

LEPIDICO LTD
ACN 008 894 442

ENTITLEMENT ISSUE PROSPECTUS

For a renounceable entitlement issue of one (1) Share for every nine (9) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.029 per Share to raise up to \$10,814,342 (based on the number of Shares on issue as at the date of this Prospectus) together with one (1) free attaching Option (**New Option**) for every two (2) Shares subscribed for and issued (**Offer**).

The Offer is partially underwritten by CPS Capital Group Pty Ltd (**Underwriter**). Refer to Section 8.4 for details regarding the terms of the Underwriting Agreement. CPS Capital Group Pty Ltd are also acting as Lead Manager to the Offer.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Gary Johnson
Non-Executive Chairman

Julian "Joe" Walsh
Managing Director

Tom Dukovic
Executive Director

Mark Rodda
Non-Executive Director

Cynthia Thomas
Non-Executive Director

Brian Talbot
Non-Executive Director

Joint Company Secretaries

Shontel Norgate

Alex Neuling

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

Auditor*

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

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

Registered Office

23 Belmont Avenue
Belmont WA 6104

Telephone: + 61 8 9363 7800
Facsimile: +61 8 9363 7801

Email: info@lepidico.com
Website: www.lepidico.com

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Lead Manager and Underwriter

CPS Capital Group Pty Ltd
Level 45, 108 St Georges Terrace
Perth WA 6000

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. TIMETABLE

| | |
|---|------------------------|
| Lodgement of Prospectus with the ASIC | Tuesday, 7 May 2019 |
| Lodgement of Prospectus & Appendix 3B with ASX | Tuesday, 7 May 2019 |
| Notice sent to Optionholders | Tuesday, 7 May 2019 |
| Notice sent to Shareholders | Thursday, 9 May 2019 |
| Ex date | Friday, 10 May 2019 |
| Rights start trading | Friday, 10 May 2019 |
| Record Date for determining Entitlements | Monday, 13 May 2019 |
| Prospectus sent out to Shareholders & Company announces this has been completed | Tuesday, 14 May 2019 |
| Rights stop trading | Wednesday, 22 May 2019 |
| Shares quoted on a deferred settlement basis | Thursday, 23 May 2019 |
| Last date for the Closing Date to be extended | Friday, 24 May 2019 |
| Closing Date* | Wednesday, 29 May 2019 |
| ASX notified of under subscriptions | Friday, 31 May 2019 |
| Issue date/Shares entered into Shareholders' security holdings/Deferred settlement trading ends | Wednesday, 5 June 2019 |
| Quotation of Shares and New Options issued under the Offer* | Thursday, 6 June 2019 |

*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 7 May 2019 and was lodged with the ASIC on that date. The ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

3.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

The Company cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7.

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a renounceable entitlement issue of one (1) Share for every nine (9) Shares held by Shareholders registered at the Record Date at an issue price of \$0.029 per Share together with one (1) New Option (exercisable at \$0.05 on or before the third anniversary of the date of issue for every two (2) Shares subscribed for and issued. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus and assuming all Entitlements are accepted, a maximum of 372,908,354 Shares and 186,454,177 New Options will be issued pursuant to this Offer to raise up to \$10,814,342. No funds will be raised from the issue of the New Options.

As at the date of this Prospectus the Company has 395,518,031 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 5.4 for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6.1 for further information regarding the rights and liabilities attaching to the Shares.

All of the New Options offered under this Prospectus will be issued on the terms and conditions set out in Section 6.2. The Company will apply for quotation of the New Options.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1.

4.2 What Eligible Shareholders may do

The number of Shares to which Eligible Shareholders are entitled is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) take up all of their Entitlement (refer to Section 4.3);
- (b) take up all of their Entitlement and apply for Shares under the Shortfall Offer (Section 4.4);
- (c) sell all of their Entitlement on ASX (refer to Section 4.4);
- (d) take up a proportion of their Entitlement and sell the balance on ASX (refer to Section 4.6);
- (e) take up a proportion of their Entitlement and allow the balance to lapse (refer to Section 4.7);
- (f) sell all or a proportion of their Entitlement other than on ASX (refer to Section 4.8); or
- (g) allow all or part of their Entitlement lapse (refer to Section 4.9).

4.3 Taking up all of your Entitlement

Should you wish to accept all of your Entitlement, then applications for Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the Application Monies indicated on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to the account name set out in the Entitlement and Acceptance Form and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's Share Registry (by delivery or by post) in accordance with the details set out in the Entitlement and Acceptance Form.

If you wish to pay via BPAY® you must follow the personalised instructions in your Entitlement and Acceptance Form. Make sure that you use the specific Biller Code and unique Customer Reference Number (CRN) on your personalised Entitlement and Acceptance Form. You do not need to return a completed Entitlement and Acceptance Form but are taken to have made the declarations in the Entitlement and Acceptance Form and the representations outlined below in Section 4.10. If you have more than one shareholding of Shares and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those Shareholdings only use the CRN specific to that Shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same CRN for more than one of your Shareholdings. This can result in your Application Monies being applied to your Entitlement in respect of only one of your Shareholdings (with the result that any application in respect of your remaining Shareholdings will not be valid).

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 4:00pm (AEST) on the Closing Date.

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

4.4 Taking up all of your Entitlement and applying for Shares under the Shortfall Offer

Should you wish to accept all of your Entitlement and apply for Shares under the Shortfall Offer, then applications for Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

4.5 Selling all your Entitlement on ASX

The Entitlements under the Offer are renounceable which means that all or part of an Eligible Shareholder's rights to subscribe for Shares under the Offer may be traded on ASX. If you wish to sell all of your Entitlement on ASX, provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of

Entitlements will commence on ASX on 10 May 2019 and will cease on 22 May 2019.

There is no guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.

4.6 Taking up a proportion of your Entitlement and selling the balance on ASX

If you wish to take up only part of your Entitlement, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in Section 4.3, or make a payment by BPAY in accordance with Section 4.13.

Subsequently, provide instructions to your stockbroker regarding the proportion of your Entitlement you wish to sell on ASX.

4.7 Taking up a proportion of your Entitlement and allowing the balance to lapse

If you wish to take up only part of your Entitlement and allow the balance to lapse, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in Section 4.3. If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up or selling that part of your Entitlement.

4.8 Selling all or a proportion of your Entitlement other than on ASX

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible Shareholder or a person that would be an Ineligible Shareholder if they were a registered holder of Shares, that purchaser will not be able to take up the Entitlement they have purchased.

If you are a shareholder on the issuer sponsored subregister and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) and the applicable transferee's cheque for the Shares they wish to subscribe for payable to the account name set out in the Entitlement and Acceptance Form and crossed "Not Negotiable" to the Share Registry (by delivery or by post at any time after the issue of this Prospectus and on or before the Closing Date) in accordance with the details set out in the Entitlement and Acceptance Form.

If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHES subregister you must engage your CHES controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The Application Monies for Shares the transferee of the Entitlement wants to acquire must be received by Share Registry in accordance with Section 4.3.

4.9 Allow all or part of your Entitlement to lapse

Shareholders should be aware that their Entitlement may have value. Entitlement are renounceable, which enable Eligible Shareholders who do not wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement on ASX.

If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, the Offer to you will lapse.

4.10 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application Monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the application may not be varied or withdrawn except as required by law.

4.11 Minimum subscription

On the basis that the Offer is partially underwritten by the Underwriter to \$3,000,000, the minimum subscription under the Offer is \$3,000,000.

4.12 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to the account name set out in the Entitlement and Acceptance Form and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00pm (AEST) on the Closing Date.

4.13 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00pm (AEST) on the Closing Date. You should be aware that your financial institution may implement either cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

One (1) New Option with an exercise price of \$0.05 and an expiry date on the third anniversary of the issue date will be issued for every two (2) Shares subscribed for and issued under the Offer.

4.14 Underwriting

The Offer is partially underwritten by the Underwriter up to \$3,000,000. Refer to Section 8.4 for details of the terms of the underwriting.

4.15 Effect on control of the Company and potential dilution to Shareholders

If all Entitlements are accepted by Shareholders to the full extent, then the Offer will not result in any change to the control of the Company. If all Entitlements under the Offer are not accepted to the full extent, then the shareholding interest of non-participating Shareholders will be diluted.

The Underwriter is not presently a shareholder of the Company, therefore the extent to which Shares are issued pursuant to the underwriting will increase the Underwriter's voting power in the Company. The Underwriter is not a related party of the Company for the purposes of the Corporations Act. The Underwriter does not currently have a relevant interest in any Shares or Options and at a maximum will only be required to underwrite 103,448,276 Shares and 51,724,138 New Options. This equates to a maximum voting power of the Underwriter of 2.77% on an undiluted basis.

In addition, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 10% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders is set out in the table below:

| Holder | Holding as at Record date | % at Record Date | Entitlements under the Offer | Holdings if Offer not taken Up | % post Offer |
|---------------|---------------------------|------------------|------------------------------|--------------------------------|--------------|
| Shareholder 1 | 50,000,000 | 1.490% | 5,555,556 | 50,000,000 | 1.341% |
| Shareholder 2 | 25,000,000 | 0.745% | 2,777,778 | 25,000,000 | 0.670% |
| Shareholder 3 | 10,000,000 | 0.298% | 1,111,112 | 10,000,000 | 0.268% |
| Shareholder 4 | 1,000,000 | 0.030% | 111,112 | 1,000,000 | 0.027% |
| Shareholder 5 | 100,000 | 0.003% | 11,112 | 100,000 | 0.003% |

Notes:

1. This is based on a share capital of 3,356,175,188 Shares.
2. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted by Eligible Shareholders are placed under the Shortfall Offer. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

In addition, the Underwriting Agreement includes a provision that the Underwriter will ensure that no person will acquire, through sub-underwriting the Offer, a holding of Shares of an amount in excess of 19.9% of all the Shares on issue on completion of the Offer.

4.16 Lead Manager and Underwriter

CPS Capital Group Pty Ltd has been appointed as lead manager and underwriter to the Offer. The terms of the appointment of the Lead Manager are summarised in Section 8.4.

4.17 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.029 being the price at which Shares have been offered under the Offer.

Allocation of the Shortfall Securities is at the absolute discretion of the Directors, in consultation with the Underwriter. There is no guarantee that Eligible Shareholders will receive Shortfall Securities applied for under the Shortfall Offer.

4.18 ASX listing

Application for Official Quotation of the Securities offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Securities offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Securities and will repay all Application Monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.19 Issue

Securities issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Securities issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Securities issued under the Shortfall Offer as soon as practicable after their issue.

4.20 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of

complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

New Zealand

The Offer is being made in New Zealand in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

United Kingdom

Neither the information in this Prospectus nor any other document relating to the Offer or Shortfall Offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

Canada (Ontario)

This document constitutes an offering of Shares and Options only in the Province of Ontario, (the **Province**) and to those persons to whom they may be lawfully distributed in the Province, and only by persons permitted to sell such Shares and Options. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Province. This document may only be distributed in the Province to persons that are 'accredited investors' within the meaning of NI 45-106 – Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Province has reviewed or in any way passed upon this document, the merits of the Shares and Options or the offering of the Shares and Options and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Province with respect to the offering of the Shares and Options or the resale of such securities. Any person in the Province lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Shares and Options in the Province must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the Shares and Options outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the Shares and Options.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgement against the Company or such persons in Canada or to enforce a judgement obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages or rescission

Securities legislation in the Province may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of the Province for the particulars of these rights or consult with a legal adviser.

Certain Canadian income tax considerations

Prospective purchasers of the Shares and Options should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Shares and Options as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Province.

Language of documents in Canada

Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Shares and Options (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Appointment of nominee

Pursuant to ASX Listing Rule 7.7, the Company has appointed a nominee, CPS Capital Group Pty Ltd, to sell the Entitlements to which Ineligible Shareholders are entitled. The nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Ineligible Shareholders as described below.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the Ineligible Shareholders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the nominee may sell Entitlements, Ineligible Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements or to sell them at a particular price. If, in the reasonable opinion of the nominee, there is no viable market for the Entitlements of the Ineligible Shareholders, or a surplus over the expenses of the sale cannot be obtained the Entitlements that would have been offered to the Ineligible Shareholders, then those Entitlements will be allowed to lapse. The Shares not taken up will form part of the Shares to be taken up by the Underwriter pursuant to the Underwriting Agreement.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.21 Enquiries

Any questions concerning the Offer should be directed to Alex Neuling, Joint Company Secretary, on +61 8 9363 7800.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$10,814,342.

As announced to ASX on 7 May 2019, the Company is currently party to a plan of arrangement (**Plan of Arrangement**) with Desert Lion Energy Inc, a company incorporated and operating under the laws of Canada (**Desert Lion**). Desert Lion is a TSX Venture Exchange (**TSXV**) listed entity operating under the TSXV code DLI. Pursuant to the terms of the plan of arrangement, the Company has agreed to acquire 100% of the issued capital of Desert Lion by issuing 5.4 Shares to Desert Lion Shareholders, for every one (1) Desert Lion Share held by Desert Lion Shareholders (**Acquisition**). The Company proposes to use some of the proceeds of the Offer towards integration costs associated with the Acquisition, which include merging Desert Lion's balance sheet into Lepidico and including its Namibian assets into the Phase 1 Feasibility Study.

Completion of the Acquisition is subject to the fulfilment of certain conditions precedent. If the Acquisition is not completed, the Company intends on applying the proceeds of the Offer allocated to the Acquisition towards other acquisition opportunities and Mineral Resource development. The funds raised from the Offer are planned to be used in accordance with the table set out below:

| Item | Proceeds of the Offer | Full Subscription (\$) | % | Minimum Subscription (\$) | % |
|------|--|------------------------|------------|---------------------------|------------|
| 1. | Integration of Desert Lion Energy Inc ¹ | \$3,000,000 | 28% | \$2,500,000 | 83% |
| 2. | LOH-Max™ engineering and revised location evaluation for Phase 1 Plant Feasibility Study | \$2,000,000 | 18% | - | - |
| 3. | Product development including Pilot Plant operations | \$1,000,000 | 9% | - | - |
| 4. | Mineral Resource and mine development, Namibia | \$1,000,000 | 9% | - | - |
| 5. | Mineral Resource and mine development, Portugal | \$1,000,000 | 9% | - | - |
| 6. | Exploration | \$1,000,000 | 9% | - | - |
| 7. | Expenses of the Offer ² | \$489,296 | 5% | \$349,238 | 12% |
| 8. | Working capital ³ | \$1,325,046 | 12% | \$150,762 | 5% |
| | Total | \$10,814,342 | 100 | \$3,000,000 | 100 |

Notes:

1. Refer to the Company's ASX announcement dated 7 May 2019 for further details regarding the proposed acquisition of Desert Lion Inc.

2. Refer to Section 8.9 for further details relating to the estimated expenses of the Offer.
3. Working Capital will be allocated as follows:

| | |
|-----------------------|--------------------|
| Salary and Wages | \$576,075 |
| Business Development | \$340,283 |
| Office and General | <u>\$408,688</u> |
| Total Working Capital | <u>\$1,325,046</u> |

In the event the Company raises more than the Underwritten Amount of \$3,000,000, the additional funds raised will be prioritised towards new process and product development and the development of lithium mineral assets.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$10,325,046 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer;
- (b) increase the number of Shares on issue from 3,356,175,188 as at the date of this Prospectus to 3,729,083,542 Shares; and
- (c) increase the number of Options on issue from 395,518,031 as at the date of this Prospectus to 581,972,208 Options following completion of the Offer.

5.3 Pro-forma balance sheet

The unaudited balance sheet as at 31 March 2019 and the unaudited pro-forma balance sheet as at 31 March 2019 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

| | UNAUDITED 31 March 2019 | PROFORMA 31 March 2019 |
|--|--|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 4,926,176 | 15,251,222 |
| Trade and other receivables | 164,339 | 164,339 |
| TOTAL CURRENT ASSETS | 5,090,515 | 15,415,561 |
| | | |
| NON-CURRENT ASSETS | | |
| Trade and other receivables | 87,655 | 87,655 |
| Property, plant and equipment | 21,263 | 21,263 |
| Exploration and evaluation expenditure | 1,864,976 | 1,864,976 |
| Intangible Asset | 23,313,662 | 23,313,662 |
| TOTAL NON-CURRENT ASSETS | 25,287,556 | 25,287,556 |
| | | |
| TOTAL ASSETS | 30,378,071 | 40,703,117 |
| | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 57,428 | 57,428 |
| Short-term provisions | 82,258 | 82,258 |
| TOTAL CURRENT LIABILITIES | 139,688 | 139,688 |
| | | |
| TOTAL LIABILITIES | 139,686 | 139,688 |
| | | |
| NET ASSETS | 30,238,385 | 40,563,431 |
| | | |
| EQUITY | | |
| Share capital | 48,950,899 | 59,275,945 |
| Reserves | 3,845,149 | 3,845,149 |
| Retained loss | (22,557,663) | (22,557,663) |
| TOTAL EQUITY | 30,238,385 | 40,563,431 |

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below.

Shares

| | Number |
|--|----------------------|
| Shares currently on issue | 3,356,175,188 |
| Shares offered pursuant to the Offer | 372,908,354 |
| Total Shares on issue after completion of the Offer¹ | 3,729,083,542 |

Options

| | Number |
|--|--------------------|
| Options currently on issue: | |
| Unquoted exercisable at \$0.015 on or before 8 November 2019 | 5,000,000 |
| Unquoted exercisable at \$0.091 on or before 23 December 2020 | 50,000,000 |
| Unquoted exercisable at \$0.025 on or before 31 December 2019 | 42,500,000 |
| Unquoted exercisable at \$0.025 on or before 31 December 2019 | 12,500,000 |
| Unquoted exercisable at \$0.026 on or before 22 November 2021 | 65,000,000 |
| Quoted exercisable at \$0.045 on or before 30 September 2020 | 220,518,031 |
| New Options to be issued pursuant to the Offer: | |
| Quoted exercisable at \$0.05 on or before the third anniversary of the date of issue | 186,454,177 |
| Total Options on issue after completion of the Offer | 581,972,208 |

The capital structure on a fully diluted basis as at the date of this Prospectus would be 3,751,693,219 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 4,311,055,750 Shares.

5.5 Details of substantial holders

Based on available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

| Shareholder | Shares | % |
|---|-------------|-------|
| Strategic Metallurgy Pty Ltd and Gary Johnson | 361,952,211 | 10.78 |
| Galaxy Resources Ltd | 370,000,000 | 11.02 |

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

The Company has been advised that Galaxy Resources Ltd (ASX: GXY) intends to take up its full entitlement in the Entitlements Offer. In addition, Bacchus Capital Advisers Ltd, Lepidico's financial adviser, has advised its intention to take up its rights under the Entitlement Offer. Strategic Metallurgy does not currently intend on taking up its Entitlements. Gary Johnson currently intends on taking up his Entitlements in his personal capacity.

6. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

6.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of

the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

6.2 New Options

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the third anniversary of the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

7. RISK FACTORS

7.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) Potential for significant dilution

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase from 3,356,175,188 currently on issue to 3,729,083,542. This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.038 is not a reliable indicator as to the potential trading price of Shares after implementation completion of the Offer.

(b) L-Max® Technology Risk

The L-Max® Technology is a new process that has only been tested under small, controlled, continuous closed-circuit laboratory conditions and at a mini-plant scale. The technology has not been scaled up and tested and may not be technically feasible, may not perform the process as it was designed, may prove uneconomic, unreliable and may not be developed on a timely basis. Refer to **Pilot Plant commissioning not completed** (Section 7.2 (f) below).

Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.

The L-Max® Technology is a proprietary process that is the subject of a granted Australian Innovation Patent and a number of patent applications across several countries.

Although the Company is not aware of any third party interests in relation to the L-Max[®] Technology, there is always a risk of third parties claiming involvement in technological discoveries, and if any disputes arise, they could adversely affect the Company.

Although the Company will implement all reasonable endeavours to protect its L-Max[®] Technology, there can be no assurance that these measures have been, or will be sufficient.

(c) **LOH-Max[™] Technology Risk**

The LOH-Max[™] Technology is a new process that has only been tested under small, controlled laboratory conditions. The technology has not been scaled up and tested under continuous operation and may not be technically feasible, may not perform the process as it was designed, may prove uneconomic, unreliable and may not be developed on a timely basis.

Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.

The LOH-Max[™] Technology is a proprietary process that is owned by Bright Minz Pty Ltd that is the subject of a provisional patent application. The Company is entitled to a royalty free licence and holds the exclusive marketing rights in exchange for funding the development costs.

Although the Company is not aware of any third party interests in relation to the LOH-Max[™] Technology, there is always a risk of third parties claiming involvement in technological discoveries, and if any disputes arise, they could adversely affect the Company.

Although the Company will implement all reasonable endeavours to protect the LOH-Max[™] Technology, there can be no assurance that these measures have been or will be sufficient.

(d) **Licensing of Technology**

The Company has entered into binding licencing arrangements for its L-Max Process. The Company will only receive a monetary gain from those arrangements if the licensee is able to effectively commercialise the L-Max[®] Process. There is a risk of poor licensee strategy or execution which may impact the success of the L-Max[®] Process on third party deposits.

A dispute over the licencing arrangements between the Company and the licensees may result in costly legal fees.

(e) **No profit to date and uncertainty of future profitability**

Lepidico has incurred losses in the past and it is therefore not possible to evaluate the Company's future prospects based on past performance. Lepidico expects to make losses in the foreseeable future even though the L-Max[®] technology might become commercialised. Factors that will determine Lepidico's future profitability are its ability to manage its costs, its ability to execute its development and growth strategies in relation to both exploration and the L-Max[®] technology, the success of its activities in a competitive market, the actions of competitors and regulatory

developments. As a result, the extent of future profits, if any, and the time required to achieve sustainable profitability, is uncertain. In addition, the level of any such future profitability (or loss) cannot be predicted.

(f) **Pre-feasibility Study results**

The Company has completed a PFS for a Phase 1 L-Max[®] Plant (**Plant**) located in Canada. However, the PFS contains statements that are only predictions, based on certain assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond Lepidico's control. Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement contained in the PFS. The inclusion of such statements in the PFS should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions or that any forward-looking statements will be or are likely to be fulfilled. Lepidico undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of the PFS (subject to securities exchange disclosure requirements). The information in the PFS does not take into account the objectives, financial situation or particular needs of any person. Nothing contained in this announcement constitutes investment, legal, tax or other advice.

The assumptions set out in the PFS contain reference to broad indicative plant operating parameters (**Parameters**) for the purpose of the FS which have been developed through scoping level work and subsequent PFS work. For the avoidance of doubt, investors are advised that the Parameters expected to be adopted for the FS do not constitute a production forecast or target in relation to mineral resources associated with any project owned by the Company. The Company wishes to expressly clarify that any references in the PFS to annual production rates relate to scoping and planning parameters and are not a production target. The Company cautions investors against using any statements made in the PFS which may indicate or amount to the reporting of a production target or forecast financial information, as a basis for making any investment decisions about Shares. The primary purpose of disclosing the FS Parameters is to inform on the scope of work for the study and provide an estimate of the intended scale of a potential future Phase 1 L-Max[®] Plant.

Lepidico advises that caution should be exercised in relying on the assumptions in the PFS when analysing the estimates of the potential financial contribution from the Plant. There can be no assurance that statements made in the PFS will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

(g) **L-Max[®] Pilot Plant commissioning not completed**

The Company has commenced commissioning of a 15 kilogram per hour research and development pilot plant employing similar equipment to that in the Phase 1 L-Max[®] plant design. Where possible, major equipment has been sourced from the same original equipment manufacturer (OEM) as that planned for the Phase 1 Plant. The pilot plant is intended to reduce the scale-up ratio to around 460 times (15kg/hr to 6.9t/hr), one tenth of that versus scale-up from mini-plant operation. The pilot plant is expected to provide material for further product development work, in particular for: amorphous silica, SOP fertiliser, caesium brine and the

environmental remediation residue. The lithium carbonate produced from the pilot plant is planned to be used to provide samples for testing by prospective customers. The pilot plant will also generate data for optimisation of Phase 1 Plant operating parameters.

Commissioning of the pilot plant commenced on 17 April 2019 and at the date of this Prospectus has not commenced processing lepidolite concentrate. The pilot plant may not perform the process as it was designed and may prove unreliable.

(h) **Feasibility Study not completed**

Lepidico has commenced but not completed a feasibility study (**FS**) for a Phase 1 L-Max[®] Plant and the results of the FS, if completed, may be delayed depending on the results from the pilot plant and may vary materially from the results contained in the PFS.

(i) **Desert Lion Transaction not closing**

As announced to ASX on 7 May 2019, the Company is currently party to a Plan of Arrangement with Desert Lion. Desert Lion is a TSXV listed entity operating under the TSXV code DLI. Pursuant to the terms of the plan of arrangement, the Company has agreed to acquire 100% of the issued capital of Desert Lion by issuing 5.4 Shares to Desert Lion shareholders, for every one (1) Desert Lion share held by Desert Lion shareholders.

Completion of the Acquisition is subject to the fulfilment of certain conditions precedent. The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Plan of Arrangement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

If, for any reason, the terms of the Plan of Arrangement are breached by any party, the Acquisition may not proceed in which case the Company will need to evaluate its future strategy.

(j) **Government licences and approvals**

Lepidico through its direct and indirect participation in corporations, partnerships or joint ventures holds interests in properties in Australia, Portugal and Canada. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements. Outcome in courts in other jurisdictions may be less predictable than in Australia, which could affect the enforceability of contracts entered into.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations of Lepidico. Lepidico has made its investment and strategic decisions based on the information currently available to the Directors,

however should there be any material change in the political, economic, legal and social environments in Australia, Portugal and Canada, the Directors may reassess investment decisions and commitments to assets in these jurisdictions.

(k) **Conflicts of Interest**

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures. Situations may arise where the other interests of these Directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and are required to follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

(l) **Management of growth**

The ability of Lepidico to implement its strategy requires effective planning and management control systems. Lepidico's plans may place a significant strain on the Company's management, operational, financial and personnel resources. The Company's future growth and prospects will depend on its ability to manage this growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

(m) **New project risk**

As part of its business strategy, the Company may evaluate new business opportunities and make acquisitions of or significant investments in other resource or non-resource projects. Projects may be located in Australia or overseas. Should a suitable new business opportunity be identified, it will then need to be assessed for its technical, legal and commercial suitability. There is no guarantee that any proposed acquisition of a new business or project will be completed or will be successful. Identification and evaluation of a business opportunity or a project can take considerable time and consume significant cash resources.

(n) **Increases in capital and operating costs**

The actual capital and operating costs could be significantly higher than the estimates, particularly if there are material changes in project scope or delays to the construction of the Phase 1 L-Max[®] Plant or significant movements in inflationary factors. There can be no assurance that actual capital costs and operating costs will be as estimated in the PFS.

7.3 Industry specific

(a) International operations

Any potential future operations of Lepidico in overseas jurisdictions are subject to a number of risks, including:

- (i) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- (ii) potential difficulties in protecting rights and interests in assets; and
- (iii) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.
- (iv) any of these factors could materially and adversely affect Lepidico's business, results of operations and financial condition.

(b) Exploration, geological and development risks

Mineral exploration and development are speculative and high risk activities that requires large amounts of expenditure over extended periods of time and may be impeded by circumstances and factors beyond Lepidico's control. The Company's ability to succeed in these practices involves (amongst other things):

- (i) discovery and proving-up, or acquiring, an economically recoverable mineral resource or reserve;
- (i) access to adequate capital throughout the acquisition/discovery and project development phases of a mineral exploration project;
- (ii) securing and maintaining title to such mineral exploration projects;
- (iii) obtaining required development consents and approvals necessary for the acquisition, exploration, development and production phases of the project; and
- (iv) accessing the necessary experienced operational staff, the applicable financial management and recruiting skilled contractors, consultants and employees.

There can be no assurance that forthcoming exploration programmes, or subsequent exploration programmes, will result in the realisation of the Company's objectives such as the discovery of an economic mineral resource. Even if an apparently viable mineral resource is identified, there is no guarantee that it can be economically exploited. Further, conclusions drawn during mineral exploration are subject to the uncertainties associated with all sampling techniques and to the risk of incorrect interpretation or geological, geochemical, geophysical, drilling and other data.

(c) **Operational and technical risks**

The operations of the Company may be affected by various factors, including but not limited to:

- (i) Failure to locate or identify mineral deposits;
- (ii) Failure to achieve predicted grades and tonnes in exploration and mining;
- (iii) Operational and technical difficulties encountered in mining;
- (iv) Insufficient or unreliable infrastructure, such as power, water and transport;
- (v) Difficulties in commissioning and operating plant and equipment;
- (vi) Mechanical failure or plant breakdown;
- (vii) Unanticipated metallurgical problems which may affect extraction costs;
- (viii) Adverse weather conditions;
- (ix) Industrial and environmental accidents;
- (x) Industrial disputes and labour shortages; and
- (xi) Unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(d) **Commodity price fluctuations**

The Company is seeking to develop projects which will be reliant on the prices of various commodities including lithium and various by-products. Lithium is considered an industrial mineral and the sales prices for the different lithium compounds are not public. Lithium is not a traded commodity like base and precious metals. Therefore, it is possible that the sales prices used in the Pre-Feasibility Study will be different than the actual prices at which the Company is able to sell its lithium compounds. Commodity and product prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include foreign currency fluctuation, worldwide and regional supply and demand for commodities and chemicals, industrial disruption, forward selling by producers and production cost levels, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

(e) **Lithium Demand**

There are a limited number of producers of lithium compounds and it is possible that these existing producers will try to prevent new-comers from entering the chain of supply by increasing their production capacity and lowering sales prices. The Company intends to produce lithium

carbonate to be used in the making of cathodes for rechargeable batteries. If cathode manufacturers use less lithium carbonate than expected, or if the demand for rechargeable batteries, mainly used in electric and hybrid vehicles, is less than forecasted, it could have a material adverse effect on the sales price, profitability and development strategy of the Company.

In addition, the commercialisation of new technology carries the risk that, at any stage, of development it may be deemed uncommercial for a variety of reasons, including the development of newer and better technologies. A decrease in the demand for lithium, by virtue of technological displacement, would have a significant impact on the Company's business model, operating results and financial position.

(f) **Title risk**

Interests in exploration licences are governed by the national legislation in the relevant jurisdiction. The licences which grant the title to each property are subject to compliance with certain requirements, including lodgement of reports, payment of royalties and compliance with environmental conditions and environmental legislation. Consequently, as is the case in Australia, Lepidico runs the risk of incurring penalties or loss of title to or its interest in its licences if these requirements are not met.

(g) **Joint venture parties, contractors and agents**

In conducting its business, the Company relies on continuing existing strategic relationships and has been forming new relationships with other entities in the mineral exploration and mining industry, including joint venture partners, contractors and agents. There can be no assurance that existing relationships will continue to be maintained or that new ones will be successfully formed and the Company could be materially adversely affected by changes to such relationships or difficulties in forming new ones.

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is, or may become a party, or insolvency or other managerial failure by any of the contractors used by the Company in any of its activities, or insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

(h) **Environmental risk**

Lepidico's operations will be subject to various regulations regarding environmental matters. Development of each of Lepidico's projects will be dependent on the relevant licences meeting environmental guidelines and gaining approvals by government authorities. Whilst Lepidico intends to conduct its activities in an environmentally responsible manner, risks arise in relation to compliance with these regulations and approvals.

(i) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. If such expenditure is subsequently incurred, this may adversely affect the expenditure proposals by Lepidico.

(j) **Competition risk**

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and businesses.

7.4 General risks

(a) **Global Financial Conditions**

Following the onset of the credit crisis in 2008, global financial conditions were characterised by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilised, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. The deteriorating financial condition of certain government authorities has significantly increased the potential for sovereign defaults in a number of jurisdictions. Global financial conditions could suddenly and rapidly destabilise in response to future economic shocks, as government authorities may have limited resources to respond to future crises. Future economic shocks may be precipitated by a number of causes including changes in commodity prices, geopolitical instability and natural disasters.

(b) **Currency Risk**

The Company's operations currently incur expenditures in various currencies. As a result of the use of different currencies, the Company is subject to foreign currency fluctuations which may materially affect its business, results of operations and financial condition.

(c) **Litigation**

Legal proceedings may arise from time to time in the course of the Company's business. There have been a number of cases where the rights and privileges of mining companies have been subject to litigation. The Directors cannot preclude that such litigation may be brought against the Company in the future from time to time or that it may be subject to any other form of litigation.

(d) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to secure finance for project development and generate income from its planned operations, the Company may require further equity financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able

to secure any additional funding or be able to secure funding on terms favourable to the Company.

(e) **Governmental policy changes and legal risk**

Government action or policy change in relation to access to lands and infrastructure, compliance with environmental regulations, export restrictions, taxation, royalties and subsidies may adversely affect Lepidico's operations and financial performance.

The Lepidico projects will be governed by a series of laws and regulations. Breaches of non-compliance with these laws and regulations can result in penalties and other liabilities. These may have a material adverse impact on the financial position, financial performance, cash flows, growth prospects and share price of Lepidico.

These laws and regulations may be amended from time to time, which may also have a material adverse impact on the financial position, financial performance, cash flows, growth prospects and share price for Lepidico. The legal and political conditions and any changes thereto are outside the control of Lepidico.

The introduction of new legislation or amendments to existing legislation by government, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern Lepidico's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of Lepidico and the value of its Shares.

(f) **Reliance on key management**

The ongoing responsibility of overseeing the day-to-day operations and the strategic management of Lepidico will depend substantially on its senior management and its key personnel, especially as it relates to administration, exploration and the L-Max® technology.

There can be no assurance given that there will be no detrimental impact on Lepidico if one or more of these personnel cease their employment.

7.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

| Date | Description of Announcement |
|-------------|--|
| 07/05/2019 | Desert Lion Merger and Entitlements Offer |
| 07/05/2019 | Supply & Marketing Alliance with Gulf Fluor LLC |
| 29/04/2019 | Quarterly Activities Report and Cashflow |
| 11/04/2019 | 210% increase in contained lithium at Alvarrões |
| 10/04/2019 | Trading Halt |
| 10/04/2019 | Pause in Trading |
| 20/03/2019 | Pilot Plant Update – on budget on schedule |
| 13/03/2019 | Details of Company Address |
| 12/03/2019 | Forthcoming Release of Share from Escrow |
| 08/03/2019 | Alvarrões assays indicate larger lithium Resource |
| 25/02/2019 | Half Yearly Report and Accounts |
| 20/02/2019 | Response to ASX Aware Query |
| 18/02/2019 | Roskill Lithium Mine to Market Conference Presentation |
| 18/02/2019 | Lithium Hydroxide process developed |
| 31/01/2019 | Quarterly Activities Report and Appendix 5B |
| 08/01/2019 | Multiple Lithium Intercepts at Youanmi |
| 21/12/2018 | Drilling Update - JORC Table 1 data |
| 20/12/2018 | Drilling Update Lithium Pegmatites intersected in 3 programs |
| 18/12/2018 | Pilot Plant Update - on budget, on schedule |
| 29/11/2018 | Appendices 3Y x6 (unlisted option issue) |
| 22/11/2018 | Appendix 3B – Incentive Options |
| 22/11/2018 | Results of Meeting |
| 22/11/2018 | AGM Update |
| 22/11/2018 | AGM Presentation Materials |
| 22/11/2018 | Chairman's Address to Shareholders |

| | |
|------------|---|
| 21/11/2018 | Resource drilling commences at Alvarrões |
| 30/10/2018 | Assay results confirm lithium mineralisation at Youanmi |
| 25/10/2018 | Quarterly Activities Report and Cashflow |
| 23/10/2018 | Appendix 4G |

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.lepidico.com.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

| | | |
|---------|---------|----------------------------------|
| Highest | \$0.043 | 17 and 24 April 2019 |
| Lowest | \$0.016 | 5, 6, 7, 10 and 11 February 2019 |
| Last | \$0.038 | 3 May 2019 |

8.4 Underwriting Agreement

On 6 May 2019, the Company and the Underwriter entered into an underwriting agreement (**Underwriting Agreement**), pursuant to which the Underwriter agreed to underwrite the Offer for 103,448,276 Shares and 51,724,138 New Options (**Underwritten Securities**) totalling \$3,000,000 (**Underwritten Amount**).

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay a lead manager fee of \$60,000, which, on mutual agreement between the Company and the Underwriter, may be satisfied by the issue of Securities to CPS (or nominees) from the shortfall under the Offer;
- (b) pay a management fee of 1% of the total amount raised under the Offer, which, on mutual agreement between the Company and the Underwriter, may be satisfied by the issue of Securities to CPS (or nominees) from the shortfall under the Offer;
- (c) pay an underwriting fee of 5% of the Underwritten Amount;
- (d) pay a placement fee of 5% of any shortfall securities placed beyond the Underwritten Amount. This will apply to any amount that might be placed in additions to the amount raised under the Offer; and
- (e) pay a termination fee of \$20,000 in the event that the Underwriting Agreement is terminated by the Underwriter in accordance with the Underwriter termination clauses contained in the Underwriting Agreement and listed below.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if:

- (a) **(Indices fall)**: the All Ordinaries Index as published by ASX is at any time after the date of this Agreement 10% or more below its respective level as at the close of business prior to the date of the Underwriting Agreement;
- (b) **(Prospectus)**: the Company does not lodge the Prospectus on the lodgement date or the Prospectus or the Offer is withdrawn by the Company;
- (c) **(No Listing Approval)**: the Company fails to lodge an Appendix 3B in relation to the Underwritten Securities with ASX by the time required by the Listing Rules, the Corporations Act or any other regulations;
- (d) **(No Official Quotation)**: ASX has advised the Company that it will not or may not grant official quotation to the Underwritten Securities or admit the Company to trading on the ASX following completion of the Offer (including issue of the Shortfall Securities) on or prior to the Shortfall Notice Deadline Date;
- (e) **(Price)**: the Price (being \$0.029) is greater than the volume weighted average market price for Shares as quoted by the ASX calculated over three trading days after the date of the Underwriting Agreement;
- (f) **(Supplementary prospectus)**:
 - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in section 8.4(r)(iv), forms the view on reasonable grounds that a Supplementary Prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a supplementary prospectus without the prior written agreement of the Underwriter;
- (g) **(Non-compliance with disclosure requirements)**: it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the Underwritten Securities;
- (h) **(Misleading Prospectus)** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to

mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;

- (i) **(Restriction on issue)**: the Company is prevented from issuing the Underwritten Securities within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (j) **(Withdrawal of consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (k) **(ASIC application)**: an application is made by ASIC for an order under Section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the shortfall notice dealing date has arrived, and that application has not been dismissed or withdrawn;
- (l) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act;
- (m) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (n) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union other than hostilities involving Libya, Afghanistan, Iraq, Iran, Syria, Lebanon or Israel, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (o) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter acting reasonably;
- (p) **(Event of Insolvency)**: an Event of Insolvency occurs in respect of a Relevant Company;
- (q) **(Indictable offence)**: a director or senior manager of a Relevant Company is charged with an indictable offence;
- (r) **(Termination Events)**: subject always to the events listed below entitling the Underwriter to exercise its termination rights under the Underwriting Agreement if in the opinion of the Underwriter, the breach or the event has or is likely to have, or could be expected to have, a Material Adverse

Effect or could give rise to a liability of the Underwriter under the Corporations Act, upon the occurrence of any of the following events:

- (i) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
- (ii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
- (iii) **(Contravention of constitution or Act)**: a contravention by the Company or any of its subsidiaries (**Relevant Company**) of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- (iv) **(Adverse change)**: an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a likely Material Adverse Effect after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
- (v) **(Error in Due Diligence Results)**: it transpires that any of the Due Diligence Results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
- (vi) **(Significant change)**: a "new circumstance" as referred to in Section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (vii) **(Public statements)**: without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Prospectus other than a statement the Company is required to make in order to comply with its disclosure obligations under the Listing Rules and/or the Corporations Act;
- (viii) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (ix) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy that has not been publicly disclosed or proposed as at the date of the Underwriting Agreement;

- (x) **(Prescribed Occurrence)**: a Prescribed Occurrence (as that term is defined in the Underwriting Agreement) occurs, other than as disclosed in the Prospectus;
- (xi) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$100,000.00 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (xii) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced against any relevant company, other than any claims foreshadowed in the Prospectus;
- (xiii) **(Board and senior management composition)**: other than as disclosed to the Underwriter prior to the Execution Date, there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Underwritten Securities without the prior written consent of the Underwriter, such consent not to be unreasonably withheld;
- (xiv) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of a Relevant Company (other than as a result of the Offer or a matter disclosed in the Prospectus) or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (xv) **(Force Majeure)**: a Force Majeure (as that term is defined in the Underwriting Agreement) affecting the Company's business or any obligation under the Agreement lasting in excess of 7 days occurs;
- (xvi) **(Certain resolutions passed)**: a relevant company passes or takes any steps to pass a resolution under Section 254N, Section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xvii) **(Capital Structure)**: any relevant company alters its capital structure in any manner not contemplated by the Prospectus excluding the issue of any Shares upon the exercise of options issued in the Company, such options having been disclosed to the ASX as at the date of the Underwriting Agreement;
- (xviii) **(Breach of Material Contracts)**: any of the contracts is terminated or substantially modified;
- (xix) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of a Related Company; or
- (xx) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

8.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

| Director | Shares | Voting Power (%) | Options | Entitlement | \$ |
|---------------------------------|-------------|------------------|------------|-------------|-----------|
| Gary Johnson ¹ | 361,952,111 | 10.78 | 31,847,146 | 40,216,901 | 1,166,290 |
| Julian "Joe" Walsh ² | 30,250,000 | 0.90 | 42,750,000 | 3,361,111 | 97,472 |
| Tom Dukovcic ³ | 9,956,392 | 0.30 | 32,655,556 | 1,106,266 | 32,082 |
| Mark Rodda ⁴ | Nil | N/A | 20,000,000 | Nil | Nil |
| Cynthia Thomas ⁵ | Nil | N/A | 7,500,000 | Nil | Nil |
| Brian Talbot ⁶ | Nil | N/A | 7,500,000 | Nil | Nil |

Notes:

1. Mr Johnson's interest in 292,924,098 Shares is by virtue of the shareholding of Strategic Metallurgy Holding Pty Ltd (formerly Strategic Metallurgy Pty Ltd) (**Strategic Metallurgy**), a body corporate controlled by Mr Johnson. Strategic Metallurgy also has an interest in Shares by virtue of voting agreements between Strategic Metallurgy and Anne Ross Rankin (50,000,000 Shares) and The Johnson-Rankin Superannuation Fund Pty Ltd as trustee for the Johnson Superannuation Fund (19,028,013 Shares). By virtue of being a controller of

Strategic Metallurgy, Mr Johnson also has an interest in 4,347,146 quoted Options, exercisable at 4.5 cents on or before 30 September 2020. Mr Johnson also holds 12,500,000 unlisted options exercisable at 2.5 cents on or before 31 December 2019 and 7,500,000 unlisted options exercisable at 9.1 cents on or before 23 November 2020 which will provide an additional Entitlement should they be exercised prior to the Record Date.

2. Mr Walsh's interest in the Shares are held indirectly through a controlled body corporate. Mr Walsh also holds indirectly through a controlled body corporate 12,500,000 unlisted options exercisable at 2.5 cents on or before 31 December 2019 and 15,000,000 unlisted options exercisable at 9.1 cents on or before 23 November 2020, 15,000,000 unlisted Options exercisable at 2.6 cents on or before 22 November 2021 and 250,000 quoted Options exercisable at 4.5 cents on or before 30 September 2020 which will provide an additional Entitlement should they be exercised prior to the Record Date.
3. Mr Dukovic's interest in the Shares are held as follows: 9,947,500 Shares held directly and 88,892 Shares held indirectly by a body corporate controlled by Mr Dukovic. Mr Dukovic also holds 2,500,000 unlisted Options exercisable at 2.5 cents on or before 31 December 2019, 12,500,000 unlisted Options exercisable at 2.5 cents on or before 31 December 2019 and 150,000 quoted Options exercisable at 4.5 cents on or before 30 September 2020 and holds indirectly through a controlled body corporate 10,000,000 unlisted options exercisable at 9.1 cents on or before 23 November 2020 and 5,556 quoted Options exercisable at 4.5 cents on or before 30 September 2020 which will provide an additional Entitlement should they be exercised prior to the Record Date.
4. Mr Rodda holds indirectly through a controlled body corporate 5,000,000 unlisted options exercisable at 2.5 cents on or before 31 December 2019 and 7,500,000 unlisted options exercisable at 9.1 cents on or before 23 November 2020 and 7,500,000 unlisted options exercisable at 2.6 cents on or before 22 November 2021 which will provide an Entitlement should they be exercised prior to the Record Date.
5. Mrs Thomas holds indirectly as trustee of the C.P Thomas Trust 2014, 7,500,000 unlisted Options exercisable at 2.6 cents on or before 22 November 2021 which will provide an Entitlement should they be exercised prior to the Record dated.
6. Mr Talbot directly holds 7,500,000 unlisted Options exercisable as 2.6 cents on or before 22 November 2021 which will provide an Entitlement should they be exercised prior to the Record dated.

The Board recommends that all Shareholders take up their Entitlements and advises that all Directors who hold Shares currently intend to participate in their personal capacity to the fullest extent possible, subject to funding.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$600,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

| Director | FY2018 | FY2019 | FY2020 |
|--------------------|------------|------------|------------|
| Gary Johnson | \$87,600 | \$100,375 | \$109,500 |
| Julian "Joe" Walsh | C\$347,250 | C\$490,000 | C\$490,000 |
| Tom Dukovcic | \$249,677 | \$250,000 | \$250,000 |
| Mark Rodda | \$65,700 | \$78,475 | \$87,600 |
| Cynthia Thomas | \$23,501 | \$109,420 | \$87,600 |
| Brian Talbot | \$23,519 | \$90,258 | \$54,750 |

8.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

CPS Capital Group Pty Ltd will be paid the fees set out in Section 8.4 to act as Underwriter and Lead Manager to the Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, CPS Capital Group Pty Ltd has been paid fees totalling \$721,379 by the Company, including \$130,000 being the fair value of options issued to CPS Capital Group Pty Ltd.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding

GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$145,504 (excluding GST and disbursements) for legal services provided to the Company.

CPS Capital Group Pty Ltd has been appointed as the nominee under ASX Listing Rule 7.7. CPS Capital Group Pty Ltd will be paid for this service on standard industry terms and conditions.

8.7 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section;
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

CPS Capital Group Pty Ltd has given its written consent to being named as Underwriter and Lead Manager to the Offer in this Prospectus, in the form and context in which it is named.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

CPS Capital Group Pty Ltd has given and has not withdrawn its consent to be named as the Company's nominee under ASX Listing Rule 7.7.

8.8 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$489,296 (excluding GST) and are expected to be applied towards the items set out in the table below:

| | |
|---------------------------|----------------|
| | \$ |
| ASIC fees | 3,206 |
| ASX fees | 22,947 |
| Underwriting fees | 200,000 |
| Manager to the Offer fees | 168,143 |
| Legal fees | 15,000 |
| Printing and distribution | 80,000 |
| Total Expenses | 489,296 |

8.9 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9363 7800 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.lepidico.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.12 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Gary Johnson
Non-Executive Chairman
For and on behalf of
LEPIDICO LTD

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Acquisition means the acquisition of Desert Lion pursuant to the Plan of Arrangement as announced to ASX on 7 May 2019.

AEST means Australian Eastern Standard Time.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application means an application to subscribe for Shares under this Prospectus.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

Application Monies means money submitted by Applicants in respect of Applications.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company or Lepidico means Lepidico Ltd (ACN 008 894 442).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

CPS means CPS Capital Group Pty Ltd (ACN 088 055 636) (AFSL 294 848).

Desert Lion means Desert Lion Energy Inc a company listed on the TSXV and incorporated and operating under the laws of Canada.

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a Shareholder of the Company as at the Record Date other than an Ineligible Shareholder.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Ineligible Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia, New Zealand, the United Kingdom or Ontario, Canada.

Lead Manager means CPS Capital Group Pty Ltd (ACN 088 055 636) (AFSL 294 848).

Material Adverse Effect means:

- (a) a material adverse effect on the outcome of the Offer or on the subsequent market for the Underwritten Securities (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in Underwritten Securities); or
- (b) a material adverse effect on the assets, condition, trading or financial position and performance, profits and losses, results, prospects, business or operations of the Company and its subsidiaries either individually or taken as a whole.

New Option means an Option issued on the terms set out in Section 6.2.

Offer means the renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Plan of Arrangement means the plan of arrangement entered into by the Company and Desert Lion for the acquisition of 100% of the issued capital in Desert Lion by the Company, as announced to ASX on 7 May 2019.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Section means a section of this Prospectus.

Securities means Shares and/or New Options offered pursuant to the Entitlement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.16.

Shortfall Securities means those Securities issued pursuant to the Shortfall.

TSX means the Toronto Stock Exchange.

TSXV means the TSX Venture Exchange.

Underwriter means CPS Capital Group Pty Ltd.

Underwriting Agreement has the meaning given in Section 8.4.

Underwritten Amount means \$3,000,000.

WST means Western Standard Time as observed in Perth, Western Australia.