Government officials.</p> <p>Consultation with ICAD officials in Abu Dhabi.</p>

# BOARD OF DIRECTORS



MR GARY JOHNSON



MR JOE WALSH



MR MARK RODDA

## Mr Gary Johnson

### Chairman (Non-executive)

Qualifications - MAusIMM, MTMS, MAICD

Mr Johnson has over 40 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 is a principal and part owner of Strategic Metallurgy Pty Ltd, which specialises 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:*

None

## Mr Julian "Joe" Walsh

### Managing Director (Executive)

Qualifications - BEng, MSc

Mr Walsh is a resources industry executive, mining engineer and geophysicist with over 30 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.

#### *Special responsibilities:*

Member of the Diversity Committee

#### *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:*

Chair of the Remuneration and Nomination Committee

Member of Audit and Risk Committee

Member of the Diversity Committee

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

None

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

None

## Mr Tom Dukovcic

### Geology Director (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

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

Chair of the Diversity Committee

Member of the Remuneration and Nomination Committee

*Other Current Directorships of listed public companies:*

Executive Chair of Victory Nickel Inc. (CSE listed)

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

KWG Resources Inc. (resigned September 2016)

Nautilus Minerals Inc. (resigned 7 December 2016)

## Mr Brian Talbot

### Non-Executive Director

Qualifications - B.Sc Eng. (Hons)

Mr Talbot is the Acting Chief Operating Officer of Galaxy Resources Ltd, which holds a 9.35% interest in the Company. He has over 25 years' experience in mining and minerals processing operations. Prior to joining Galaxy Brian was Operations Manager 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), FCIS

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



MR PETER WALKER

## Mr Peter Walker

### General Manager - Business Development

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 X October 2019.

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

ASX RECOMMENDATION	LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS
<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>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																				
<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 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 table below sets out the measurable objectives for the 2019 financial year and provides details on the progress of the Company toward achieving them:</p> <table border="1" data-bbox="512 353 1476 633"> <thead> <tr> <th>Objective</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>Implement a Diversity Committee</td> <td>Achieved</td> </tr> <tr> <td>Benchmark and track gender diversity against peers</td> <td>Achieved</td> </tr> <tr> <td>Provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.</td> <td>Achieved</td> </tr> <tr> <td>Review job descriptions and job titles to be more gender neutral and inclusive</td> <td>Achieved</td> </tr> </tbody> </table> <p><b>Gender representation</b></p> <p>The proportion of women employed by the Company as at 30 June 2019 is listed below:</p> <table border="1" data-bbox="512 763 1476 954"> <thead> <tr> <th>Level</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Non-Executive Directors</td> <td>25%</td> </tr> <tr> <td>Senior Executive Positions (including Executive Directors)</td> <td>33%</td> </tr> <tr> <td>Non-Management</td> <td>66%</td> </tr> <tr> <td>All Employees <sup>1</sup></td> <td>40%</td> </tr> </tbody> </table>	Objective	Results	Implement a Diversity Committee	Achieved	Benchmark and track gender diversity against peers	Achieved	Provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Achieved	Review job descriptions and job titles to be more gender neutral and inclusive	Achieved	Level	2019	Non-Executive Directors	25%	Senior Executive Positions (including Executive Directors)	33%	Non-Management	66%	All Employees <sup>1</sup>	40%
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<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>																				

<sup>1</sup> Includes full-time, part-time and regular casual employees

**PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

ASX RECOMMENDATION	LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS
<p><b>2.1: The Board of a listed entity should establish a Nomination Committee:</b></p> <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. 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>Strategic expertise: Ability to identify and critically assess strategic opportunities and threats and develop strategies.</p> <p>Specific Industry knowledge: Geological, geophysical, mining 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>Accounting and finance: 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>Legal: 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>Risk management: Identify and monitor risks to which the Company is, or has the potential to be exposed to.</p> <p>Experience with capital markets and financiers: Experience in working in or raising funds from the equity or other capital markets, and debt financiers.</p> <p>Investor relations: Experience in identifying and establishing relationships with Shareholders, potential investors, institutions and equity analysts.</p>

ASX RECOMMENDATION	LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS
<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 365,413,438 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 and is the acting 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 Chair, 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
<p><b>3.1: A listed entity should establish a code of conduct and disclose the code or a summary of the code.</b></p>	<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 complied with this recommendation.</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 Chair, 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 Geology are the Company's main contacts for 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
<p><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>	<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
<p><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>	<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.</p>

#### PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

ASX RECOMMENDATION	LEPIDICO'S COMPLIANCE WITH RECOMMENDATIONS
<p><b>8.1: The Board of a listed entity should establish a remuneration committee:</b></p> <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>
<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>	<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 and additional fixed fees for Board Committee participation. 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>
<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>	<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 2019 (“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
Mr Brian Talbot	Non-executive Director

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 development, and development of proprietary technologies: L-Max®, S-Max® and LOH-Max™.

## DIVIDENDS PAID OR RECOMMENDED

The Directors recommend that no dividend be paid for the year ended 30 June 2019, 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 2019 the Group recorded a net loss of \$5,105,014 (2018: \$7,219,713) and a net cash outflow from operations of \$3,503,582 (2018: \$3,038,346).

The net assets of the Group increased to \$38,589,652 at 30 June 2019 (2018: \$24,499,573).

## DEVELOPMENT

### **Karibib Lithium Project (80%)**

A summary of the terms of the business combination with Desert Lion Energy is provided in the Corporate section of this Report. This transaction provides Lepidico with direct ownership of its first lepidolite Mineral Resources (JORC-2012) and a large prospective exploration package in Namibia. The Rubicon and Helikon deposits, located approximately 17km outside of the town of Karibib, were mined at various times during the twentieth century primarily for petalite with some tantalite, quartz and minor lepidolite production.

The first lepidolite Mineral Resource was estimated in 2018 under NI43-101 and was subsequently confirmed with a JORC Code (2012) compliant Mineral Resource estimate in June 2019 of 8.8Mt grading 0.56% Li<sub>2</sub>O, comprising Indicated Resources of 3.0Mt grading 0.63% Li<sub>2</sub>O and Inferred Resources of 5.8Mt grading 0.53% Li<sub>2</sub>O at a 0.20% Li<sub>2</sub>O cut-off (Table 1). Due diligence indicated the Karibib Lithium Project could provide feed to Lepidico’s planned Phase 1 Plant for approximately 14 years, based on the current Mineral Resources base.

Importantly, a ten year Mining Licence was issued in 2018 for the re-development of mines at Rubicon and Helikon and the development of a flotation plant to produce a lepidolite concentrate, thereby substantially reducing permitting risk and providing an opportunity to rapidly transition to development. Furthermore, an evaluation is being undertaken of the used processing equipment purchased by Desert Lion to determine its suitability for use in a new concentrator, including the refurbishment of two mills and two banks of flotation cells.

**Table 1. JORC Code (2012) MRE for the Rubicon and Helikon deposits within ML204**

Deposit		Resource Category	Tonnes (thousands)	Li <sub>2</sub> O (%)	Ta <sub>2</sub> O <sub>5</sub> (ppm)
<b>Rubicon</b>	Rubicon Main	Indicated	3,006.9	0.63	70
	Rubicon Main	Inferred	1,600.9	0.58	67
<b>Helikon</b>	Helikon 1	Inferred	2,030.0	0.62	105
	Helikon 2	Inferred	215.6	0.56	180
	Helikon 3	Inferred	294.7	0.48	75
	Helikon 4	Inferred	1,510.1	0.38	47
	Helikon 5	Inferred	179.2	0.31	44
<b>Total</b>	<b>Rubicon + Helikon</b>	<b>Indicated</b>	<b>3,006.9</b>	<b>0.63</b>	<b>70</b>
<b>Total</b>	<b>Rubicon + Helikon</b>	<b>Inferred</b>	<b>5,830.4</b>	<b>0.53</b>	<b>53</b>

1. The Mineral Resource is stated as at 1 October 2018.
2. The Mineral Resource is depleted by surface and underground excavations where available.
3. All tabulated data have been rounded and as a result minor computational errors may occur.
4. Mineral Resources which are not Mineral Reserves have no demonstrated economic viability.
5. The gross Mineral Resource for the project is reported.
6. Preliminary mineralogical work has demonstrated that the lithium mineralogy is dominantly lepidolite, which increases in proportion to other lithium bearing minerals with increasing Li<sub>2</sub>O grade.

L-Max<sup>®</sup> amenability testwork undertaken on a sample of Karibib lepidolite mineralisation returned excellent results, with a lithium extraction of 94% from concentrate and production of lithium carbonate with 99.8% purity.

### Supply & Marketing alliance with Gulf Fluor

In May 2019 the Company entered into a non-binding Memorandum of Understanding (MoU) with Gulf Fluor LLC (“Gulf Fluor”), an established Abu Dhabi based industrial chemicals company, for: 1) the supply of sulphuric acid; 2) provision of land to construct the Phase 1 Plant Project; and 3) the marketing of Phase 1 Plant by-products to be sold within the region.

Gulf Fluor is an Abu Dhabi based industrial chemical manufacturing company, established in 2008. The Gulf Fluor Industrial complex consists of a sulphuric acid plant with a production capacity of 140,000 tonnes per annum (tpa), hydrogen fluoride plant with a capacity of 54,000tpa, and aluminium fluoride plant with an annual capacity of 60,000tpa, in addition to a waste water treatment plant. The state of the art aluminium fluoride plant is the only plant of its kind in the region and is considered the largest single unit facility in the world. With its proximity to some of the world’s largest aluminium producers, Gulf Fluor is located in the Industrial City of Abu Dhabi (ICAD), just 30km from the heart of Abu Dhabi. ICAD homes many light to medium manufacturing, engineering, and processing industries, including lime cement and concrete manufacture, and covers 11km<sup>2</sup> with marine access and provides Gulf Fluor with a variety of convenient local services.

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

During the year Lepidico extended the scope of the Phase 1 Plant Feasibility Study to include a LOH-Max<sup>™</sup> circuit for the production of lithium hydroxide, as well as the evaluation of a plant development in ICAD. The Study will, however, continue to contemplate the base case scenario of Sudbury, Canada for a Phase 1 Plant until the ICAD study is complete, scheduled for late 2019. Material capital and operating cost benefits have been identified associated with developing the Phase 1 Plant at ICAD and a separate study has revealed that local markets exist for L-Max<sup>®</sup> and S-Max<sup>®</sup> by-products. Logistics costs for shipping concentrate from both Namibia and Portugal to ICAD are estimated to be lower than to Sudbury. Gas, labour and the cost of certain consumables have also been identified as being lower at ICAD. Engineering for the LOH-Max<sup>™</sup> circuit is expected to be completed by Lycopodium in December 2019, which will also take into account the change in location. Finally, ICAD promotes a “plug and play” philosophy for new developments, allowing for rapid permitting and approvals. This is in part afforded by having world class established infrastructure, including power, gas, water and developed roads, storage and logistic hubs that have quick and easy access to multiple ports and airports.

Results for the integrated Phase 1 Plant Feasibility Study are now scheduled for completion in the March 2020 quarter. This will incorporate a new mine plan for Alvarrões based on the recent Mineral Resource upgrade, a mine design for the Karibib Lithium Project following a planned intensive drill programme intended to upgrade the Mineral Resource, and a re-engineered Phase 1 lithium hydroxide chemical plant designs for ICAD. This strategy will provide optionality for the selection of a low permitting risk development scenario, coupled with considerable expansion potential. Commercial production of lithium hydroxide is envisaged in 2021.

Lycopodium has commenced work to complete the further engineering required for the Phase 1 Plant, rated at a nominal concentrate throughput of 6.9tph to produce approximately 5,500tpa of lithium hydroxide, plus by-products of SOP fertiliser and amorphous silica. Importantly the plant design will not contemplate production of sodium sulphate. This engineering will also take into account the alternative location of Abu Dhabi. This work is scheduled to be completed by the end of December 2019.

Environmental consultant GHD Global Pty Ltd (“GHD”) has been appointed to manage the environmental approval process in Abu Dhabi for the development of the Phase 1 Plant and secure all relevant permits to construct. This process is expected to complete in 4 to 6 months. GHD will also advance the work undertaken by the University of Waterloo in Ontario on evaluating the L-Max® residues as a potential product for landfill reclamation. GHD is tasked with identifying technically sound solutions for the processing and use of the residue-products within UAE, as well as fall back solutions for disposal. Ultimately, the objective of this work is for the Phase 1 Plant to become a zero-waste facility.

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

#### **Feasibility Study**

Preliminary engineering for a modular and semi-transportable concentrator for Alvarrões started in June, with results due in September 2019. The scope for the concentrator design includes an ore feed rate of 200,000tpa to produce approximately 60,000tpa of lepidolite-amblygonite concentrates.

A mine benchmarking assessment has indicated that the newly identified Sill P could be amenable to underground room and pillar mining. A trade-off study is being undertaken to determine the optimal mining methods for the lepidolite mineralised sills at Alvarrões, which is planned to be completed in September. A four hole geotechnical drill programme is scheduled for August to inform this work. Ore Reserve input assumptions, including unit operating costs, recoveries, production rates and other physical data will be updated on completion of the trade-off study. An inaugural Alvarrões Ore Reserve estimate is now scheduled for completion by the end of December 2019.

The terms of reference for the Environmental Impact Study (EIS) for the Alvarrões mine expansion and concentrator development were reviewed by the regulator and comments received allowing EIS to continue.

#### **Alvarrões Mineral Resource**

In December 2018, the Company completed a diamond drilling program to infill and extend the existing lepidolite-bearing pegmatite Inferred Mineral Resource. 25 holes were drilled for 1,677m of core (351m PQ and 1,326m HQ). Subsequently an updated Mineral Resource estimate (“MRE”) was completed by Snowden Mining Industry Consultants Pty Ltd (“Snowden”) as announced on 11 April 2019.

Global Mineral Resource tonnes increased by 290% and contained lithium within the estimate rose by approximately 210%, versus the December 2017 estimate. While the global grade has reduced as a result of the inclusion of mineralised halo material, the average grade of the pegmatite mineralised units has risen modestly.

Snowden estimates a total JORC Code-compliant Indicated and Inferred Resource at Alvarrões of 5.87Mt @ 0.87% Li<sub>2</sub>O comprising lithium mineralisation within five pegmatites and a 0.5m mineralised halo within the granite host rock (Table 2).

The pegmatites themselves represent an Indicated and Inferred Resource of 3.9Mt @ 1.16% Li<sub>2</sub>O, with the flat-lying Alvarrões pegmatite system remaining open in all directions.

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 Plant but also conceptual full-scale plants using Lepidico’s proprietary technologies.

**Table 2. Alvarroes Mineral Resource estimate by category (0.20% Li<sub>2</sub>O cut-off)**

	<b>Pegmatite</b>	<b>Li<sub>2</sub>O%</b>	<b>0.5 m Halo</b>	<b>Li<sub>2</sub>O%</b>	<b>Total</b>
Indicated	1.84Mt	1.12	0.76Mt	0.26	2.60Mt @ 0.87% Li <sub>2</sub> O
Inferred	2.06Mt	1.20	1.21Mt	0.31	3.27Mt @ 0.87% Li <sub>2</sub> O
<b>Total</b>	<b>3.90Mt</b>	<b>1.16</b>	<b>1.97Mt</b>	<b>0.30</b>	<b>5.87Mt @ 0.87% Li<sub>2</sub>O</b>

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

## Phase 2 L-Max® Plant Scoping Study

In parallel with the engineering work for the Phase 1 Plant Feasibility Study, budget prices are being sought for larger scale major equipment items with the objective of developing scoping study level capital and operating cost figures for a hybrid LOH-Max™-L-Max® plant with configurations ranging from 10,000tpa to 20,000tpa LCE. Initial indications are that significant economies of scale will apply at higher throughput rates, in particular for the L-Max® chemical plant but also for ore concentration.

## RESEARCH & DEVELOPMENT

### Pilot Plant Development, Perth, Western Australia

During the period the Company commissioned the construction of an L-Max® Pilot Plant. The 15 kilogram per hour (kgph) facility was completed on time and on budget in Perth, Australia and employs similar equipment to that proposed in the Phase 1 L-Max® plant design, albeit of smaller scale. The scale-up ratio from the pilot plant to the Phase 1 Plant will be around 480 times (15kgph to 6.9tph).

Wet commissioning, which involved programming and calibration of all drives, pumps and instruments was completed on 25 June 2019, when the first concentrate reported to the leach circuit. On 27 June operations were temporarily suspended due to degradation of the leach filter cloths. Subsequent engagement with the filter Original Equipment Manufacturer (OEM) revealed that nylon rather than the specified polypropylene filter cloth had been supplied. Replacement filter cloths were sourced resulting in approximately one week of down time.

The L-Max® impurity removal circuit was successfully commissioned on leach liquor, allowing continuous plant operations to commence on 9 July, marking the commencement of Pilot Plant Campaign 1. The leach circuit operated continuously for approximately 200 hours, outperforming filtration rate design criteria in this application by approximately 20%. During this period leach slurry was processed through a pressure filter to produce lithium containing leach liquor and approximately 2.2 tonnes of high silica residue. The polypropylene filter cloths performed well, with the filtration of the leach slurry also successful in producing lower moisture levels in the residue than in batch test work. These outcomes have positive implications for capital cost savings in the final Phase 1 Plant design. Furthermore, opportunities for plant optimisation have already been identified, including where various materials of construction were assessed during the trial, and in the areas of operability, process control and maintainability where improved performance can be achieved.

The leach liquor was continuously processed through the L-Max® impurity removal circuit from 8 July to 18 July, for approximately 250 hours of continuous operation. This process produced over 5,000L of lithium sulphate containing intermediate liquor and more than 2.5 tonnes of residue. The filtration of the residue was consistent with batch test work and confirms the Phase 1 design for this process stream. More than 200 samples were collected during the operation to assess lithium losses to the residues and a further 300 samples from other process streams.

The bulk of the lithium sulphate liquor was stockpiled as feed for the planned LOH-Max™ lithium hydroxide circuit, which is expected to be retro-fitted to the Pilot Plant later in the year. The remaining lithium sulphate was treated to produce lithium carbonate via the conventional circuit currently installed at the Pilot Plant, during week beginning 29 July. This process step was deferred to ensure that no sodium sulphate recirculates into lithium sulphate intermediate, which could contaminate subsequent lithium hydroxide product.

The potassium sulphate (SOP fertiliser) recovery circuit operated continuously from 12 July for more than 100 hours. Filtration of this residue stream also outperformed design (based on batch test work) with significantly lower moisture contents in residue, with positive implications for capital cost savings in this area of the Phase 1 Plant. Over 2,000 litres of brine containing potassium, rubidium and caesium sulphates were produced. This solution was concentrated in the Pilot Plant crystalliser to produce by-product SOP, along with a rubidium and caesium brine.

Work has commenced to adapt the final process stages of the Pilot Plant to include a LOH-Max™ circuit, initially at mini-plant scale using laboratory equipment. Strategic Metallurgy has developed the process design criteria for this circuit which is being used by Lycopodium to finalise the design for the Phase 1 Plant, and a smaller scale circuit appropriate for the Pilot Plant, providing lithium hydroxide capability.

## **L-Max® Product Development**

Another benefit of the pilot plant is that it will provide material for further product development work, in particular for: amorphous silica, SOP fertiliser, caesium brine and the use of the L-Max® residue as a land reclamation product. The considerable quantities of materials generated will enable further work to enhance the quality and value of each product, and potentially allow new products to be evaluated. The lithium carbonate produced from the pilot plant is planned to be used to provide samples for testing by prospective customers. The pilot plant also generated data for optimisation of Phase 1 Plant operating parameters.

### ***Caesium brine***

A caesium brine grading 32% caesium, 8% rubidium and less than 1% potassium has been produced in the laboratory from a lepidolite concentrate generated from the Alvarrões mine in Portugal. Further testwork is planned with the objective of producing a marketable quality caesium brine, while also refining the associated process circuit. No value was considered for caesium products in the Phase 1 L-Max® Plant Pre-Feasibility Study (“PFS”).

### ***Amorphous silica***

Since lodging the provisional patent application for S-Max™ in May 2018, Lepidico, in collaboration with Strategic Metallurgy, has been evaluating alternative uses for amorphous silica generated from the L-Max® leach residue. Testwork has indicated that this silica residue is suitable for use in concrete as a Supplementary Cementitious Material (SCM).

When added to Ordinary Portland Cement (OPC) and water the SCM reacts (with the excess calcium hydroxide generated by the OPC reaction with water) to yield additional cementitious material. This is a valuable attribute of the residue, as substitution of OPC with L-Max® silica residue could reduce both concrete production costs and the embodied CO2 content within the concrete, while increasing its strength for equivalent OPC additions.

Tests conducted by Strategic Metallurgy resulted in a significant increase in concrete compressive strength of up to 30% when the L-Max® residue replaced 10% of the OPC and after curing for approximately 20 days. Subsequent tests by Boral, conducted according to ASTM C1240 standard specification for silica fume used in cementitious mixtures, resulted in strength increases ranging from 4 to 11% versus the baseline 100% OPC sample after curing for just 7 days. Compressive strength increases with curing time and further testwork is planned.

Production of amorphous silica from the planned Phase 1 L-Max® Plant will simplify the process flowsheet versus the PFS, which assumed the production of sodium silicate. The associated operating cost and capital cost savings are expected to be offset by lower revenue and are planned to be incorporated into the current feasibility study. A market study has commenced for the sale of amorphous silica from the Phase 1 Plant and the Company is pursuing commercial alternatives in this regard. Once in operation the research and development of alternative higher value silica products may be considered.

## **LOH-Max™ - Lithium Hydroxide Process**

On 18 February 2019, the Company announced that high purity lithium hydroxide had been produced using a new process, LOH-Max™, developed by the principals of Strategic Metallurgy Pty Ltd (“Strategic Metallurgy”). A binding exclusivity arrangement has been entered into with the developers of the process technology, whereby Lepidico has the right to use the process and sole rights for marketing the technology to third parties worldwide.

## **Patents**

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 through much of 2019.

On 10 April 2019, the Company filed International Patent Applications, PCT/AU2019/050317 and PCT/AU2019/050318 in relation to the S-Max® Process.

In addition, the Provisional Patent Application (2019900356) has been filed in relation to the LOH-Max™ Process.

## EXPLORATION

Lepidico's exploration strategy is to identify and secure lithium mica deposits that are capable of providing material quantities of quality L-Max<sup>®</sup> concentrate feed.

### **Youanmi Lepidolite Project, Youanmi, Western Australia <sup>2</sup>**

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 20km southwest of the historical Youanmi gold mine.

Following the completion of an initial drilling program in August 2018 and a follow-up RC drilling program the Company elected not to exercise its option to proceed with the farm-in over the Youanmi tenement.

### **Karibib Lithium Project (80%)**

The Company has commenced a program of drilling at the Karibib Lithium Project to further increase data density and confidence to a level to enable classification of JORC Code 2012 compliant Resources in the Measured and/or Indicated categories to facilitate a subsequent Ore Reserve Estimate. A total of 4,700m of diamond core drilling at a cost of approximately A\$1 million is planned. Work will include:

- Rubicon – 2,650m of infill and extensional drilling to a nominal 50m x 25m spacing, including the infill of critical gaps in the drill database; and
- Helikon 1 – 2,050m of infill and extensional drilling on a nominal 25m x 25m spacing.

By late-July 2019 four rigs were on site, three operating at Rubicon and one at Helikon 1. Assay are scheduled to be received from late August. The programme is scheduled to complete in September to allow an updated Mineral Resource estimate during the December 2019 quarter.

## CORPORATE

As at 30 June 2019, Lepidico had cash and cash equivalents of \$13.7 million.

### **Desert Lion Energy Business Combination**

On 7 May 2019 the Company and Desert Lion Energy Inc. ("Desert Lion") announced they had entered into a definitive arrangement agreement whereby Lepidico would acquire all of the outstanding common shares of Desert Lion for 5.4 Lepidico ordinary shares for every 1 Desert Lion share (The "Transaction"). The Transaction successfully closed on 11 July 2019. Lepidico has maintained its primary listing on the ASX under the code "LPD", and the Desert Lion common shares have delisted from the TSX-V. Lepidico continues to be headquartered in Perth, Australia and there were no changes to Lepidico's Board of Directors.

In addition, each Desert Lion option was exchanged for a replacement Lepidico option reflecting the exchange ratio and any outstanding warrants of Desert Lion will be adjusted to allow for the acquisition of Lepidico ordinary shares upon their exercise (also reflecting the exchange ratio). Desert Lion securityholders held approximately 14.8% of the shares in the combined company and 17.8% on a fully diluted basis on closing.

The outstanding convertible notes of Desert Lion have also been adjusted to allow for the acquisition of LPD Shares upon their exercise (reflecting the Exchange Ratio). The Company may therefore issue up to 108,000,000 new LPD Shares upon conversion of the outstanding convertible notes at the election of the holder, on or before 7 December 2020 with a balance of C\$1,000,000 to be repaid in cash on maturity.

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<sup>2</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.

## Capital Raising

In September 2018 the Company completed a pro-rata Renounceable Entitlement Offer (Entitlement 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) at \$0.019 per New Share. New Options have an exercise price of 4.5 cents, a term of two years and are listed under the ASX code LPDOA.

The Company raised \$7.9 million (before costs) under the Entitlements Offer and issued 417,877,158 New Shares and 208,938,579 New Options. The Company 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").

Following the announcement of the business combination with Desert Lion in May 2019 the Company successfully completed a Renounceable Entitlements Offer (the "Offer") which was well supported by the Company's shareholders and new investors and closed oversubscribed.

The Company raised \$10.8 million (before costs) and issued 372,908,354 new shares and 186,454,177 new options. The new options are listed under the ASX code LPDOB. The Company placed a further 8,620,690 fully paid ordinary shares at \$0.029 with 4,310,345 attaching LPDOB options to raise an additional \$250,000 ("Placement").

## 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 11 July 2019 the Company closed of the previously announced plan of arrangement (the "Arrangement"), with Desert Lion Energy Inc. ("Desert Lion") whereby Lepidico acquired all of the outstanding common shares of Desert Lion for consideration of 5.4 Lepidico ordinary shares for every 1 Desert Lion common share (the "Exchange Ratio"). The Arrangement, which was announced on May 7, 2019, was approved by the Desert Lion's shareholders at an annual general and special meeting held on June 27, 2019.

On 31 July 2019 the Company issued 13,786,605 new fully paid ordinary shares to Bacchus Capital Advisors in accordance with the terms of its engagement as Corporate Advisor in relation to the Desert Lion Energy Inc business combination at an issue price of \$0.026 per share (Lepidico's closing share price on 11 July 2019, the day the transaction closed).

Other than the matters discussed above there are no other matters or circumstances which have arisen since 30 June 2019 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 to become a vertically integrated lithium chemical company through the commercialisation of its proprietary L-Max<sup>®</sup>, S-Max<sup>®</sup> and LOH-Max<sup>™</sup> technologies 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	365,413,438	35,177,810
Mr Joe Walsh	30,500,000	42,875,000
Mr Tom Dukovcic	10,146,269	32,710,495
Mr Mark Rodda	-	20,000,000
Ms Cynthia Thomas	-	7,500,000
Mr Brian Talbot	-	7,500,000
	<b>406,059,707</b>	<b>145,763,305</b>

## REMUNERATION REPORT (AUDITED)

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

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

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

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

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

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

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

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

During the financial year, the Remuneration Committee reviewed the elements of KMP remuneration for the year commencing 1 July 2018 including comparative information relating to the KMP remuneration for the Company's peers. The recommendations from the Remuneration Committee were approved by the Board.

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
Mr Brian Talbot	Non-executive Director

#### **Executive Directors**

Mr Joe Walsh	Managing Director
Mr Tom Dukovic	Director Exploration

#### **Executives**

Ms Shontel Norgate	Chief Financial Officer
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Mr Alex Neuling, Joint Company Secretary, is not employed or remunerated directly by Lepidico Ltd. Erasmus Consulting, a controlled body corporate received fees of \$55,356 (2018: \$33,621)

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

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

Fees and payments to the Non-Executive Directors reflect the demands made, and the responsibilities placed on the Non-Executive Directors. The maximum annual aggregate directors' fee pool limit is \$600,000 and was approved by shareholders at the annual general meeting on 22 November 2018.

The Board reviewed the Non-Executive Director fees and payments with effect from 1 December 2018.

	<b>1 December 2018</b>	<b>1 July 2018</b>
Base fees (annual) Non-Executive Chairman	87,600	87,600
Other Non-Executive Directors	54,750	65,700
Chair of Committee	10,950	-
Member of Committee	10,950	-

The Company's policy is to remunerate Non-Executive Directors at market rates (for comparable companies) and 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 Managing Director 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 construction of the L-Max® Pilot Plant and commencement of commissioning. The Company increased the size of the resource at Alvarroes by over 290% and secured further resources via a business combination with Desert Lion Energy Inc. The Company entered into an MOU with Gulf Fluor for the provision of land and supply of sulphuric acid in Abu Dhabi. The Company successfully raised over \$19.0 million in two Entitlement Offers ensuring the Company was fully funded to complete the Feasibility Study integrating the new business opportunities identified. The Company implemented further corporate governance initiatives including the establishment of a Diversity Committee.

For the year ended 30 June 2019, STIs of \$322,373 (inclusive of superannuation) were payable to KMP of the Company or Group (2018: \$222,347)

### **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.

	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$
Net Profit/(Loss)	(1,044,346)	(2,263,225)	(5,357,243)	(7,219,713)	(5,105,014)
EPS	(0.006)	(0.005)	(0.003)	(0.003)	(0.002)
Share price at 30 June	0.010	0.017	0.013	0.037	0.026

## 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:

		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 Gary Johnson	2019	91,667	-	8,708	60,000	160,375
	2018	80,000	-	7,600	315,000	402,600
Mr Mark Rodda	2019	71,667	-	6,808	60,000	138,475
	2018	60,000	-	5,700	315,000	380,700
Mr Brian Talbot <sup>(1)</sup>	2019	60,965	-	5,792	60,000	126,757
	2018	21,462	-	2,039	-	23,501
Ms Cynthia Thomas <sup>(2)</sup>	2019	85,901	-	-	60,000	145,901
	2018	23,519	-	-	-	23,519
<b>Executive Directors</b>						
Mr Joe Walsh	2019	369,648	182,520	-	120,000	672,168
	2018	243,985	110,390	-	630,000	984,375
Mr Tom Dukovcic	2019	227,397	60,000	21,603	80,000	389,000
	2018	183,267	44,749	21,661	420,000	669,677
<b>Executives</b>						
Ms Shontel Norgate	2019	258,754	79,853	-	80,000	418,607
	2018	207,545	62,957	12,667	457,500	740,669
<b>Total Directors' and KMP remuneration</b>	<b>2019</b>	<b>1,165,999</b>	<b>322,373</b>	<b>42,911</b>	<b>520,000</b>	<b>2,051,283</b>
	<b>2018</b>	<b>819,778</b>	<b>218,096</b>	<b>49,667</b>	<b>2,137,500</b>	<b>3,225,041</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

	2019	2018
	\$	\$
Payments to director-related entities <sup>(1)</sup>	4,003,387	857,219

<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<sup>®</sup> technology on an arm's length basis and included approximately \$2.1 million in equipment purchases relating to the Pilot Plant which were on-charged by Strategic Metallurgy Pty Ltd at cost. As at 30 June 2019 invoices totalling \$15,730 (2018: \$89,617) 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. As previously disclosed, Mr Walsh's remuneration effective from 1 July 2018 includes a salary of C\$350,000 per annum. Mr Walsh did not receive any further increase to base salary during the reporting period; however, an increase in base salary to C\$360,500 was awarded effective 1 July 2019. A monetary bonus of C\$168,000 has been awarded for the financial year ended 30 June 2019.

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, Geology Director ("GD") has an employment agreement with the Group. The agreement specifies duties and obligations to be fulfilled as GD and provides for an annual review of base remuneration taking into account performance. As previously disclosed, Mr Dukovcic's remuneration effective from 1 July 2018 includes a salary of \$200,000 per annum inclusive of superannuation. Mr Dukovcic did not receive any further increase to base salary during the reporting period; however, an increase in base salary to \$206,000 was awarded effective 1 July 2019. A monetary bonus of \$60,000 (inclusive of superannuation) has been awarded for the financial year ended 30 June 2019.

Termination of the employment agreement requires 6 months written notice. Upon termination, the GD 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 GD 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. As previously disclosed, Ms Norgate's remuneration effective from 1 July 2018 includes a salary of C\$245,000 per annum. Ms Norgate did not receive any further increase to base salary during the reporting period; however an increase in base salary to C\$252,350 was awarded effective 1 July 2019. A monetary bonus of C\$73,500 has been awarded for the financial year 30 June 2019.

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:

2019	Balance at start of year	Purchased/ Exercised Options	Exercised Options	Sold	Other Net Change	Balance at end of year
<b>Non-Executive Directors</b>						
Mr Gary Johnson	363,257,820	15,355,618	-	(3,200,000)	(10,000,000) <sup>1</sup>	365,413,438
Mr Mark Rodda	-	-	-	-	-	-
Mr Brian Talbot	-	-	-	-	-	-
Ms Cynthia Thomas	-	-	-	-	-	-
<b>Executive Directors</b>						
Mr Joe Walsh	19,750,000	750,000	20,000,000	(10,000,000)	-	30,500,000
Mr Tom Dukovcic	9,725,280	420,989	-	-	-	10,146,269
<b>Executives</b>						
Ms Shontel Norgate	5,007,619	556,403	-	-	-	5,564,022
Total	397,740,719	17,083,010	20,000,000	(13,200,000)	(10,000,000)	411,623,729

<sup>1</sup> Mr Johnson's notifiable interest in securities decreased by 10,000,000 ordinary shares by virtue of the termination of a voting agreement by mutual consent.

### Option Holdings

2019	Balance at start of year	Granted during the year as remuneration	Purchased during the year	Exercised/ Expired during year	Balance at end of year	Vested and exercisable at end of year
<b>Non-Executive Directors</b>						
Mr Gary Johnson	20,000,000	7,500,000	7,677,810	-	35,177,810	35,177,810
Mr Mark Rodda	12,500,000	7,500,000	-	-	20,000,000	20,000,000
Mr Brian Talbot	-	7,500,000	-	-	7,500,000	7,500,000
Ms Cynthia Thomas	-	7,500,000	-	-	7,500,000	7,500,000
<b>Executive Directors</b>						
Mr Joe Walsh	47,500,000	15,000,000	375,000	(20,000,000)	42,875,000	42,875,000
Mr Tom Dukovcic	22,500,000	10,000,000	210,495	-	32,710,495	32,710,495
<b>Executives</b>						
Ms Shontel Norgate	22,500,000	10,000,000	278,202	-	32,778,202	32,778,202
Total	125,000,000	65,000,000	8,541,507	(20,000,000)	178,541,507	178,541,507

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 2018.

## MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2019, 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	8	8	2	2	2	2
Mr Joe Walsh	8	8	0	0	0	0
Mr Tom Dukovcic	8	8	0	0	0	0
Mr Mark Rodda	8	8	2	2	2	2
Mr Brian Talbot	8	7	0	0	0	0
Ms Cynthia Thomas	8	8	2	2	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	\$0.025	25 November 2016	31 December 2019
12,500,000	\$0.025	30 November 2016	31 December 2019
50,000,000	\$0.091	24 November 2017	23 November 2020
65,000,000	\$0.026	23 November 2018	22 November 2021
220,518,031	\$0.045	30 September 2018	30 September 2020
190,746,921	\$0.050	5 June 2019	5 June 2022
9,450,000	\$0.040	11 July 2019	25 October 2021
945,000	\$0.100	11 July 2019	31 March 2022
3,921,982	\$0.100	11 July 2019	21 June 2022
5,967,000	\$0.350	11 July 2019	26 February 2023
18,900,000	\$0.020	11 July 2019	14 January 2024
<b>625,448,934</b>			

## WARRANTS

At the date of this report, the Company has a contractual obligation to issue Lepidico shares on the exercise of the following warrants in accordance with the Desert Lion Energy Inc business combination:

Number	Exercise Price	Expiry
14,210,780	\$0.44	22 September 2019
700,115	\$0.35	22 September 2019
4,140,941	\$0.44	10 October 2019
312,476	\$0.35	10 October 2019
2,880,085	\$0.44	29 November 2019
181,165	\$0.35	29 November 2019
2,832,991	\$0.44	29 November 2019
121,063	\$0.35	29 November 2019
1,179,387	\$0.44	6 December 2019
89,008	\$0.35	6 December 2019
7,706,421	\$0.44	13 December 2019
1,659,388	\$0.35	13 December 2019
103,783,680	\$0.04	7 December 2020
<b>139,797,500</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 2019 is included on page 52 of the Directors' Report.

The Auditor did not provide any non-audit services for the year ended 30 June 2019 (2018: \$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 20th day of September 2019

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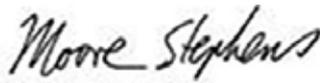
## AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF LEPIDICO LIMITED

I declare that to the best of my knowledge and belief, for the year ended 30 June 2019 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.



**Neil Pace**  
Partner



**Moore Stephens**  
chartered accountants

Signed at Perth this 20th day of September 2019

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## CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

as at 30 June 2019

	Note	2019 \$	2018 \$
Revenue	3	-	61,170
Other income	3	59,110	179,952
		59,110	241,122
Business development expenses		(589,148)	(492,003)
Administrative expenses	4	(1,827,998)	(1,550,458)
Employment benefits		(1,472,185)	(1,103,365)
Depreciation		(8,287)	(6,230)
Share based payments		(520,000)	(2,137,500)
Exploration and evaluation expenditure expensed		(630,241)	(2,170,815)
Realised Foreign Exchange Gain/(Loss)		(116,265)	(464)
Loss before income tax		(5,105,014)	(7,219,713)
Income tax expense	5	-	-
Loss from continuing operations		(5,105,014)	(7,219,713)
<b>Other comprehensive income</b>		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		93,059	(17,141)
<b>Total comprehensive loss for the year attributable to owners of the Group</b>		<b>(5,011,955)</b>	<b>(7,236,854)</b>
<b>Loss per share for the year attributable to the members of Lepidico Ltd</b>			
Basic and diluted loss per share	7	(0.002)	(0.003)

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	13,660,308	4,859,962
Trade and other receivables	9	1,148,086	624,556
<b>TOTAL CURRENT ASSETS</b>		14,808,394	5,484,518
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	71,729	87,114
Property, plant and equipment	10	19,685	27,049
Exploration and evaluation expenditure	11	1,928,203	729,697
Intangible asset	12	22,925,130	19,026,700
<b>TOTAL NON-CURRENT ASSETS</b>		24,944,747	19,870,560
<b>TOTAL ASSETS</b>		39,753,141	25,355,078
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	1,077,812	804,475
Short-term provisions	14	85,677	51,030
<b>TOTAL CURRENT LIABILITIES</b>		1,163,489	855,505
<b>TOTAL LIABILITIES</b>		1,163,489	855,505
<b>NET ASSETS</b>		<b>38,589,652</b>	<b>24,499,573</b>
<b>EQUITY</b>			
Issued capital	15	59,430,846	40,733,812
Reserves	16	3,858,668	3,360,609
Accumulated losses		(24,699,862)	(19,594,848)
<b>TOTAL EQUITY</b>		<b>38,589,652</b>	<b>24,499,573</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the Year ended 30 June 2019

	Issued Capital		Reserves			Total
	Number of shares	Amount \$	Options \$	Foreign Currency Translation \$	Accumulated Losses \$	
Balance at 30 June 2017	2,035,978,065	31,491,798	1,513,250	-	(12,375,135)	<b>20,629,913</b>
Loss for the year	-	-	-	-	(7,219,713)	<b>(7,219,713)</b>
Other comprehensive loss	-	-	-	(17,141)	-	(17,141)
Options issued during the year	-	-	565,000	-	-	<b>565,000</b>
Options exercised during the year	54,000,000	443,000	(443,000)	-	-	-
Shares issued during the year	811,542,832	8,799,014	-	-	-	<b>8,799,014</b>
<b>Balance at 30 June 2018</b>	<b>2,901,520,897</b>	<b>40,733,812</b>	<b>3,377,750</b>	<b>(17,141)</b>	<b>(19,594,848)</b>	<b>24,499,573</b>
Loss for the year	-	-	-	-	(5,105,014)	<b>(5,105,014)</b>
Other comprehensive loss	-	-	-	93,059	-	<b>93,059</b>
Options issued during the year	-	-	565,000	-	-	<b>565,000</b>
Options exercised during the year	20,000,000	160,000	(160,000)	-	-	-
Shares issued during the year	816,183,076	18,537,034	-	-	-	<b>18,537,034</b>
<b>Balance at 30 June 2019</b>	<b>3,737,703,973</b>	<b>59,430,846</b>	<b>3,782,750</b>	<b>75,918</b>	<b>(24,699,862)</b>	<b>38,589,652</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOW

For the Year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from external parties		-	89,483
Payments to suppliers and employees		(3,560,720)	(3,196,592)
Interest received		57,138	68,763
Net cash used in operating activities	20	(3,503,582)	(3,038,346)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation activities		(1,568,920)	(1,565,714)
Proceeds from sale of exploration assets		-	110,000
Payments for research and development activities		(5,167,505)	(1,933,633)
Proceeds from research and development tax credit		484,796	467,718
Payments for property, plant and equipment		(1,586)	(25,547)
Proceeds from sale of available for sale assets		2,050	-
Net cash used in investing activities		(6,251,165)	(2,947,176)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares (net of costs)		18,099,034	6,517,288
Proceeds from exercise of options		363,000	1,038,000
Net cash provided by financing activities		18,462,034	7,555,288
Net increase in cash held		8,707,287	1,569,766
Cash at beginning of financial year		4,859,962	3,307,337
Effect of foreign exchange rate changes		93,059	(17,141)
<b>Cash at end of financial year</b>	8	<b>13,660,308</b>	<b>4,859,962</b>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### 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 20 September 2019 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 \$5,105,014 for the year to 30 June 2019 and had a net cash outflow from operations of \$3,503,582 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 \$13,644,905 as at 30 June 2019 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 research, development and exploration programs and for working capital. The Company raised \$19.2 million (before costs) during the financial year from two Entitlement Offers. The Directors believe that the Group will be able to raise additional capital as required based on the successful outcome of the Entitlement Offers 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 2019

### 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 2019

### 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 2019

### 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 2019

### Note 1: Statement of Significant Accounting Policies

#### (i) Financial Instruments

##### **Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

##### **Classification and subsequent measurement**

###### **Financial liabilities**

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in a effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 1: Statement of Significant Accounting Policies

#### (i) Financial Instruments *continued*

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

#### **Equity instruments**

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3:Business Combinations applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group’s accounting policy.

#### **Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 1: Statement of Significant Accounting Policies

#### (i) Financial Instruments *continued*

##### ***Derecognition of financial liabilities***

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### ***Derecognition of financial assets***

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

##### ***Impairment***

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the general approach to impairment, as applicable under AASB 9: Financial Instruments.

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 1: Statement of Significant Accounting Policies

#### (i) Financial Instruments *continued*

##### **Recognition of expected credit losses in financial statements**

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

#### (j) Impairment of Assets

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

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

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

##### **Functional and presentation currency**

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

##### **Transaction and Balances**

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

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

##### **Group companies**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 1: Statement of Significant Accounting Policies

#### (l) Employee Benefits

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

#### (m) Provisions

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

#### (n) Cash and Cash Equivalents

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

#### (o) Revenue

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

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

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

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 1: Statement of Significant Accounting Policies

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

##### **Key Sources of Estimation Uncertainty**

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

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

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

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

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

##### **(iii) Share based payment transactions**

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

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

Such assets are recognised at cost of acquisition. Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

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

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

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

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 Financial Instruments and related amending Standards
- AASB 15 Revenue from Contracts with Customers and related amending Standards

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 1: Statement of Significant Accounting Policies

#### **AASB 9 Financial Instruments and related amending Standards**

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives, which the Group has adopted.

AASB 9 requires an expected credit loss (ECL) model for trade receivables and loans as opposed to an incurred credit loss model under AASB 139. The ECL model requires the Group to account for expected credit losses in trade receivables and financial instruments at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that receivable or financial instrument has increased significantly since initial recognition, or if the receivable or financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Group is required to measure the loss allowance at an amount equal to 12 months ECL. AASB 9 also allows a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the application of AASB 9 has had no material impact on the Group's financial performance or position.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets, and
- General hedge accounting.

#### **AASB 15 Revenue from Contracts with Customers and related amending Standards**

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

The Group has applied AASB 15 in accordance with the fully retrospective transitional approach. The Group's accounting policies for its revenue streams are disclosed in more detail in note 1(o)

The directors of the Company have reviewed and assessed the Group's contracts with customers and determined that the application of AASB 15 has not had a material impact on the financial position and/or financial performance of the Group. There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

The adoption of AASB15 Revenue from contracts with customers has not resulted in any significant changes to accounting policies nor has it materially impacted on amounts recognised in the financial statements.

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

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The directors have decided not to early-adopt any of the new and amended pronouncements. The following sets out their assessment of the pronouncements that are relevant to the Group but applicable in future reporting periods.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)

The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed: short-term and low-value leases. The accounting for the Group's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 1: Statement of Significant Accounting Policies

The Group's non-cancellable operating lease commitments amount to \$45,630 as at the reporting date, see note 19. The Group intends to adopt the short term lease exception for leases with terms of less than 12 months, which would equate to rental expense of approximately \$45,630. All impacts are based on current estimates which are subject to finalisation prior to final implementation.

Based on a preliminary assessment, the Group has estimated that on 1 July 2019, no right-of-use assets and lease liabilities will be required to be recognised.

The Group does not expect a material impact to net profit after tax for 2019 as a result of adopting the new standard.

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

### (u) Comparative Figures

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

### Note 2: Controlled Entities

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

	Country of Incorporation	Interest as at 30 June (%)		Principal Activity
		2019	2018	
<b>Parent Entity:</b>				
Lepidico Ltd	Australia			
<b>Subsidiaries of Lepidico Ltd:</b>				
Ashburton Gold Mines NL	Australia	100	100	Dormant
Trans Pacific Gold Pty Ltd	Australia	100	100	Dormant
Transdrill Pty Ltd	Australia	100	100	Dormant
Southern Pioneer Ltd	Australia	100	100	Dormant
Platypus Resources Ltd	Australia	100	100	Dormant
Lepidico Holdings Pty Ltd	Australia	100	100	Lithium Exploration and Investment
Li Technology Pty Ltd	Australia	100	100	Holder of L-Max® Technology
Silica Technology Pty Ltd	Australia	100	100	Holder of S-Max™Technology
Mica Exploration Pty Ltd	Australia	100	100	Lithium Exploration
Lepidico (Netherlands) Coöperatief U.A.	Netherlands	100	100	Holding Company
Lepidico (Netherlands) B.V.	Netherlands	100	100	Global Marketing Company
Lepidico (Canada) Ltd	Canada	100	100	Management Company

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year ended 30 June 2019

**Note 3: Revenue**

	2019 \$	2018 \$
Operating activities	-	61,170
<b>Operating Income</b>	<b>-</b>	<b>61,710</b>
<i>Other activities</i>		
Interest	57,060	69,952
Profit on sale of available for sale financial assets	2,050	-
Sale of interest in exploration tenement	-	110,000
<b>Other Income</b>	<b>59,110</b>	<b>179,952</b>
<b>Total Revenue</b>	<b>59,110</b>	<b>241,122</b>

**Note 4: Administrative Expenses**

	2019 \$	2018 \$
Office & general	339,690	299,890
Professional services	250,100	515,601
Compliance related	369,636	312,190
Travel	460,550	404,436
	1,419,976	1,532,117

**Other Significant Administrative Expenses**

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

Legal Costs associated with settled dispute	408,022	-
Takeover Response	-	18,341
<b>Total Administrative Expenses</b>	<b>1,827,998</b>	<b>1,550,458</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year ended 30 June 2019

**Note 5: Income Tax Expense**

	2019 \$	2018 \$
<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%)	(1,403,879)	(1,985,421)
Add tax effect of:		
- Losses not recognised	-	-
- Deferred tax balances not recognised	1,032,902	630,101
- Share based payments	143,000	587,813
- Foreign Expenditure	178,867	38,128
- Exploration expenditure written off	49,731	421,078
- Other non-allowable items	(621)	308,301
	-	-
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)	(1,141)
L-Max® Technology	(227,973)	(362,873)
L-Max® Pilot Plant	(272,694)	-
Other	-	(24)
Deferred Tax Assets:		
Carry forward revenue losses	501,808	364,038
Net deferred tax	-	-
<b>(d)</b> Unrecognised deferred tax assets:		
Carry forward revenue losses	6,190,047	5,137,306
Carry forward capital losses	268,663	268,663
Capital raising and other costs	506,301	334,345
L-Max Licence	20,007	-
Provision and accruals	8,686	14,132
	6,993,703	5,754,446

## NOTES TO THE FINANCIAL STATEMENTS

### for the Year ended 30 June 2019

#### Note 5: Income Tax Expense *continued*

##### (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

	2019 \$	2018 \$
Audit services	39,116	34,789
	39,116	34,789

#### 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.

	2019 \$	2018 \$
Loss attributable to the ordinary equity holders of the Company	0.002	0.003
	\$	\$
Loss from continuing operations	5,105,014	7,219,713
	No.	No.
Weighted average number of ordinary shares	3,272,423,591	2,624,394,631

#### Note 8: Cash and Cash Equivalents

	2019 \$	2018 \$
Cash at bank and in hand	13,660,308	4,859,962
	13,660,308	4,859,962

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 2019

**Note 9: Trade and Other Receivables**

	2019 \$	2018 \$
<b>Current</b>		
Prepaid expenses	35,397	63,680
R&D tax rebate receivable	950,000	484,795
Goods and services tax receivable	162,689	76,002
Other receivables	-	79
<b>Total Current Trade and Other Receivables</b>	<b>1,148,086</b>	<b>624,556</b>
<b>Non-Current</b>		
Cash backed guarantees	71,729	87,114
<b>Total Non-Current Trade and Other Receivables</b>	<b>71,729</b>	<b>87,114</b>
<b>Total Trade and Other Receivables</b>	<b>1,219,815</b>	<b>711,670</b>

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

	2019 \$	2018 \$
<b>Furniture, Fittings and Equipment</b>		
<b>At cost</b>		
Opening Balance	105,601	80,054
Additions	1,587	25,547
Disposals	(37,173)	-
Closing Balance	70,015	105,601
<b>Accumulated depreciation</b>		
Opening Balance	78,552	72,322
Depreciation	8,287	6,230
Disposals	(36,509)	-
Closing Balance	50,330	78,552
<b>Net Book Value</b>	<b>19,685</b>	<b>27,049</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year ended 30 June 2019

**Note 11: Exploration and Evaluation Expenditure**

	2019 \$	2018 \$
Exploration expenditure	1,928,203	729,697

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.

	2019 \$	2018 \$
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of year	729,697	1,619,842
Exploration and evaluation costs capitalised	1,838,747	1,280,670
Exploration and evaluation costs written off	(640,241)	(2,170,815)
<b>Balance at the end of the year</b>	<b>1,928,203</b>	<b>729,697</b>

**Note 12: Intangible asset**

	2019 \$	2018 \$
L-Max® Technology	22,692,203	19,010,660
S-Max® Technology	136,543	16,040
LOH-Max™ Technology	96,384	-
<b>Intangible assets</b>	<b>22,925,130</b>	<b>19,026,700</b>

The recoverability of the carrying amount of the L-Max®, S-Max® and LOH-Max™ Technologies 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.

	2019 \$	2018 \$
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of year	19,026,700	16,698,154
Development costs capitalised	4,848,430	2,813,341
Research and Development Tax Credit received/receivable	(950,000)	(484,795)
<b>Research and Development Tax Credit received/receivable</b>	<b>22,925,130</b>	<b>19,026,700</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 13: Trade and Other Payables

	2019 \$	2018 \$
<b>Current</b>		
Trade payables	648,449	406,527
Sundry payables and accrued expenses	429,363	397,948
<b>Total Current Trade and Other Payables</b>	<b>1,077,812</b>	<b>804,475</b>

### Note 14: Provisions

	2019 \$	2018 \$
<b>Current</b>		
Employee Provisions	85,677	51,030

	2019 \$	2018 \$
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of year	51,030	45,797
Additional provisions	89,184	58,169
Provisions used	(54,537)	(52,936)
<b>Balance at the end of the year</b>	<b>85,677</b>	<b>51,030</b>

### Note 15: Contributed Equity

#### a) Share capital

	2019		2018	
	Number	\$	Number	\$
Fully paid ordinary shares	3,737,703,973	63,858,677	2,901,520,897	43,961,658
Share Issue Costs		(4,427,831)		(3,227,846)
		<b>59,430,846</b>		<b>40,733,812</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### for the Year ended 30 June 2019

#### Note 15: Contributed Equity *continued*

##### a) Share capital *continued*

##### Movements in ordinary share capital

Description	Date	Number of shares	Issue Price	\$
Opening Balance	1 July 2018	2,901,520,897		40,733,812
Exercise of options	11 July 2018	10,000,000	\$0.01815	181,500
Fair value of options exercised	11 July 2018	-	-	80,000
Exercise of options	17 July 2018	10,000,000	\$0.01815	181,500
Fair value of options exercised	17 July 2018	-	-	80,000
Issue of shares to Venus Metals Ltd	31 July 2018	3,619,254	\$0.03316	120,000
Entitlement Offer	1 October 2018	431,035,037	\$0.019	8,189,666
Entitlement Offer	5 June 2019	381,528,785	\$0.029	11,064,335
Less: Share issue costs		-	-	(1,199,967)
		-	-	(1,199,967)
Closing Balance	30 June 2019	<b>3,737,703,973</b>		<b>59,430,846</b>

##### b) Share options

As at reporting date, Lepidico 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	\$0.025	25 November 2016	31 December 2019
12,500,000	\$0.025	30 November 2016	31 December 2019
220,518,031	\$0.045	30 September 2018	30 September 2020
50,000,000	\$0.091	24 November 2017	23 November 2020
65,000,000	\$0.026	23 November 2018	22 November 2021
190,746,921	\$0.050	5 June 2019	5 June 2022

**586,264,952**

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

##### Movements in Options

	Number	Weighted Average Exercise Price
		\$
Balance at 1 July 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
Granted	476,264,952	0.044
Exercised	(20,000,000)	0.019
Expired	-	-
Balance at 30 June 2019	<b>586,264,952</b>	<b>0.046</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 15: Contributed Equity *continued*

#### c) Share Based Payments

On 31 July 2018, the Company issued 3,619,254 shares to Venus Metals Ltd as the initial payment for farm-in on Moriarty Lithium Rights. Under the terms of the farm-in, Venus Metals Ltd was issued with \$120,000 in shares.

On 1 October, the Company issued 5,000,000 listed options (valued at \$0.009) to CPS Capital as part of the the Underwriting Agreement for the Entitlement Offer which closed on 1 October. The option terms were the same as the terms of the options included in the Entitlement Offer. The options were valued using Black Scholes with the following assumptions:

	Unlisted Options
Number of options	5,000,000
Grant date share price	\$0.022
Exercise price	\$0.045
Expected volatility	111%
Option life	2 years
Dividend yield	0.00%
Interest Rate	1.98%

On 22 November 2018, the Company issued a total of 65,000,000 options (valued at \$0.008) 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	65,000,000
Grant date share price	\$0.017
Exercise price	\$0.026
Expected volatility	86%
Option life	3 years
Dividend yield	0.00%
Interest Rate	1.97%

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year ended 30 June 2019

**Note 16: Reserves**

	2019 \$	2018 \$
Option Reserve	3,782,750	3,377,750
Foreign Currency Translation Reserve	75,918	(17,141)
<b>Total Reserves</b>	<b>3,858,668</b>	<b>3,360,609</b>

**Option Reserve**

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

	2019 \$	2018 \$
Opening Balance	3,377,750	1,513,250
Option expense for the year	565,000	2,307,500
Transfer of value on exercise of options	(160,000)	(443,000)
<b>Closing Balance</b>	<b>3,782,750</b>	<b>3,377,750</b>

**Foreign Currency Translation Reserve**

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

	2019 \$	2018 \$
Opening Balance	(17,141)	-
Movement during the year	93,059	(17,141)
<b>Closing Balance</b>	<b>75,918</b>	<b>(17,141)</b>

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

There are no contingent liabilities as at 30 June 2019.

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 18: Segment reporting

#### Reportable Segments

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

	Mineral Exploration	Technology	Corporate & Unallocated items	Total
	\$	\$	\$	\$
<b>(i) Segment performance</b>				
<b>Year ended 30 June 2019</b>				
Revenue	-	-	59,110	59,110
Total Profit/(Loss)	(630,241)	-	(4,474,773)	(5,105,014)
<b>Year ended 30 June 2018</b>				
Revenue	110,000	61,170	69,952	241,122
Total Profit/(Loss)	(2,060,815)	51,211	(5,210,109)	(7,219,713)
<b>(ii) Segment assets</b>				
As at 30 June 2019	1,928,203	22,925,130	14,899,807	39,753,140
As at 30 June 2018	729,697	19,026,700	5,598,681	25,355,078

#### Geographical Information

	2019 \$	2018 \$
Australia	59,110	241,122
<b>Total Revenue</b>	<b>59,110</b>	<b>241,122</b>
Australia	(3,989,287)	(5,067,612)
Canada	(984,790)	(2,152,101)
Europe	(130,927)	-
<b>Total Loss</b>	<b>(5,105,014)</b>	<b>(7,219,713)</b>
Australia	37,625,789	24,629,530
Canada	208,110	21,682
Europe	1,899,761	703,866
Africa	19,480	-
<b>Total Assets</b>	<b>39,753,140</b>	<b>25,355,078</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

### Note 19: Commitments

#### Operating lease commitments

	2019	2018
	\$	\$
Not later than one year	45,630	100,746
After one year but less than two years	-	50,251
	<b>45,630</b>	<b>150,997</b>

#### Exploration lease commitments

There are no exploration lease commitments at at 30th June 2019.

### Note 20: Cash Flow Information

	2019	2018
	\$	\$
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
Loss after income tax	(5,105,014)	(7,219,713)
Adjustments items not impacting cash flow used in operations:		
Depreciation and amortisation	8,287	6,230
Exploration expenditure written-off	630,241	2,170,815
Share based payments	520,000	2,137,500
(Profit)/Loss on sale of property, plant & equipment	(1,387)	-
(Profit)/Loss on sale of exploration asset	-	(110,000)
Changes in current assets and liabilities:		
(Increase)/decrease in trade and other receivables	(90,362)	10,907
Increase/(decrease) in trade and other payables	500,006	(39,318)
Increase/(decrease) in provisions	34,647	5,233
<b>Cash flow used in operations</b>	<b>(3,503,582)</b>	<b>(3,038,346)</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the Year ended 30 June 2019

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

	2019	2018
	\$	\$
Salaries and other short-term benefits	1,488,372	1,037,874
Post employment benefits	42,911	49,667
Share based payments	520,000	2,137,500
	2,051,283	3,225,041

Detailed remuneration disclosures are provided in the remuneration report on pages 44 to 49.

### Payments to director-related parties

	2019	2018
	\$	\$
Payments to director-related entities <sup>(1)</sup>	4,003,387	857,219

<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<sup>®</sup> technology on an arm's length basis and included approximately \$2.1 million in equipment purchases relating to the Pilot Plant which were on-charged by Strategic Metallurgy Pty Ltd at cost. As at 30 June 2019 invoices totalling \$15,730 are payable (2018: \$89,617).

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### for the Year ended 30 June 2019

#### Note 22: Financial Risk Management *continued*

##### (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 HSBC Bank, and management consider the Group's exposure to credit risk is low.

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

	Note	2019 \$	2018 \$
<b>Financial assets</b>			
Cash and cash equivalents	8	13,660,308	4,859,962
Trade and other receivables	9	1,148,086	624,556
<b>Total financial assets</b>		<b>14,808,394</b>	<b>5,484,518</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<sup>®</sup> 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	2019 \$	2018 \$
<b>Financial liabilities</b>			
Trade and other payables	13	1,077,812	804,475

## NOTES TO THE FINANCIAL STATEMENTS

### for the Year ended 30 June 2019

#### Note 22: Financial Risk Management *continued*

##### (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:

		2019		2018	
		%	\$	%	\$
<b>Financial assets</b>					
Cash assets	Floating rate	0.70%	13,858,394	1.41%	4,859,962

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.

	2019	2018
	\$	\$
<b>Change in Loss</b>		
Increase by 1%	82,313	50,697
Decrease by 1%	(57,060)	(50,697)
<b>Change in Equity</b>		
Increase by 1%	82,313	50,697
Decrease by 1%	(57,060)	(50,697)

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### for the Year ended 30 June 2019

#### Note 23: Parent Entity Financial Information

The following information relates to the legal parent only.

##### (a) Summary of Financial Information

	2019 \$	2018 \$
<b>Assets</b>		
Current assets	14,618,365	5,397,312
Total assets	50,364,845	34,157,254
<b>Liabilities</b>		
Current liabilities	507,622	619,478
Total liabilities	507,622	619,478
<b>Shareholders' Equity</b>		
Issued capital	94,964,846	76,257,812
Reserves	4,171,241	3,997,433
Accumulated Losses	(49,278,865)	(46,717,469)
Total Shareholders' Equity	49,857,223	33,537,776
<b>Result of the parent entity</b>		
Loss for the year	(3,030,828)	(5,510,579)
Other comprehensive loss	178,808	(17,141)
<b>Total comprehensive loss for the year</b>	<b>(2,852,020)</b>	<b>(5,527,720)</b>

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

As at 30 June 2019 the parent entity has no contractual commitments for the acquisition of property, plant or equipment.

##### (c) Guarantees and contingent liabilities

As at 30 June 2019 the parent entity has no guarantees or contingent liabilities other than as disclosed in Note 17.

## NOTES TO THE FINANCIAL STATEMENTS

### for the Year ended 30 June 2019

#### Note 24: Events Subsequent to Reporting Date

##### (a) Desert Lion Business Combination

On 11 July 2019 the Company closed of the previously announced plan of arrangement (the "Arrangement"), with Desert Lion Energy Inc. ("Desert Lion") whereby Lepidico acquired all of the outstanding common shares of Desert Lion for consideration of 5.4 Lepidico ordinary shares for every 1 Desert Lion common share (the "Exchange Ratio"). The Arrangement, which was announced on May 7, 2019, was approved by the Desert Lion's shareholders at an annual general and special meeting held on June 27, 2019.

Under the terms of the Arrangement, the Company issued:

- (i) 571,157,062 new fully paid ordinary shares ("LPD Shares") to existing Desert Lion shareholders;
- (ii) 39,183,982 new options at exercise prices ranging from \$0.02 - \$0.35; and
- (iii) 139,797,500 warrants at exercise prices ranging from \$0.04 to \$0.044.

The outstanding convertible notes of Desert Lion were adjusted to allow for the acquisition of LPD Shares upon their exercise (reflecting the Exchange Ratio). The Company will therefore either issue up to 108,000,000 new LPD Shares upon conversion of the outstanding convertible notes or repay the principal amount of C\$4,000,000 at the election of the holder on or before 7 December 2020 with a balance of C\$1,000,000 to be repaid in cash on maturity.

The Company has also issued 76,020,767 new fully paid ordinary shares to certain creditors of Desert Lion in settlement of debt arrangements, which Desert Lion had intended to settle in common shares at the time of the announcement of the Arrangement but which had not been allotted at transaction close.

##### (b) Issue of Shares to Bacchus Capital Advisors

On 31 July 2019 the Company issued 13,786,605 new fully paid ordinary shares to Bacchus Capital Advisors in accordance with the terms of its engagement as Corporate Advisor in relation to the Desert Lion Energy Inc business combination at an issue price of \$0.026 per share (Lepidico's closing share price on 11 July 2019, the day the transaction closed).

# 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 2019 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 2019.
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 20th day of September 2019

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## 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 2019, 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.

## Key Audit Matters (continued)

### 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 2019 the Group had \$1,928,203 in capitalised exploration and evaluation expenditure and intangible assets with a carrying value of \$22,925,130.

The intangible asset includes the Group's investment in the L-Max<sup>®</sup> Technology, S-Max<sup>®</sup> Technology and LOH-Max<sup>®</sup> Technology, including the cost of acquisition of the technology, subsequent development costs and patent fees capitalised. As part of their annual impairment review, management prepared an analysis of the recoverable amount of the technology which was based on "fair value less costs to sell". Note that given the early stages of development of the technology, we are unable to rely on forecast cash flows as a reliable estimate of value-in-use.

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 2019 (\$97.2 million) to its net asset position (\$38.6 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 2019, the Group transacted with Key Management Personnel and their related entities including:

- Awarded share-based payments amounting to \$520,000 in the form of share options, to Key Management Personnel
- Paid \$4,003,387 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.
- 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 2019.

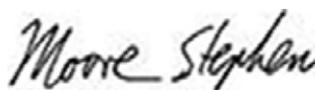
In our opinion, the Remuneration Report of Lepidico Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

### 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.



**Neil Pace**  
Partner



**Moore Stephens**  
Chartered Accountants

Signed at Perth on the 20th day of September 2019

## SUPPLEMENTARY (ASX) INFORMATION

The Shareholder information set out below was applicable as at 10 September 2019.

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

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

	Shareholder	Number	%
1	Galaxy Resources Ltd	411,111,112	9.35%
2	Strategic Metallurgy PL	294,271,201	6.69%
3	J P Morgan Nom Aust PL	158,744,687	3.61%
4	Computershare Investor Services	157,236,204	3.57%
5	Citicorp Nom PL	96,905,448	2.20%
6	HSBC Custody Nom Aust Ltd	77,506,419	1.76%
7	Roytor & Co	70,075,071	1.59%
8	Pella Ventures Ltd	56,786,377	1.29%
9	Bacchus Cap Advisers Ltd	56,181,883	1.28%
10	AIP Global Macro Fund	54,066,954	1.23%
11	Strategic Metallurgy PL	50,000,134	1.14%
12	Perth Cap PI	48,000,000	1.09%
13	Georgaklis Bill + G	40,468,389	0.92%
14	Becker Gavin S B & W M	38,000,000	0.86%
15	Netwealth Inv Ltd	33,273,010	0.76%
16	Walsh Julian Pearce	30,500,000	0.69%
17	Avalon Retmnt Inv PL	30,107,472	0.68%
18	BNP Paribas Nom PL	29,894,140	0.68%
19	NBF Inc	29,481,521	0.67%
20	Vadzis Ivars	26,057,412	0.59%
	<b>Total Top 20</b>	<b>1,788,667,434</b>	<b>40.65%</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	411,111,112	9.35%
Strategic Metallurgy Holding Pty Ltd and Gary Donald Johnson	365,413,438	8.30%

#### Distribution of Shares

The distribution of members and their shareholding was as follows:

Number Held	Number of Shareholders
1 - 1,000	912
1,001 - 5,000	291
5,001 - 10,000	439
10,001 - 100,000	3,392
101,000 and above	2,956
<b>Total number of shareholders</b>	<b>7,990</b>

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

	<b>Shareholder</b>	<b>Number</b>	<b>%</b>
1	Galaxy Resources Ltd	24,312,576	11.03%
2	Ruan Xiaoling	5,000,000	2.27%
3	J P Morgan Nom Aust PL	4,661,144	2.11%
4	Carson Darryl R + L A	4,035,000	1.83%
5	Spreadborough Ryan	3,500,000	1.59%
6	Perth Cap PL	3,214,286	1.46%
7	Strategic Metallurgy PL	3,157,895	1.43%
8	Kenworthy Anthony C	3,000,000	1.36%
9	Rae Michael John	2,974,999	1.35%
10	Wang Dan	2,836,244	1.29%
11	Patel Dhaval J	2,596,501	1.18%
12	Becker Gavin S B & W M	2,571,429	1.17%
13	Yin Xin	2,500,000	1.13%
14	Boss John Robert + L M	2,494,132	1.13%
15	Zhang Luyu	2,324,898	1.05%
16	Isaiah Sixty PL	2,241,228	1.02%
17	Howitt Rhys Edward	2,187,563	0.99%
18	BNP Paribas Noms PL	2,175,961	0.99%
19	Rookharp Inv Pl	2,131,579	0.97%
20	Tuckett Daniel Aaron H	2,093,069	0.95%
	<b>Total Top 20</b>	<b>80,008,504</b>	<b>36.30%</b>

**Distribution of Listed Options**

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

<b>Number Held</b>	<b>Number of Shareholders</b>
1 - 1,000	120
1,001 - 5,000	399
5,001 - 10,000	228
10,001 - 100,000	589
Over 100,000	281
<b>Total Number of Option Holders</b>	<b>1,617</b>

**LISTED OPTIONS EXPIRING 5 JUNE 2022 AT \$0.05 (ASX : LPDOB)****Top 20 Holders of Listed Options**

	<b>Shareholder</b>	<b>Number</b>	<b>%</b>
1	Galaxy Resources Ltd	20,555,556	10.78%
2	McInnes Morgan J	11,165,220	5.85%
3	Isaiah Sixty PL	6,505,000	3.41%
4	Anderson Antony Edward	3,517,242	1.84%
5	J P Morgan Nom Aust PL	3,051,242	1.60%
6	Wythenshawe PL	2,801,588	1.47%
7	Joyce Roger Eric	2,770,690	1.45%
8	Terrill James	2,445,359	1.28%
9	Cocks Thomas Michael	2,342,173	1.23%
10	Brennan Leanne Maree	2,318,000	1.22%
11	Strategic Metallurgy Pl	2,273,552	1.19%
12	Bacchus Cap Advisers Ltd	2,271,910	1.19%
13	Kenworthy Anthony C	2,000,000	1.05%
14	BNP Paribas Noms PL	1,902,255	1.00%
15	Forwood Danny	1,845,000	0.97%
16	Netwealth Inv Ltd	1,832,128	0.96%
17	Rookharp Inv Pl	1,724,138	0.90%
18	Rae Michael John	1,600,000	0.84%
19	Kostadinovic Veselinka	1,508,621	0.79%
20	Carson Darryl R + L A	1,277,778	0.67%
	<b>Total Top 20</b>	<b>75,707,452</b>	<b>39.69%</b>

**Distribution of Listed Options**

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

<b>Number Held</b>	<b>Number of Shareholders</b>
1 - 1,000	140
1,001 - 5,000	454
5,001 - 10,000	281
10,001 - 100,000	708
Over 100,000	278
<b>Total Number of Option Holders</b>	<b>1,861</b>

## UNLISTED OPTIONS

### Unlisted Option holdings as at 10 September 2019

The company has 214,183,982 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.

9,450,000 options expiring 25 October 2021 with an exercise price of 4.0c ("F"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

55,000,000 options expiring 22 November 2021 with an exercise price of 2.6c ("G"), which were issued to the Company's Directors.

10,000,000 options expiring 22 November 2021 with an exercise price of 2.6c ("H"), which were issued under the Company Employee Share Plan.

945,000 options expiring 31 March 2022 with an exercise price of 10.0c ("I"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

3,921,982 options expiring 20 June 2022 with an exercise price of 10.0c ("J"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

5,967,000 options expiring 26 February 2023 with an exercise price of 35.0c ("K"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

18,900,000 options expiring 14 January 2024 with an exercise price of 2.0c ("L"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

	A	B	C	D	E	F	G	H	I	J	K	L
1-1,000	-	-	-	-	-	-	-	-	-	-	-	-
1,001 - 5,000	-	-	-	-	-	-	-	-	-	-	-	-
5,001 - 10,000	-	-	-	-	-	-	-	-	-	-	-	-
10,001 - 100,000	-	-	-	-	-	-	-	-	-	-	2	-
101,000 and above	1	4	1	4	1	3	6	1	2	5	6	10
<b>Total number of holders</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>8</b>	<b>10</b>

## UNLISTED WARRANTS

### Unlisted Warrant holdings as at 10 September 2019

4,140,941 warrants expiring on 10 October 2019 with an exercise price of 44c ("A"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

312,476 warrants expiring on 10 October 2019 with an exercise price of 35c ("B"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

2,880,085 warrants expiring on 29 November 2019 with an exercise price of 44c ("C"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

181,165 warrants expiring on 29 November 2019 with an exercise price of 35c ("D"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

1,179,387 warrants expiring on 6 December 2019 with an exercise price of 44c ("E"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

89,008 warrants expiring on 6 December 2019 with an exercise price of 35c ("F"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

7,706,421 warrants expiring on 13 December 2019 with an exercise price of 44c ("G"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

1,659,388 warrants expiring on 13 December 2019 with an exercise price of 35c ("H"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

2,832,991 warrants expiring on 29 December 2019 with an exercise price of 44c ("I"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

121,063 warrants expiring on 29 December 2019 with an exercise price of 35c ("J"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

103,783,680 warrants expiring on 7 December 2020 with an exercise price of 4c ("K"), which were issued in accordance with the Plan of Arrangement for the acquisition of Desert Lion Energy Inc.

	A	B	C	D	E	F	G	H	I	J	K
1-1,000	-	-	-	-	-	-	-	-	-	-	-
1,001 - 5,000	-	-	-	-	-	-	10	10	-	-	-
5,001 - 10,000	-	-	-	-	-	-	9	9	-	-	-
10,001 - 100,000	-	-	-	-	7	7	10	10	-	-	1
101,000 and above	2	2	2	2	3	3	2	2	7	7	29
<b>Total number of holders</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>10</b>	<b>10</b>	<b>31</b>	<b>31</b>	<b>7</b>	<b>7</b>	<b>30</b>

## 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	3855	26,082,049

## RESTRICTED AND ESCROWED SECURITIES

There are currently no restricted or escrowed securities.

## ON-MARKET BUY-BACK

There is no current on-market buy-back.

## TENEMENT INFORMATION

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

### Karibib Lithium Project Tenement Schedule

Farm-in Agreements

Project/ Tenement ID	Registered Holder	Lepidico Interest in tenement	Expiry Date	Area
<b>ML 204</b>	Desert Lion Energy (Pty) Ltd	80%	18/06/2028	69km <sup>2</sup>
<b>EPL 5439</b>	Desert Lion Energy (Pty) Ltd	80%	10/02/2019 <sup>1</sup>	301km <sup>2</sup>
<b>EPL 5555</b>	Desert Lion Energy (Pty) Ltd	80%	03/04/2021	553km <sup>2</sup>
<b>EPL 5718</b>	Desert Lion Energy (Pty) Ltd	80%	26/10/2019 <sup>2</sup>	200km <sup>2</sup>

Notes:

1. Renewal application submitted; final grant pending partial relinquishment.
2. Renewal application submitted.



