

## Financial Report for the Half Year Ended 31 December 2017

Lepidico Ltd (ASX:LPD) (“Lepidico” or “the Company”) is pleased to announce the release of its consolidated financial statements for the half year ended 31 December 2017.

### Significant Events for the Half Year

- Engineered design for a Phase 1 L-Max<sup>®</sup> Plant Feasibility Study completed and capacity-cost trade-off evaluations to determine optimal configuration commenced
- Installed capacity for the Phase 1 Plant of between 5,000t and 6,000t pa of LCE for major equipment is being evaluated
- Sudbury, Canada identified as the optimal location for a Phase 1 L-Max<sup>®</sup> Plant
- Completion of maiden Mineral Resource estimate for Alvarroes Lepidolite Project in Portugal
- Strategic Alliance with Galaxy Resources Ltd formed following 12% private placement and entitlement offer raising \$7.0 million
- Binding agreement with Maximus Resources Limited to earn up to 75% interest in lithium rights for the Moriarty Lithium Project
- \$7.6 million in cash and cash equivalents as at 31 December 2017.

### Significant Events subsequent to the Half Year

- Appointment of two non-executive directors

Lepidico Managing Director Mr Joe Walsh, said “*significant progress was made in the half-year with the formation of a strategic alliance with Galaxy Resources and raising the capital to complete the Phase 1 L-Max<sup>®</sup> Plant feasibility study. The Company’s strategic objective is to fast track the business to free cash flow generation, demonstrate the commercial viability of L-Max<sup>®</sup> and become a globally significant lithium chemical producer.*”

### Further Information

For further information, please contact

**Joe Walsh**  
**Managing Director**  
**Lepidico Ltd**  
+1 647 272 5347

**Tom Dukovic**  
**Director Exploration**  
**Lepidico Ltd**  
+61 (0)8 9363 7800



**LEPIDICO LTD** ABN 99 008 894 442

L 1, 254 Railway Parade  
West Leederville, WA 6007  
www.lepidico.com

Level 1, 826 Ann Street  
Fortitude Valley QLD 4006

PO Box 1245  
West Leederville, WA 6901

T: +61 8 9363 7800  
E: info@lepidico.com

## **About Lepidico Ltd**

Lepidico Ltd is an ASX-listed Company focused on exploration, development and production of lithium. Lepidico owns the technology to a metallurgical process that has successfully produced lithium carbonate from non-conventional sources, specifically lithium-rich mica minerals including lepidolite and zinnwaldite. The L-Max® Process has the potential to disrupt the lithium market by providing additional lithium supply from alternative sources. The Company is currently conducting a Feasibility Study for a Phase 1 L-Max® plant, targeting production for 2019. Three potential sources of feed to the planned Phase 1 Plant are being evaluated.

Lepidico's current exploration interests include an ore access agreement with Grupo Mota over the Alvarões Lepidolite Mine in Portugal; and farm-in agreements with both Maximus Resources (ASX:MXR) and Pioneer Resources (ASX:PIO) over the Moriarty Lithium Project and PEG 9 lepidolite prospect respectively, both in Western Australia. Lepidico has also entered into a Letter of Intent with TSX listed Avalon Advanced Materials Inc. for planned lithium mica concentrate supply from its Separation Rapids Project in Ontario, Canada.

Lepidico has a strategic alliance with Galaxy Resources Limited (ASX: GXY, which holds a 11.8% interest in LPD) based on a shared vision for the significant global opportunity provided by the commercialisation of L-Max®. With its strong industry contacts and relationships in the lithium industry, Galaxy will assist Lepidico with future business and growth opportunities, that include the evaluation of potential synergies with its Mt Cattlin Mine and James Bay Project.



## **LEPIDICO LTD**

ACN 008 894 442

## **INTERIM FINANCIAL REPORT 31 DECEMBER 2017**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Lepidico Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## Table Of Contents

<b>Corporate Directory</b> .....	<b>3</b>
<b>Directors' Report</b> .....	<b>4</b>
<b>Consolidated Statement of Profit and Loss</b> .....	<b>12</b>
<b>Consolidated Statement of Financial Position</b> .....	<b>13</b>
<b>Consolidated Statement of Changes in Equity</b> .....	<b>14</b>
<b>Consolidated Statement of Cash Flows</b> .....	<b>15</b>
<b>Notes to the Financial Statements</b> .....	<b>16</b>
<b>Directors' Declaration</b> .....	<b>22</b>
<b>Independent Auditor's Review Report</b> .....	<b>23</b>

## Corporate Directory

### Directors

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

### Joint Company Secretaries

Alex Neuling  
Shontel Norgate

### Registered Office

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

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

### Principal Places of Business

Level 1, 254 Railway Parade  
West Leederville, WA, Australia, 6007  
PO Box 1245 West Leederville WA 6901

Level 7, 1235 Bay Street  
Toronto ON M5R 3K4 Canada

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

### Country of Incorporation

Australia

### Auditors

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

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

### Share Registry

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

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

### Home Exchange

Australian Securities Exchange Limited  
Level 40, Central Park  
152-158 St George's Terrace  
PERTH WA 6000

### ASX Code: LPD

## Directors' Report

The Directors of Lepidico Ltd ("Directors") present their report on the Consolidated Entity consisting of Lepidico Ltd ("Company" or "Lepidico") and the entities it controlled at the end of, or during, the half year ended 31 December 2017 ("Consolidated Entity" or "Group" or "Economic Entity").

### DIRECTORS

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

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

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

### SUMMARY REVIEW OF OPERATIONS

Lepidico Ltd is an ASX-listed Company focused on exploration, development and production of lithium. Lepidico owns the technology to a metallurgical process that has successfully produced lithium carbonate from non-conventional sources, specifically lithium-rich mica minerals including lepidolite and zinnwaldite. The LMax<sup>®</sup> Process has the potential to disrupt the lithium market by providing additional lithium supply from alternative sources. The Company is currently conducting a Feasibility Study for a Phase 1 L-Max<sup>®</sup> plant, targeting production for 2019. Three potential sources of feed to the planned Phase 1 Plant are being evaluated.

Lepidico's current exploration interests include an ore access agreement with Grupo Mota over the Alvarrões Lepidolite Mine in Portugal where it has identified a JORC Code compliant Inferred Mineral Resource estimate of 1.5 Mt grading 1.1% Li<sub>2</sub>O; and farm-in agreements with both Maximus Resources (ASX:MXR) and Pioneer Resources (ASX:PIO) over the Moriarty Lithium Project and PEG 9 lepidolite prospect respectively, both in Western Australia. Lepidico has also entered into a Letter of Intent with TSX listed Avalon Advanced Materials Inc. for planned lithium mica concentrate supply from its Separation Rapids Project in Ontario, Canada.

Lepidico has a strategic alliance with Galaxy Resources Limited (ASX: GXY, which holds a 12% interest in the Company) based on a shared vision for the significant global opportunity provided by the commercialisation of L-Max<sup>®</sup>. With its strong industry contacts and relationships in the lithium industry, Galaxy will assist Lepidico with future business and growth opportunities, that include the evaluation of potential synergies with its Mt Cattlin Mine and James Bay Project.

The Consolidated Group incurred an operating loss after income tax of \$3,916,995 (31 December 2016: \$2,788,906) for the half year ended 31 December 2017.

### OPERATIONS

#### L-Max<sup>®</sup> Patents

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

During the June 2017 quarter, the Company proceeded with the national and regional phase of patent applications in a number of jurisdictions in which L-Max<sup>®</sup> may operate in the future. This regional phase of the patent process is expected to continue into 2019.

By way of background, the Company submitted an international patent application for the L-Max<sup>®</sup> Process under the Patent Cooperation Treaty administered by the World Intellectual Property Organisation in October 2015. Australian Innovation Patent 2016101526 was filed as a divisional application of the international patent application for the L-Max<sup>®</sup> process. This process includes a rigorous 'preliminary' examination of the process described and claimed, based on internationally accepted criteria for patentability (the examination being conducted in this case by the Australian Patent Office as an International Searching & Examining Authority). As a result of this examination, it was acknowledged in the International Preliminary Report on Patentability that the L-Max<sup>®</sup> process as described and claimed in the international application was "novel, inventive, industry applicable and patentable".

On 8 February 2017, the L-Max<sup>®</sup> process (the subject of International Patent Application PCT/AU2015/000608), was granted a Certification Report of Innovation Patent (number 2016101526) in Australia. The conclusions of the International Preliminary Report on Patentability represent a guide for Patent Offices from which national and/or regional phase patent applications may proceed.

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

### **a) Feasibility Study**

Work on all near critical path activities for the Phase 1 L-Max<sup>®</sup> Plant Feasibility Study (the "Study") continued during the half year, including: L-Max<sup>®</sup> process design and engineering; Mineral Resource definition and mine planning at Alvarrões; amenability testwork on Mt Cattlin lithium mica rich stockpile material; logistics trade-off studies to finalise site selections; permitting and regulatory approvals; and option assessments for product offtake and finance.

In August 2017, the Company appointed Lycopodium Minerals Pty Ltd, a subsidiary of Lycopodium Limited (ASX:LYL) ("Lycopodium") for the provision of engineering services for the Study. Lycopodium demonstrated its belief in Lepidico's strategy and the L-Max<sup>®</sup> technology by electing to receive payment for the anticipated fees for its engineering services in Lepidico shares. Under the terms of the agreement Lepidico issued 45,000,000 new fully paid ordinary shares to Lycopodium.

The engineered design for a Phase 1 L-Max<sup>®</sup> Plant located in Sudbury, Canada was completed in December 2017. A design review identified areas where trade-off evaluations are warranted between reduced capital cost and realising higher installed plant capacity, to provide an optimal plant design for long term operation.

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

Completion of logistics trade-off studies during the period resulted in Sudbury, Ontario being selected as the optimal location for the Phase 1 Plant. Mining services and trades are readily available in the region and the two large local nickel smelters produce around 1 million tonnes of sulphuric acid per year, most of which goes for export. Sulphuric acid is the main L-Max<sup>®</sup> reagent and close proximity to abundant sources of acid will provide operating cost advantages and negate the considerable capital cost for building an acid generating plant. Furthermore, Sudbury's rail links into southern Ontario and the United States provide ready access to the substantial existing markets for L-Max<sup>®</sup> by-products, in particular sodium silicate.

The permitting and residue storage facility engineering work-streams for the Phase 1 L-Max<sup>®</sup> Plant Project commenced in September 2017 with the appointment of Knight Piésold Consulting. Initial work involved the desktop assessment of prospective L-Max<sup>®</sup> plant site and residue storage facility

locations within Sudbury with two excellent locations identified. More detailed evaluations for short-listed sites is being undertaken.

Engagement with various Provincial Ministries and other potential key stakeholders including local First Nations groups was undertaken during the period, with the objective of assessing the support and incentives that can be extended to Lepidico for expediting the development of its Phase 1 Plant Project in Sudbury.

The process design pack for the upstream concentrator is scheduled to be completed by June 2018.

The Feasibility Study for the Phase 1 L-Max<sup>®</sup> plant remains on track and budget for completion by September 2018, with the permitting and approvals processes forming the critical path. Selection of the primary feed source to the plant is expected during the first half of 2018 and is on the critical path for the integrated study.

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

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

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

A preliminary mining study was also undertaken for Alvarrões and the results integrated with the Phase 1 L-Max<sup>®</sup> Plant Feasibility Study. This work shows that Blocks 1 and 2 alone have the potential to provide lithium mica concentrate feed to the planned plant for in excess of 10 years. Ore Reserve estimation and permitting schedules have yet to be finalised for Alvarrões and are now on the critical path for the integrated Feasibility Study.

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

Lepidico is in the process of designing a reverse circulation and diamond core drilling program to increase the data density in the central areas and to further extend the mineralisation to the north and west. The objective of this program will be to upgrade the Mineral Resource within Blocks 1 and 2 to Measured and Indicated categories and establish the resource potential for all pegmatite sills across Block 3.

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

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

A testwork program was jointly commissioned by Galaxy and Lepidico during the period to evaluate the potential of high mica content material generated by the Mt Cattlin dense media separation plant, which is currently being stockpiled. The objective of this testwork is to determine whether

---

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

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

this mica rich material can be concentrated and form a viable feed for Lepidico's L-Max<sup>®</sup> process. Positive testwork results will allow Mt Cattlin to be considered as a potential concentrate feed source in the Phase 1 Plant Feasibility Study.

Trade-off studies between Lepidico's Phase 1 Plant Project planned for Sudbury versus locating an L-Max<sup>®</sup> plant near Mt Cattlin in Western Australia were undertaken during the period. The results strongly favour a strategically located plant in Sudbury with an operating cost benefit estimated at approximately US\$19 million per year after taking into account logistics costs for all reagents, concentrate feed and products. Operating costs in Australia could be reduced by foregoing various by-products, albeit with the loss of considerable revenue. Capital costs were also significantly lower for a Sudbury plant, in large part due to minimal infrastructure investment being required, there not being a requirement for the construction (or lease) of a sulphur burning acid plant and lower labour rates.

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

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

**Moriarty Lithium Project, Western Australia<sup>4</sup>**

On 21 August 2017 the Company announced that it signed a Binding Term Sheet with Maximus Resources Limited (ASX:MXR) ("Maximus") under which Lepidico can earn a 75% interest in Maximus's lithium rights in the Spargoville Project, located 70 km south of Kalgoorlie in Western Australia. These lithium rights are known as the Moriarty Lithium Project. The Project is some 70 km<sup>2</sup> in area and includes approximately 15 km of strike of mafic-ultramafic rocks of the Norseman-Wiluna greenstone belt, situated 20 km south of the Mt Marion Lithium Mine.

The presence of notable lithium micas within the Moriarty pegmatites gives rise to the potential for lithium mica resources that would be ideally suited for processing with the Company's proprietary L-Max<sup>®</sup> technology.

Lepidico can earn 75% of Maximus's lithium rights by satisfying the following terms:

- i) On execution of the Term Sheet, payment to Maximus of \$80,000 in Lepidico shares, at a 5 day VWAP issue price (see below);
- ii) Six months after execution, payment to Maximus, at Lepidico's discretion, of \$120,000 in cash or Lepidico shares at a 5 day VWAP issue price; and
- iii) 12 months after execution, payment to Maximus, at Lepidico's discretion, of \$150,000 in cash or Lepidico shares at a 5 day VWAP issue price.

Lepidico has the discretion to accelerate any or all of the above payments.

At any time within three years after the third payment Lepidico can choose to secure 100% of the Lithium Rights by making a payment to Maximus of \$400,000 which can be made, at Lepidico's

---

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

<sup>4</sup> Lepidico announced on 21 August 2017 that it had entered into a farm-in agreement to earn 75% of lithium rights for the Moriarty Lithium Project from Maximus Resources Ltd (ASX: MXR).

discretion, as either cash, or a combination of 50% cash and 50% in Lepidico shares at a 5 day VWAP issue price.

Under the terms of the agreement with Maximus, the Company issued 6,333,432 new fully paid ordinary shares to Maximus on 21 August 2017.

Field work at Moriarty commenced in the December 2017 quarter and included a soil geochemical sampling program over three areas prospective for lithium mica pegmatites, the Lefroy, Sherlock and West Larkinville prospects. Preliminary results are encouraging and sufficient for drill target identification purposes. A program of works ("PoW") application was lodged with the Department of Mines Industry and Safety Regulation ("DMIRS") designed to implement an initial drill program across the three prospects. Drilling is expected to commence during the March 2018 quarter, subject to approval of the PoW by the DMIRS.

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

Detailed mapping of the Peg 9 area on a 1:100 scale was completed to optimise hole locations for a proposed maiden drilling program at the prospect, scheduled to commence following receipt of the required permits.

A Conservation Management Plan (CMP) for the Peg 9 area was approved by the Department of Biodiversity, Conservation and Attractions (DBCA) (previously the Department of Parks and Wildlife) during the period. The CMP is now awaiting final approval by the Department of Mines Industry Regulation and Safety (DMIRS).

#### **Lemare Spodumene Project, Quebec, Canada<sup>6</sup>**

The second stage of diamond drilling of the 600 metre long SW Extension of the Lemare spodumene pegmatite was completed during the period with the results reported on 17 August 2017. A total of 15 holes, for 1,527 m of NQ core, were drilled on nominal 50 m sections along the mapped extension of the spodumene-bearing pegmatite to the SW of a lake and the discovery zone that was drilled last year.

Multiple wide intercepts were returned from the SW Extension, confirming Lemare as a significant spodumene deposit, including:

**33.7 m @ 0.94% Li<sub>2</sub>O**, from 9.60 m, in hole LE-17-29  
**18.0 m @ 2.00% Li<sub>2</sub>O**, from 6.80 m, in hole LE-17-30

These results build on the spodumene mineralisation identified by last year's drilling at the Lemare discovery deposit, as reported on 24 November 2016, that included:

**28.5 m @ 2.15% Li<sub>2</sub>O**, from 5.50 m, in hole LE-16-13  
**24.0 m @ 1.87% Li<sub>2</sub>O**, from 13.5 m, in hole LE-16-14  
**21.0 m @ 1.75% Li<sub>2</sub>O**, from 38.8 m, in hole LE-16-03

The Lemare Spodumene Project is some 70 km<sup>2</sup> in area and is secured by the Lemare Option Agreement between the Company and project owner Critical Elements Corporation (TSX-V: CRE).

Under the terms of the Agreement, the Company is earning up to a 75% interest in the Project. To maintain its position, the Company had an initial requirement to spend C\$800,000 on exploration by

---

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

<sup>6</sup> Lepidico announced on 17 August 2017 drill results from Lemare and revised terms for its farm-in agreement to earn a 75% interest in the Lemare spodumene project from 100% owner Critical Elements Corporation (TSX-V: CRE).

31 August 2017 (extended from 31 December 2016 by agreement with CRE). With completion of the Stage 2 drilling program Lepidico met this requirement.

To complete the earn-in to an initial 50% interest in the project, the Company is to fund a further C\$1.2M of exploration and delineate a JORC Code compliant Mineral Resource by 31 August 2018. The Company can earn a further 25% interest by completing a feasibility study and an environmental study on Lemare by 30 June 2020 and by making a payment of C\$2.5M (in cash or shares) to Critical Elements Corporation.

Results generated to date suggest that the Lemare property has the potential to host a significant spodumene resource. The Company and the owner, Critical Elements Corporation Inc, are preparing exploration programs as part of the next phase of work at Lemare, which is to be completed by 31 August 2018.

#### **Other**

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

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

### **CORPORATE ACTIVITIES**

#### **Additional capital secured**

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

In addition, the Company extended an opportunity to existing shareholders to participate on similar terms through a one for six renounceable entitlement offer at \$0.01 per share. The entitlement offer was heavily oversubscribed with valid applications for more than 800 million new shares being received under the offer, consisting of approximately 372.75 million as entitlements, representing 92% of the total eligible amount, raising approximately \$3.7 million and an additional 431.05 million as applications for any shortfall. The Company's Underwriter, CPS Capital ("CPS"), also received interest in more than \$10 million from new investors. The shortfall of \$0.3 million was placed by CPS and the excess application funds were returned to applicants.

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

#### **Non-executive Directors Appointed**

Subsequent to the quarter end the appointments of Ms Cynthia Thomas and Mr Brian Talbot as Non-Executive Directors of the Company were announced.

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

Ms Thomas joins the Board as an independent Non-Executive Director with 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, Ms Thomas worked with Bank of Montreal, Scotiabank and ScotiaMcLeod in the corporate and investment banking divisions. Ms Thomas holds a Bachelor of Commerce degree from the University of Toronto and a Masters in Business Administration from the University of Western Ontario. Ms Thomas was formerly a Director of Polymet Mining Corp., KWG Resources Inc., Nautilus Minerals Inc. and is currently a Director and Chair of Victory Nickel Inc.

**Mr Brian Talbot**

Mr Talbot joins the Board as a Non-Executive Director and shareholder representative of Galaxy Resources Ltd, which currently holds a 11.9% interest in the Company. Mr Talbot is the General Manager of Galaxy's Mt Cattlin Operations and brings over 25 years' experience in both mine management and processing of lithium ores. He was most recently with Bikita Minerals in Zimbabwe, where he was instrumental in expanding plant throughput and increasing metallurgical recovery. Mr Talbot holds a Bachelor of Science in Chemical Engineering from the University of Witwatersrand, South Africa.

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001(Cth)* for the half year ended 31 December 2017 is included on page 11 of the Financial Report.

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 20<sup>th</sup> day of February 2018

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

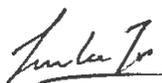
*AMC is a firm of mineral industry consultants whose activities include the estimation of Mineral Resources. AMC has been paid a fee according to its normal per diem rates and out-of-pocket expenses on completing the scope of work for Lepidico. The fee is not contingent on the results of the scope of work. Neither Dean Carville nor other AMC employees involved in completing the scope of work have any pecuniary or beneficial interest in Lepidico.*

*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.*

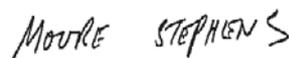
**AUDITORS INDEPENDENCE DECLARATION UNDER SECTION  
307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS  
OF LEPIDICO LIMITED**

I declare that to the best of my knowledge and belief, for the half year ended 31 December 2017 there has been:

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



SUAN-LEE TAN  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth this 20<sup>th</sup> day of February 2018

## Consolidated Statement of Profit and Loss and Other Comprehensive Income for the half year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Revenue		61,170	-
Other income		135,377	89,214
		<u>196,457</u>	<u>89,214</u>
Business development expenses		(226,014)	(168,357)
Administrative expenses	2	(960,428)	(674,673)
Employment benefits		(381,263)	(363,109)
Depreciation		(2,892)	(2,876)
Share based payments		(2,537,500)	(1,352,083)
Exploration and evaluation expenditure expensed		(5,355)	(317,022)
		<u>(3,916,995)</u>	<u>(2,788,906)</u>
Loss before income tax		(3,916,995)	(2,788,906)
Income tax expense		-	-
		<u>(3,916,995)</u>	<u>(2,788,906)</u>
Loss from continuing operations		(3,916,995)	(2,788,906)
Other comprehensive income		-	-
<b>Total comprehensive loss for the half year attributable to owners of the Group</b>		<b><u>(3,916,995)</u></b>	<b><u>(2,788,906)</u></b>
<b>Loss per share for the year attributable to the members of Lepidico Ltd</b>			
Basic and diluted loss per share		(0.002)	(0.002)

The accompanying notes form part of these financial statements.

## Consolidated Statement of Financial Position For the half year ended 31 December 2017

	Note	31 December 2017 \$	30 June 2017 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,552,997	3,307,337
Trade and other receivables		242,384	619,497
<b>TOTAL CURRENT ASSETS</b>		<u>7,795,381</u>	<u>3,926,834</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		86,434	86,003
Property, plant and equipment		7,887	7,732
Exploration and evaluation expenditure	3	2,364,906	1,619,842
Intangible asset	4	17,969,468	16,698,154
<b>TOTAL NON-CURRENT ASSETS</b>		<u>20,428,695</u>	<u>18,411,731</u>
<b>TOTAL ASSETS</b>		<u>28,224,076</u>	<u>22,338,565</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		316,834	1,662,855
Short-term provisions		73,311	45,797
<b>TOTAL CURRENT LIABILITIES</b>		<u>390,145</u>	<u>1,708,652</u>
<b>TOTAL LIABILITIES</b>		<u>390,145</u>	<u>1,708,652</u>
<b>NET ASSETS</b>		<u><b>27,833,931</b></u>	<u><b>20,629,913</b></u>
<b>EQUITY</b>			
Issued capital		40,149,811	31,491,798
Reserves		3,976,250	1,513,250
Accumulated losses		(16,292,130)	(12,375,135)
<b>TOTAL EQUITY</b>		<u><b>27,833,931</b></u>	<u><b>20,629,913</b></u>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity for the half year ended 31 December 2017

	Issued Capital		Accumulated Losses	Options Reserve	Total
	Number of shares	Amount \$			
		\$	\$	\$	\$
Balance at 1 July 2016	1,729,443,773	27,274,170	(7,017,892)	555,750	20,812,028
Loss for the period	-	-	(2,788,906)	-	(2,788,906)
Options issued during the period	-	-	-	1,352,083	1,352,083
Fair value of options exercised	-	32,500	-	(32,500)	-
Options exercised during the period	2,500,000	25,000	-	-	25,000
Shares issued during the period	18,593,818	527,752	-	-	527,752
Costs related to shares issued	-	(13,105)	-	-	(13,105)
<b>Balance at 31 December 2016</b>	<b>1,750,537,591</b>	<b>27,846,317</b>	<b>(9,806,798)</b>	<b>1,875,333</b>	<b>19,914,852</b>
Balance at 1 July 2017	2,035,978,065	31,491,798	(12,375,135)	1,513,250	20,629,913
Loss for the period	-	-	(3,916,995)	-	(3,916,995)
Options issued during the period	-	-	-	2,537,500	2,537,500
Fair value of options exercised	-	264,500	-	(264,500)	-
Options exercised during the period	32,500,000	642,500	-	-	642,500
Shares issued during the period	811,542,832	8,491,534	-	-	8,491,534
Costs related to shares issued	-	(740,521)	-	190,000	(550,521)
<b>Balance at 31 December 2017</b>	<b>2,880,020,897</b>	<b>40,149,811</b>	<b>(16,292,130)</b>	<b>3,976,250</b>	<b>27,833,931</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Cash Flows for the half year ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from external parties	89,482	32,000
Payments to suppliers and employees	(1,824,474)	(1,106,502)
Interest received	25,287	22,850
	<hr/>	<hr/>
Net cash used in operating activities	(1,709,705)	(1,051,652)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration and evaluation activities	(1,056,168)	(752,559)
Payments for research and development activities	(795,260)	(246,622)
Proceeds from research and development tax credit	467,718	106,790
Payments for property, plant and equipment	(3,047)	(8,754)
Proceeds from sale of tenements	110,000	-
	<hr/>	<hr/>
Net cash used in investing activities	(1,276,757)	(901,145)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares (net of costs)	6,589,622	3,366,345
Proceeds from exercise of options	642,500	27,761
	<hr/>	<hr/>
Net cash provided by financing activities	7,232,122	3,394,106
Net increase in cash held	4,245,660	1,441,309
Cash at beginning of financial year	3,307,337	650,260
	<hr/>	<hr/>
<b>Cash at end of financial period</b>	<b>7,552,997</b>	<b>2,091,569</b>

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements for the Half-Year ended 31 December 2017

### 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. 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.

### Basis of Preparation

This general purpose interim financial report for the half year reporting period ended 31 December 2017 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Consolidated Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group and does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Lepidico Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied are the same as those applied by Lepidico Ltd in its annual report for the year ended 30 June 2017.

These financial statements were authorised for issue on 20 February 2018.

### 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 \$3,916,995 for the half year to 31 December 2017 and had a net cash outflow from operations of \$1,709,705 for the period. 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 \$7,405,236 as at 31 December 2017.

**Note 2: Administrative Expenses**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
Office & general	191,570	110,022
Professional services	431,359	236,110
Compliance related	164,506	106,510
Travel	154,652	105,108
	<u>942,087</u>	<u>557,750</u>

**Other Significant Administrative Expenses**

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

Legal Costs associated with settled dispute	-	116,923
Takeover Defence	18,341	-
	<u>960,428</u>	<u>674,673</u>

**Note 3: Exploration and Evaluation Expenditure**

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Exploration expenditure	<u>2,364,906</u>	<u>1,619,842</u>

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

	<b>6 months ended 31 December 2017</b>	<b>12 months ended 30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of movements during the period:</b>		
Balance at the beginning of period	1,619,842	614,797
Exploration and evaluation costs capitalised	750,419	1,882,664
Exploration and evaluation costs written off	(5,355)	(877,619)
<b>Balance at the end of the period</b>	<u><b>2,364,906</b></u>	<u><b>1,619,842</b></u>

**Note 4: Intangible asset**

	<b>6 months ended 31 December 2017 \$</b>	<b>12 months ended 30 June 2017 \$</b>
L-Max <sup>®</sup> Technology	17,969,468	16,698,154

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

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

	<b>6 months ended 31 December 2017 \$</b>	<b>12 months ended 30 June 2017 \$</b>
<b>Reconciliation of movements during the period:</b>		
Balance at the beginning of period	16,698,154	16,203,762
Development costs capitalised	1,271,314	1,246,891
Research and Development Tax Credit received/receivable	-	(752,499)
<b>Balance at the end of the period</b>	<b>17,969,468</b>	<b>16,698,154</b>

**Note 5: Share Based Payments**

During the period the Company made the following share based payments:

**a) Lycopodium Minerals Pty Ltd**

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

**b) Maximus Resources Ltd**

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

**c) Bacchus Capital Advisers**

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

**d) CPS Capital and Galaxy Resources**

On 8 November 2017, the Company issued 5,000,000 options to CPS Capital and Galaxy Resources respectively as part of the the Underwriting and Sub-underwriting Agreements for the Entitlement Offer. The option exercise price was set at a 50% premium above the Entitlement Offer price.

**e) Related Party Options**

On 23 November 2017, the Company issued a total of 50,000,000 options to Directors and Employees under the Company's Share Option Plan. The option exercise price was set at \$0.091 per share, being a 50% premium to the closing price on the day immediately preceding the issue.

**Note 6: Contingent Liabilities and Contingent Assets**

There are no contingent liabilities as at 31 December 2017.

**Note 7: Segment reporting**

**Reportable Segments**

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

	Mineral Exploration	Technology	Corporate & Unallocated items	Total
	\$	\$	\$	\$
<b>(i) Segment performance</b>				
<b>Half year ended 31 December 2017</b>				
Revenue	110,000	61,170	25,287	196,457
Total Profit/(Loss)	104,645	51,221	(4,072,861)	(3,916,995)
<b>Half year ended 31 December 2016</b>				
Revenue	66,364	-	22,850	89,214
Total Profit/(Loss)	(245,867)	(116,924)	(2,426,115)	(2,788,906)
<b>(ii) Segment assets</b>				
As at 31 December 2017	2,364,906	17,969,468	7,889,703	28,224,076
As at 30 June 2017	1,619,842	16,698,154	4,020,569	22,338,565

**Note 7: Segment reporting (continued)**
**Geographical Information**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Australia	196,457	89,214
<b>Total Revenue</b>	<b>196,457</b>	<b>89,214</b>
<b>Profit/(Loss) after tax</b>		
Australia	(3,916,995)	(2,788,906)
<b>Total Profit/(Loss) after tax</b>	<b>(3,916,995)</b>	<b>(2,788,906)</b>
	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Australia	26,027,601	20,755,063
Canada	1,501,621	1,414,968
Portugal	694,854	168,534
<b>Total Assets</b>	<b>28,224,076</b>	<b>22,338,565</b>

**Note 8: Commitments**
**Operating lease commitments**

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	120,285	122,400
After one year but less than two years	-	38,035
	<b>120,285</b>	<b>160,435</b>

**Note 8: Commitments (continued)**

**Exploration lease commitments**

The Group must meet the following tenement expenditure commitments to maintain them in good standing until they are farmed out, sold, reduced, relinquished, exemptions from expenditure are applied or are otherwise disposed of.

These commitments, net of farm outs, are not provided for in the financial statements and are:

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	1,494,456	1,207,874
After one year but less than five years	-	203,656
	<b>1,494,456</b>	<b>1,411,530</b>

**Note 9: Events Subsequent to Reporting Date**

**a) Non Executive Directors Appointed**

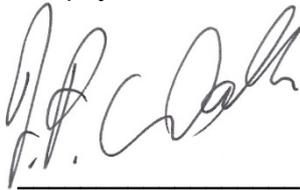
On 10 January 2018 Ms Cynthia Thomas and Mr Brian Talbot were appointed as Non-Executive Directors of the Company.

Ms Thomas joins the Board as an independent Non-Executive Director. Mr Talbot joins the Board as a Non-Executive Director and shareholder representative of Galaxy Resources Ltd, which currently holds an 11.9% interest in the Company.

## Directors' Declaration

In accordance with a resolution of the directors of Lepidico Ltd, the directors of the Company declare that:

1. The financial statements and notes, as set out on pages 12 to 21 are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
  
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



---

Joe Walsh  
Managing Director

Dated this 20<sup>th</sup> day of February 2018

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

### REPORT ON THE REVIEW OF THE FINANCIAL REPORT

#### Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Lepidico Limited which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Lepidico Limited's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Lepidico Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act, which has been given to the directors of Lepidico Limited, would be in the same terms if provided to the directors as at the time of this auditor's review report.

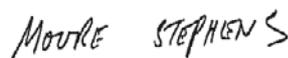
*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lepidico Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



SUAN-LEE TAN  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth on 20<sup>th</sup> the day of February 2018