

ASX / MEDIA ANNOUNCEMENT



28 September 2020

Financial Report for the year ended 30 June 2020

Lepidico Ltd (ASX:LPD) (“Lepidico” or “Company”) is pleased to announce the release of its audited consolidated financial statements for the year ended 30 June 2020.

Highlights for the year

- The year was incident free, continuing Lepidico’s zero-harm health, safety and environment track-record since records began in September 2016.
- Definitive Feasibility Study (DFS) reveals attractive Phase 1 Project (P1P) economics within 12 months of acquiring the Karibib assets, which include a 31% Internal Rate of Return and NPV_{8%} of US\$221 million (A\$340 million) ungeared, based on a 14 year production life.
- Average P1P output of 4,900 tonnes per annum (tpa) lithium hydroxide monohydrate (87.5% of design capacity) at a competitive C1 cost of US\$1,656/t lithium carbonate equivalent (LCE) and an All in Sustaining Cost (AISC) of US\$3,221/t after by-product credits.
- P1P demonstrates low carbon intensity similar to that associated with lithium brine operations along with the modest water intensity of spodumene sourced chemicals and relatively small land use footprint, as well as other favourable sustainability credentials.
- Strategic caesium and rubidium high value by-products plus sulphate of potash (SOP) and amorphous silica bulk by-products collectively represent 38% of total revenue, and give aggregate production on a total lithium equivalent basis of over 7,000tpa LCE.
- Pre-production capital for P1P of US\$139 million with payback after +3 years of operation; includes contingency of +13% and production capability for all products from commissioning.
- Competitive capital intensity of US\$17,400/t LCE on by-product basis, equivalent to US\$27,900/t LCE before credits from other products.
- Ore Reserves total 6.7 million tonnes grading 0.46% Li₂O, 0.23% rubidium and 320ppm caesium representing a 60% conversion from Mineral Resources at 11.24 million tonnes. Karibib is understood to be the only JORC Code (2012) (or NI43-101) compliant Ore Reserve estimate for both rubidium and caesium globally and therefore represents a unique opportunity for the production of these strategic metals, for which the United States is totally reliant on imports.

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- Environmental and Social Impact Assessment (ESIA) completed for the Namibian P1P operations, which identifies it as a Category B Project with significant socio-economic benefits, along with advantages from the environmental reclamation of the existing mine sites.
- Patent protection for L-Max[®] granted in United States, Japan, Australia and Europe.
- Cash and cash equivalents as at 30 June 2020 of \$4.8 million; includes proceeds from oversubscribed Entitlement Offer which closed in May raising gross proceeds of \$3.9 million

Lepidico's Managing Director, Joe Walsh said, "Significant advancements were made in fiscal 2020, in particular completion of the Definitive Feasibility Study, despite the challenges presented by the COVID-19 pandemic. The Company is now well positioned to deliver on its strategy to become a globally significant alkali chemical producer, as anticipated demand for lithium chemicals increases substantially to satisfy demand growth for energy storage applications including electric vehicles, over forthcoming years".

Further Information

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About Lepidico Ltd

Lepidico Ltd is an ASX-listed Company focused on exploration, development and production of lithium chemicals. Lepidico owns the technology to a metallurgical process that has successfully produced lithium carbonate from non-conventional sources, specifically lithium-rich mica minerals including lepidolite and zinnwaldite. The L-Max[®] Process has the potential to complement the lithium market by adding low-cost lithium carbonate supply from alternative sources. More recently Lepidico has added LOH-Max[®] to its technology base, which produces lithium hydroxide from lithium sulphate without by-product sodium sulphate. The Company has completed a Definitive Feasibility Study for a nominal 5,000 tonne per annum Lithium Carbonate Equivalent (LCE) capacity Phase 1 lithium chemical plant, targeting commercial production for 2023. The Project incorporate the Company's proprietary L-Max[®] and LOH-Max[®] technologies into the chemical conversion plant design. Feed to the Phase 1 Plant is planned to be sourced from the Karibib Project in Namibia, 80% owned by Lepidico where a predominantly Measured and Indicated Mineral Resource of 11.24 Mt grading 0.43% Li₂O, (including Measured Resources of 2.20 Mt @ 0.57% Li₂O, Indicated Resources of 6.66 Mt @ 0.38% Li₂O and Inferred Resources of 2.37 Mt @ 0.43%, at a 0.15% Li₂O cut-off) is estimated. (ASX announcement of 30 January 2020). Ore Reserves total 6.72 Mt @ 0.46% Li₂O, 2.26% rubidium, 2.02% potassium and 320ppm caesium (ASX announcement of 28 May 2020).

Forward-looking Statements

All statements other than statements of historical fact included in this release including, without limitation, statements regarding future plans and objectives of Lepidico, are forward-looking statements. Forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" 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 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 the Company, its directors and management of Lepidico that could cause Lepidico's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this release will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. Lepidico does not undertake 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 release, except where required by applicable law and stock exchange listing requirements.



LEPIDICO LTD

ACN 008 894 442

FINANCIAL REPORT 2020

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Corporate Directory

Directors

Gary Johnson (Non-Executive Chair)
Julian (Joe) Walsh (Managing Director)
Mark Rodda (Non-Executive Director)
Cynthia Thomas (Non-Executive Director)

Joint Company Secretaries

Alex Neuling
Shontel Norgate

Registered Office

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Principal Place of Business

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Website: www.lepidico.com

Country of Incorporation

Australia

Auditors

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PERTH WA 6000

Telephone: (08) 9225 5355
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Share Registry

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Perth WA 6000
GPO Box 5193 Sydney NSW 2001

Telephone: 1300 288 664
Email: hello@automicgroup.com.au

Home Exchange

Australian Securities Exchange Limited
Central Park,
152-158 St Georges Terrace,
PERTH WA 6000

ASX Code: LPD, LPDOA, LPDOB, LPDOC

Directors' Report

The Directors of Lepidico Ltd (Directors) present their report on the Consolidated Entity consisting of Lepidico Ltd (the Company or Lepidico) and the entities it controlled at the end of, or during, the year ended 30 June 2020 (Consolidated Entity or Group).

DIRECTORS

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

| | |
|-------------------|---|
| Mr Gary Johnson | Non-executive Chair |
| Mr Joe Walsh | Managing Director |
| Mr Tom Dukovic | Geology Director (ceased to be a Director 21 November 2019) |
| Mr Mark Rodda | Non-executive Director |
| Ms Cynthia Thomas | Non-executive Director |
| Mr Brian Talbot | Non-executive Director (resigned 9 April 2020) |

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

CURRENT DIRECTORS

Mr Gary Johnson - Chair (Non-executive)

Qualifications - MAusIMM, MTMS, MAICD

Mr Johnson has over 40 years' experience in the mining industry as a metallurgist, manager, owner, director and managing director possessing broad technical and practical experience of the workings and strategies required by successful mining companies. Gary is a principal and part owner of Strategic Metallurgy Pty Ltd, which specialises in high-level metallurgical and strategic consulting. He has been a Director of the Company since 9 June 2016.

Special responsibilities:

Member of Audit and Risk Committee

Member of the Remuneration and Nomination Committee

Other Current Directorships of listed public companies:

Director of Antipa Minerals Ltd (ASX listed)

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

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

None

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

Qualifications - BEng, MSc

Mr Walsh is a resources industry executive, mining engineer and geophysicist with over 30 years' experience working for mining and exploration companies, and investment banks in mining related roles. Joe joined Lepidico as Managing Director in 2016. Prior to this he was the General Manager Corporate Development with PanAust Ltd and was instrumental in the evolution of the company from an explorer in 2004 to a US\$2+ billion, ASX 100 multi-mine copper and gold company. Joe has extensive equity capital market experience and has been involved with the technical and economic evaluation of many mining assets and companies around the world.

Special responsibilities:

Member of the Diversity Committee

Other Current Directorships of listed public companies:

None

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

None

Mr Mark Rodda - Non-Executive Director

Qualifications - BA, LLB

Mr Rodda is a lawyer and consultant with over 20 years' private practice, in-house legal, company secretarial and corporate experience. Mr Rodda has considerable practical experience in the management of local and international mergers and acquisitions, divestments, exploration and project joint ventures, strategic alliances, corporate and project financing transactions and corporate restructuring initiatives. Mark currently manages Napier Capital Pty Ltd, a business established in 2008 to provide clients with specialist corporate services and assistance with transactional or strategic projects. Prior to its 2007 takeover by Norilsk Nickel for in excess of \$6 billion, Mark held the position of General Counsel and Corporate Secretary for LionOre Mining International Ltd, a company with operations in Australia and Africa and listings on the TSX, LSE and ASX.

Special responsibilities:

Chair of the Remuneration and Nomination Committee

Member of Audit and Risk Committee

Member of the Diversity Committee

Other Current Directorships of listed public companies:

Director of Antipa Minerals Ltd

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

None

Ms Cynthia Thomas – Non-Executive Director

Qualifications – B.Com, MBA

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

Special responsibilities:

Chair of Audit and Risk Committee

Chair of the Diversity Committee

Member of the Remuneration and Nomination Committee

Other Current Directorships of listed public companies:

Executive Chair of Victory Nickel Inc. (CSE listed)

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

None

COMPANY SECRETARIES

Mr Alex Neuling

Qualifications: BSc, FCA (ICAEW), FCIS

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

Ms Shontel Norgate

Qualifications: CA, AGIA ACIS

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

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2020, and the number of meetings attended by each director.

| | Full Board Meetings | | Audit & Risk Committee Meetings | | Nomination & Remuneration Committee Meetings | | Diversity Committee Meetings | |
|-------------------|------------------------|--------------|---------------------------------|--------------|--|--------------|------------------------------|--------------|
| | No. eligible to attend | No. attended | No. eligible to attend | No. attended | No. eligible to attend | No. attended | No. eligible to attend | No. attended |
| Mr Gary Johnson | 5 | 5 | 2 | 2 | 2 | 2 | 0 | 0 |
| Mr Joe Walsh | 5 | 5 | 0 | 0 | 0 | 0 | 2 | 2 |
| Mr Tom Dukovcic | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mr Mark Rodda | 5 | 5 | 2 | 2 | 2 | 2 | 2 | 2 |
| Mr Brian Talbot | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ms Cynthia Thomas | 5 | 5 | 2 | 2 | 2 | 2 | 2 | 2 |

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF LEPIDICO

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

| | Number of fully paid ordinary shares | Number of options |
|-------------------|--------------------------------------|--------------------|
| Mr Gary Johnson | 367,762,575 | 31,352,379 |
| Mr Joe Walsh | 31,220,000 | 45,735,000 |
| Mr Mark Rodda | - | 22,500,000 |
| Ms Cynthia Thomas | - | 15,000,000 |
| | 398,982,575 | 114,587,379 |

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the financial year was mineral exploration and development, and development of proprietary technologies, including: L-Max[®], S-Max[®] and LOH-Max[®].

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact included in this report including, without limitation, statements regarding future plans and objectives of Lepidico, are forward-looking statements. Forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" 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 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 the Company, its directors and management of Lepidico that could cause Lepidico's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this release will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. Lepidico does not undertake 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 release, except where required by applicable law and stock exchange listing requirements.

DIVIDENDS PAID OR RECOMMENDED

The Directors recommend that no dividend be paid for the year ended 30 June 2020, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

SUMMARY REVIEW OF OPERATIONS

For the financial year ending 30 June 2020 the Group recorded a net loss after tax of \$10,118,237 (2019: \$5,105,014) and a net cash outflow from operations of \$4,676,482 (2019: \$3,503,582).

The net assets of the Group increased to \$59,189,215 at 30 June 2020 (2019: \$38,589,652).

DEVELOPMENT

Integrated Phase 1 Project Feasibility Study

In May 2020, the Company released the results of its vertically integrated Phase 1 Project Definitive Feasibility Study. The Study is based on a commercial scale L-Max[®] plant processing a lithium-mica concentrate feed at a rate of 6.9 tonnes per hour (tph) to produce approximately 4,900tpa of nominal battery grade lithium hydroxide monohydrate and a suite of high value and bulk by-products, over 14 years. Converting other products to lithium carbonate equivalent gives implied total production of over 7,000tpa LCE. The relatively modest size of Phase 1 for a lithium chemical project is important as project development and operating risks tend to increase exponentially with scale.

The Feasibility Study is based on an integrated mine, concentrator and chemical conversion plant development that collectively has compelling investment fundamentals, including an NPV_{8%} of US\$221 million (A\$340 million) and an Internal Rate of Return of 31% ungeared.

Ore Reserves at Karibib, Namibia total 6.7 million tonnes grading 0.46% Li₂O, 0.23% rubidium and 320ppm caesium, a 60% conversion from Mineral Resources of 11.24 million tonnes, which highlights the potential for further Ore Reserve expansion. Karibib is understood to be the only JORC Code (2012) (or NI43-101) compliant Ore Reserve estimate for both rubidium and caesium globally and

therefore represents a unique opportunity for the production of these strategic metals, of which, the United States is totally reliant on imports. Furthermore, lithium, caesium, rubidium and potash, the main Phase 1 Project products, are all on the U.S. Government list of 35 Critical Minerals, making the Project strategically significant.

Karibib is fully permitted for the re-development of two open pit mines feeding lithium mica ore to a central mineral concentrator that employs conventional flotation technology. The waste to ore ratio at Karibib is just 0.5 to 1 for the first two years and 3.8 to 1 life of mine. This brownfield development has a modest footprint that maximises the use of ground used by the historical operations. An Environment and Social Impact Assessment (ESIA) has been undertaken to IFC Standards and was completed in July 2020.

Concentrate is shipped to a chemical conversion plant to be built in the Khalifa Industrial Zone of Abu Dhabi (KIZAD) that employs Lepidico's proprietary process technologies. Main products of lithium hydroxide monohydrate (lithium hydroxide or LiOH), caesium formate and rubidium sulphate are augmented by bulk by-products of SOP fertiliser and amorphous silica, with the latter used as a partial supplement for cement, which may attract a significant carbon credit. Industry competitive operating costs after credits from by-products include an average C1 Cost of US\$1,656/t (LCE) and an All in Sustaining Cost (AISC) of US\$3,221/t for the integrated Project.

Abu Dhabi is the world's largest producer of sulphur, used in the manufacture of sulphuric acid, which is a key reagent in the proprietary L-Max[®] process. It is planned that acid will be purchased for the first three years of operation prior to a dedicated acid plant being built, which will also generate power from waste heat. L-Max[®] is a hydrometallurgical process that is much less power intensive than conventional chemical conversion of spodumene, allowing the Phase 1 Project to have a modest carbon intensity versus the industry. An ESIA is planned for the chemical conversion plant to commence in July 2020, also undertaken to IFC Standards, which will run in parallel with project permitting.

Development capital of US\$139 million includes a 13.6% contingency and is split 30/70 between the mine and concentrator in Namibia, and the chemical conversion plant in Abu Dhabi. Capital intensity is industry competitive at US\$27,900/t LCE for an integrated hard rock project and just US\$17,400/t LCE on a net of by-products basis.

The Capital cost estimates meet the Association of the Advancement of Cost Engineering (AACE) Class 3 requirements for a Feasibility Study, which forms the initial control estimate against which all actual costs and resources will be monitored. The nominal accuracy is +/-15%. The estimates for the processing plants were prepared by Lycopodium Minerals P/L (LMPL). Underlying engineering is informed by some six years of process development testwork including continuous pilot plant trials conducted in 2019.

In light of the COVID-19 pandemic the project timeline has been adjusted to take into account possible extended periods for product evaluation to secure binding offtake agreements and longer than normal permitting timeframes in Abu Dhabi. It is assumed that all permits, offtake agreements and a full funding package are secured in the June 2021 quarter, allowing Project implementation to commence. Lepidico has engaged London based Lion's Head Global Partners (LHGP), which has offices in New York, Nairobi and Lagos, and in the process of being established, in Dubai as Project finance advisor. LHGP is seeking to leverage the Phase 1 Project's excellent Environmental Social and Governance (ESG) credentials to maximise the quantum of competitive Development Finance Institution debt funding.

Alvarrões Lepidolite Mine (Gonçalo), Portugal¹, Feasibility Study

Since its acquisition in 2019, the Karibib Project represents the primary mineral source for the Phase 1 Project DFS. The term sheet for Alvarrões ore off-take with Mota Ceramic Solutions (MCS) lapsed

¹ Lepidico announced on 9 March 2017 that it had signed a term sheet for ore off-take from the Alvarrões Lepidolite Mine with Mota Ceramic Solutions, the 66.6% owner and operator of Alvarrões.

on 9 March 2020 and is not planned to be renewed, with both companies preferring an alternative structure.

Phase 2 L-Max[®] Plant Scoping Study

Under the P1P DFS a scoping study capital estimate was developed for a nominal 20,000tpa LCE Phase 2 Project. The associated capital intensity was estimated to be US\$16,900/t LCE and just US\$10,500/t LCE on a net of by-products basis.

Plant design work is planned to recommence once the Phase 1 Plant detailed engineering is complete, with the objective of developing scoping study level operating cost figures and key physical data for a hybrid LOH-Max[®]/L-Max[®] plant, with configurations ranging from 10,000tpa to 20,000tpa lithium hydroxide. Various locations continue to be evaluated for a Phase 2 Plant, including Walvis Bay in Namibia, which will benefit from lower logistics costs so long as a reliable, cost competitive energy source can be identified, and local markets can be identified for all the SOP, gypsum and amorphous silica by-products.

RESEARCH & DEVELOPMENT

Pilot Plant Product Development, Perth, Western Australia

Continuous operation of the L-Max[®] Pilot Plant commenced on 8 July 2019. The leach and impurity removal circuits operated continuously for approximately 200 hours and 250 hours respectively. During this period approximately 3.0 tonnes of concentrate was processed to produce 2.2 tonnes of high silica residue, over 5,000 litres of lithium sulphate intermediate liquor and 2.5 tonnes of gypsum rich residue. The bulk of the lithium sulphate liquor was stockpiled as feed for the planned LOH-Max[™] lithium hydroxide circuit. The remaining lithium sulphate was treated to produce lithium carbonate via the conventional circuit installed at the Pilot Plant at that time. The potassium sulphate (SOP fertiliser) recovery circuit operated continuously for more than 100 hours. Over 2,000 litres of brine containing potassium, rubidium and caesium sulphates were produced. This solution was concentrated in the Pilot Plant crystalliser to produce SOP, along with a rubidium and caesium brine.

Average lithium extraction from concentrate feed to lithium sulphate was 94% for Campaign 1. Insoluble lithium losses associated with impurity removal stages averaged just 3% for the entire campaign and were consistently below 2% for extended periods.

Most importantly Pilot Plant Campaign 1 confirmed L-Max[®] viability as a chemical process, as well as the general design parameters for the Phase 1 Plant. In addition, product development work was undertaken during the period on samples generated from Pilot Plant Campaign 1.

Lithium carbonate with a purity of 99.95% was produced from the Pilot Plant. This compares with a nominal battery grade reference purity of 99.5% for many existing producers. Importantly, impurity levels of most deleterious elements for battery grade specifications were below detection limits.

Lithium hydroxide Monohydrate (LiOH.H₂O) with a purity of >99.0% (56.5% LiOH) was produced from a batch pilot trial in early January 2020. This is consistent with a nominal battery grade reference purity for many existing producers. Importantly, impurity levels of most deleterious elements for battery grade specifications were below detection limits. These results confirm the viability of LOH-Max[®] at pilot plant scale as a new process for the production of high purity lithium hydroxide from a lithium sulphate intermediate, importantly without the production of potentially problematic sodium sulphate as a by-product.

The refining of a larger sample of high purity lithium hydroxide monohydrate subsequently commenced, which is being prepared for dispatch to two prospective customers to start the product qualification process subsequent to year end.

On 20 December 2019, Lepidico confirmed that the Letter of Intent with BASF SE (BASF), whereby BASF would be able to purchase lithium hydroxide sourced from Lepidico's integrated Phase 1 Lithium Chemical Project was formally novated to Lepidico and extended to 31 December 2020.

The novation and extension agreement followed a visit by BASF to Lepidico's Pilot Plant in Perth and provides BASF and Lepidico sufficient time to work towards completion of a definitive qualification and offtake agreement.

BASF has confirmed that it continues to have the capability to assess chemical products despite implementation of COVID-19 related measures.

Sulphate of potash (SOP) of more than 96% purity was produced from the pilot plant trial, equivalent to 52.2% K₂O, a high purity product. Importantly this result also confirms the design parameters for the SOP recovery circuit in the Phase 1 Plant. A specification sheet for product marketing was produced and prospective customers for this product were identified. Engagement with prospective customers also identified the crystallinity and solubility specifications required for a premium product. Marketing started in February 2020 but was subsequently interrupted by COVID-19 travel restrictions.

Amorphous silica: further testwork was undertaken on the leach residue from Pilot Plant Campaign 1 to identify potential application of this product stream as a supplementary cementitious material. This work involved grinding the leach residue to target particle sizes of P₈₀ 25µm, P₈₀ 10µm and P₈₀ 5µm. Sub-samples of the milled products were tested for compressive strength and specific surface area determination with encouraging results.

Multiple consumers have indicated interest in this product globally. Samples were generated in February, with some dispatched to consumers. Further samples are planned to be distributed for analysis once COVID-19 related restrictions are revoked. In country marketing activities in the UAE have been suspended with engagement undertaken from Australia until Lepidico implemented travel restrictions are lifted.

Caesium & Rubidium (Cs & Rb): The process technology for producing rubidium and caesium compounds is owned by Lepidico and subject to a stand-alone international patent application filed in February 2017.

Approximately 100 litres of rubidium-caesium brine was collected during Pilot Plant Campaign 1. This brine was concentrated using a Lepidico proprietary process technology to produce intermediate crystallisation products and a brine containing rubidium and caesium sulphates, which was subsequently converted to two discrete formates.

Non-disclosure agreements have been entered into with three prospective customers and the Company has engagement with several other consumers. One consumer that tested material from the pilot plant indicated that it could consume all Cs and Rb chemical production from the planned Phase 1 Plant. Further samples are being prepared for dispatch to other consumers.

Caesium Rich Formate

A high specification sample of caesium-rubidium formate brine with a specific gravity (SG) of 2.3 was produced from Pilot Plant potassium circuit liquor². The specification of this caesium-rubidium formate appears to meet key criteria for oil and gas industry application. Chlorine and sulphate assays for product manufacturer are pending.

Rubidium Rich Formate

A high specification sample of rubidium rich formate brine with a specific gravity (SG) of 2.1 was produced from the Pilot Plant potassium circuit liquor². A rubidium-rich sulphate was also produced, containing 95% rubidium sulphate, 4% caesium sulphate and 0.7% potassium sulphate.

² The Pilot Plant Campaign 1 feed was sourced from Alvarrões, Portugal. Note: lepidolites have similar major metal components (Li, K, Rb, Cs) albeit in varying concentrations between deposits.

Background³

Caesium and rubidium compounds have a variety of applications albeit in relatively small quantities. Consumption, import, export and price data for caesium and rubidium are not available as they are not traded in commercial quantities.

Caesium formate is a slightly alkaline salt of caesium hydroxide and formic acid (HCOO-Cs+), which is extremely soluble in water and has a density of 2.4 g/cm³ (82% weight). It has applications in the oil and gas industry as a completion fluid⁴. Caesium formate is a high value compound that can be mixed with less expensive potassium formate to make clear brine mixtures with a density range from 1.8 to 2.4 g/cm³. Caesium compounds have a variety of applications albeit in relatively small quantities. Consumption, import, export and price data for caesium and rubidium compounds are not available as they are not traded in commercial quantities.

In May 2018, the U.S. Department of the Interior published a list of 35 critical minerals (83 FR 23295) which included caesium, rubidium and lithium minerals. The list was developed to serve as an initial focus for "A Federal Strategy to Ensure Secure and Reliable Supplies of Critical Minerals". Lepidolite is the only known mineral that contains all three of these metals in potentially economic concentrations.

EXPLORATION⁵

Karibib Project (80%)

Snowden Mining Industry Consultants Pty Ltd (Snowden) produced an updated JORC code (2012)-compliant Mineral Resource estimate (MRE) for Rubicon and Helikon 1 in January 2020. This estimate is based on 5,254m of additional diamond drilling undertaken in 2019, with 55 holes completed at

³ Source: U.S. Geological Survey.

⁴ A completion fluid is a solids-free liquid used to "complete" an oil or gas well. This fluid is placed in the well to facilitate final operations prior to initiation of production. The fluid is meant to control a well should downhole hardware fail, without damaging the producing formation or completion components. Completion fluids are typically high density brines (chlorides, bromides and formates), but in theory could be any fluid of proper density and flow characteristics. The fluid should be chemically compatible with the reservoir formation and fluids, and is typically filtered to a high degree to avoid introducing solids to the near-wellbore area. Seldom is a regular drilling fluid suitable for completion operations due to its solids content, pH and ionic composition.

⁵ The information in this report that relates to the Helikon 1 and Rubicon Ore Reserve estimates is extracted from an ASX Announcement dated 28 May 2020 ("Definitive Feasibility Study Delivers Compelling Phase 1 Project Results") and was completed in accordance with the guidelines of the JORC Code (2012). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resource estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

The information in this report that relates to the Rubicon and Helikon 1 Mineral Resource estimates is extracted from an ASX Announcement dated 30 January 2020 ("Updated Mineral Resource Estimates for Helikon 1 and Rubicon") and was completed in accordance with the guidelines of the JORC Code (2012). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resource estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

The information in this report that relates to the Helikon 2 - Helikon 5 Mineral Resource estimates is extracted from an ASX Announcement dated 16 July 2019 ("Drilling Starts at the Karibib Lithium Project") and was completed in accordance with the guidelines of the JORC Code (2012). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resource estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Rubicon and 35 holes completed at Helikon 1. Measured and Indicated Resources at Rubicon and Helikon 1 total 8.87Mt @ 0.43% Li₂O. Significantly, the updated MRE also includes estimates for the accessory metals caesium (Cs), rubidium (Rb) and potassium (K). The revised MRE for Rubicon and Helikon 1 supersedes the inaugural MRE for these deposits, prepared by The MSA Group, as initially reported to ASX by Lepidico on 16 July 2019. MREs (by The MSA Group) for Helikon 2-5, remain unchanged but do not include assay data for caesium, rubidium or potassium at this time.

Pit optimisations undertaken by Australian Mine Design and Development Pty Ltd (AMDAD) for Rubicon and Helikon 1 demonstrate these Mineral Resources to be potentially economic at a cut-off grade of 0.15% Li₂O.

The Karibib Ore Reserves Statement, released in May 2020, totalling total 6.7 million tonnes grading 0.46% Li₂O, 0.23% rubidium and 320ppm caesium was prepared by AMDAD in accordance with the guidelines of the Australasian Code for the Reporting of Resources and Reserves 2012 Edition (the JORC Code 2012).

The Karibib Project Ore Reserve is understood to be unique, being the only Code compliant estimate globally for both caesium and rubidium, and which also includes other valuable alkali earth metals lithium and potassium. This is a function of the metal endowment being predominantly associated with the mineral lepidolite, K(Li,Al,Rb,Cs)₂(Al,Si)₄O₁₀(F,OH)₂.

CORPORATE

As at 30 June 2020, Lepidico had cash and cash equivalents of \$4.8 million.

Desert Lion Energy Business Combination

The previously announced acquisition of all of the outstanding common shares of Desert Lion Energy Inc (Desert Lion) successfully closed on 11 July 2019 with 5.4 Lepidico ordinary shares issued for every 1 Desert Lion share (the Transaction).

In addition, each Desert Lion option was exchanged for a replacement Lepidico option reflecting the exchange ratio and any outstanding warrants of Desert Lion will be adjusted to allow for the acquisition of Lepidico ordinary shares upon their exercise (also reflecting the exchange ratio).

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

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

Controlled Placement Facility of \$7.5 million Secured

On 23 December 2019, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital to provide Lepidico with up to \$7.5 million of standby equity capital over the following 26 month period which may be used by the Company to fund future product research and development work, new process technology development and working capital.

Under the CPA Lepidico retains full control of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on Lepidico to utilise the CPA and Lepidico may terminate the CPA at any time, without cost or penalty.

If Lepidico utilises the CPA, it is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by Lepidico and a 10% discount to a Volume Weighted Average Price (VWAP) over a period of Lepidico's choosing.

As collateral for the CPA, Lepidico issued 230,000,000 ordinary shares, at nil consideration to Acuity Capital (Collateral Shares) but may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

The CPA remained undrawn as at 30 June 2020.

Capital Raising

In May 2020 the Company completed a pro-rata Renounceable Entitlement Offer (Entitlement Offer) of fully paid ordinary shares (New Shares) on the basis of one (1) New Share for every nine (9) existing shares held with a 1 for 2 free attaching option (New Options). New Options have an exercise price of 2.0 cents, a term of two years and are listed under the ASX code LPDOC.

The Offer raised \$3.6 million (before costs) and issued 514,852,045 New Shares and 257,426,023 New Options. High demand from new investors resulted in the Company agreeing to place a further 37,215,428 fully paid ordinary shares at \$0.007 with 18,607,714 attaching LPDOC options to raise an additional \$260,508 (Placement).

Patents

L-Max[®]

Lepidico submitted an international patent application (PCT/AU2015/000608) for the L-Max[®] Process under the Patent Cooperation Treaty administered by the World Intellectual Property Organisation in October 2015. On 8 February 2017, the L-Max[®] process was granted a Certification Report of Innovation Patent (number 2016101526) in Australia.

In April 2017, the Company proceeded with the national and region phase of L-Max[®] patent applications in several jurisdictions in which L-Max[®] may operate in the future.

On 22 October 2019, the US patent was issued for the Company's L-Max[®] process technology which was followed in March 2020 by the Australian Patent Office issuing a Deed of Letters Patent, in April 2020 the Japanese Patent Office confirming the registration of the L-Max[®] patent and in June 2020 the grant of patent protection in Europe. National and regional phase patent applications are well advanced in the remaining other key jurisdictions and these processes are expected to continue into calendar year 2020.

A regional exclusivity clause with a third party licensee of Lepidico's L-Max[®] technology expired on 30 June 2020.

LOH-Max[®]

In 2020, an International Patent Application, PCT/AU2020/050090 in relation to the LOH-Max[™] Process was filed.

It is expected to the national and regional phase of patent application in the main jurisdictions in which LOH-Max[®] may operate is likely to commence is 2021. This regional phase of the patent process is expected to continue into 2022.

Brines and other formates

In 2019 the Company filed International Patent Application, PCT/AU2019/051024 in relation to the production of caesium, rubidium and potassium brines and other formates.

It is expected to the national and regional phase of patent application in the main jurisdictions in brines and other formates may be produced operate is likely to commence in 2021. This regional phase of the patent process is expected to continue into 2022.

S-Max[®]

In 2019, the Company filed International Patent Applications, PCT/AU2019/050317 and PCT/AU2019/050318 in relation to the S-Max[®] Process, a hydrometallurgical process, which produces an amorphous silica from concentrates sourced from a range of mica minerals, including lithium micas. The purified amorphous silica may be sold directly or used as a feed to produce a variety of other marketable silica products.

S-Max[®] employs three stages; grinding, sulphuric acid leach regimes at atmospheric pressure, followed by differential classification and flotation streams. Importantly, S-Max[®] can be integrated with Lepidico's L-Max[®] process.

When lithium bearing mica concentrates are treated, the S-Max[®] leach liquor can feed directly into the first impurity removal stage of the L-Max[®] process. Furthermore, the leach liquor from non-lithium bearing micas including muscovite and biotite may be treated to produce valuable by-products including sulphate of potash (SOP) fertiliser.

The Company is expected to proceed with the national and regional phase of patent application in the main jurisdictions in which S-Max[®] may operate in the future. This regional phase of the patent process is expected to continue into 2021.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

On 14 September 2020, the Company announced it had established an incorporated subsidiary, Lepidico Chemicals Manufacturing Ltd, in Abu Dhabi and a pre-operations Industrial Licence was awarded for the Phase 1 Project Chemical Plant site within the Khalifa Industrial Zone Abu Dhabi (KIZAD). This license is a precursor to a Musataha Agreement, which entitles its holder to construct a building or to invest in, mortgage, lease, sell, or purchase a plot of land belonging to a third party for a period of up to 50 years.

Other than the matters discussed above there are no other matters or circumstances which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS ON OPERATIONS

The Company plans to continue to implement its strategy to become a vertically integrated lithium chemical company through the commercialisation of its proprietary technologies including L-Max[®], S-Max[®] and LOH-Max[®] and the ongoing growth, exploration and development of its portfolio of lithium interests.

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

INSURANCE AND INDEMNITY OF OFFICERS AND AUDITORS

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

OPTIONS

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

| Number | Exercise Price | Grant | Expiry |
|--------------------|----------------|-------------------|-------------------|
| 220,518,031 | \$0.045 | 30 September 2018 | 30 September 2020 |
| 50,000,000 | \$0.091 | 24 November 2017 | 23 November 2020 |
| 9,450,000 | \$0.040 | 11 July 2019 | 25 October 2021 |
| 65,000,000 | \$0.026 | 23 November 2018 | 22 November 2021 |
| 945,000 | \$0.100 | 11 July 2019 | 31 March 2022 |
| 276,033,605 | \$0.020 | 18 May 2020 | 18 May 2022 |
| 190,764,921 | \$0.050 | 5 June 2019 | 5 June 2022 |
| 3,921,982 | \$0.100 | 11 July 2019 | 21 June 2022 |
| 73,000,000 | \$0.026 | 21 November 2019 | 21 November 2022 |
| 5,967,000 | \$0.350 | 11 July 2019 | 26 February 2023 |
| 18,900,000 | \$0.020 | 11 July 2019 | 14 January 2024 |
| <u>914,500,539</u> | | | |

WARRANTS

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

| Number | Exercise Price | Expiry |
|--------------------|----------------|------------------|
| 77,171,784 | \$0.04 | 7 December 2020 |
| <u>26,611,896</u> | \$0.04 | 13 December 2020 |
| <u>103,783,680</u> | | |

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001(Cth)* for the year ended 30 June 2020 is included on page 24 of the Directors' Report.

The Auditor did not provide any non-audit services for the year ended 30 June 2020 (2019: \$Nil)

REMUNERATION REPORT (AUDITED)

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

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

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

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

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

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

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

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

During the financial year, the Remuneration Committee reviewed the elements of KMP remuneration for the year commencing 1 July 2020 including comparative information relating to the KMP remuneration for the Company's peers. The Remuneration Committee recommended no remuneration increases for the financial year; the recommendation from the Remuneration Committee was approved by the Board.

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

Non-Executive Directors

| | |
|-------------------|--|
| Mr Gary Johnson | Non-executive Chair |
| Mr Mark Rodda | Non-executive Director |
| Ms Cynthia Thomas | Non-executive Director |
| Mr Brian Talbot | Non-executive Director (resigned 9 April 2020) |

Executive Director

| | |
|--------------|-------------------|
| Mr Joe Walsh | Managing Director |
|--------------|-------------------|

Executives

| | |
|--------------------------------|--|
| Ms Shontel Norgate | Chief Financial Officer and Joint Company Secretary |
| Mr Tom Dukovcic | General Manager - Geology (ceased to be a Director 21 November 2019) |
| Mr Peter Walker ⁽¹⁾ | General Manager – Projects |
| Mr Alex Neuling ⁽²⁾ | Joint Company Secretary |

(1) Mr Walker joined the Company as an employee on 1 July 2019, he previously provided services as a Project Manager through a services agreement with Minmet Services Pty Ltd

(2) Mr Neuling provides services as a the Joint Company Secretary through a services agreement with Erasmus Consulting (Erasmus).

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

Non-Executive Director Remuneration

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

The Company’s policy is to remunerate Non-Executive Directors at market rates (for comparable companies) and reflect the demands made and the responsibilities placed on the Non-Executive Directors.

Non-Executive Director fees approved by the Board from 1 December 2018 are:

| | |
|--|--------|
| Base fees (annual) Non-Executive Chair | 87,600 |
| Other Non-Executive Directors | 54,750 |
| Chair of Committee | 10,000 |
| Member of Committee | 10,000 |

Effective from 1 April 2020 the Board approved the deferment of payment of Directors Fees until COVID-19 austerity measures are lifted.

Fees for Non-Executive Directors are not linked to the performance of the Company however, to align Directors’ interests with shareholders’ interests are encouraged to hold equity securities in the Company. Non-executive Directors are also entitled to participate in the Company long term incentive plan (refer *Long Term Incentives (LTIs)* below).

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

Retirement benefits

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

Other benefits

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

Executive Director and Executive Remuneration

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

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

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

Fixed remuneration

Fixed remuneration comprises base salary and employer superannuation contributions. Salaries are reviewed on an annual basis to ensure competitive remuneration is paid to executives with reference to their role, responsibility, experience and performance. Salaries are reviewed on an annual basis. There are no guaranteed base pay increases included in any executive contracts.

Effective from 1 April 2020 the senior Executives agreed to a 20% payment deferral of Fixed remuneration until COVID-19 austerity measures are lifted.

Short-term incentives (STIs)

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

During the year the Company achieved the significant milestone of completing the Definitive Feasibility Study for the integrated Phase 1 Project incorporating the Ore Reserve from the Karibib Project in Namibia following the business combination with Desert Lion Energy Inc. The Company successfully completed the integration of the Desert Lion group of companies into the Lepidico group. The Company advanced discussions with BASF and extended the MOU for LiOH offtake to 31 December 2020. The Company ensured the health and safety of its employees, particularly during the COVID-19 pandemic and successfully raised over \$3.8 million in an Entitlement Offer to enable the Company to continue its product development work following completion of the Feasibility Study.

Despite the significant milestones achieved during the year, in light of the uncertainty surrounding the economic impacts of COVID-19 the KMP of the Company have forgone any STIs for the year ended 30 June 2020. Therefore no STIs were payable to KMP of the Company or Group as at 30 June 2020 (2019: \$322,373)

Long term incentives (LTIs)

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

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

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

Consequences of Performance on Shareholder Wealth

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

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------|-------------|-------------|-------------|-------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Net Profit/(Loss) | (2,263,225) | (5,357,243) | (7,219,713) | (5,105,014) | (10,118,237) |
| EPS | (0.005) | (0.003) | (0.003) | (0.002) | (0.002) |
| Share price at 30 June | 0.017 | 0.013 | 0.037 | 0.026 | 0.007 |

B. Details Of Remuneration

Amounts of remuneration

Details of the remuneration paid or payable to the directors and Key Management Personnel of the Group are set out in the following tables. Cash Salary and Fees for KMP in 2020 include paid and deferred remuneration which remained unpaid at 30 June 2020.

| | | Short-term Benefits | | | Post-employment benefits | | Share-based payments | Total |
|--|-------------|-----------------------------|---------------------------------|----------------|----------------------------|--------------------------------|----------------------|------------------|
| | | Cash Salary and Fees (Paid) | Cash Salary and Fees (Deferred) | Other (STI) | Retirement Benefits (Paid) | Retirement Benefits (Deferred) | Equity Options | |
| | | | | | | | \$ | \$ |
| Non-Executive Directors | | | | | | | | |
| Mr Gary Johnson | 2020 | 75,000 | 25,000 | - | 7,125 | 2,375 | 52,500 | 162,000 |
| | 2019 | 91,667 | - | - | 8,708 | - | 60,000 | 160,375 |
| Mr Mark Rodda | 2020 | 60,000 | 20,000 | - | 5,700 | 1,900 | 52,500 | 140,100 |
| | 2019 | 71,667 | - | - | 6,808 | - | 60,000 | 138,475 |
| Mr Brian Talbot ⁽¹⁾ | 2020 | 37,500 | - | - | 3,562 | - | 52,500 | 93,562 |
| | 2019 | 60,965 | - | - | 5,792 | - | 60,000 | 126,757 |
| Ms Cynthia Thomas | 2020 | 65,700 | 21,900 | - | - | - | 52,500 | 140,100 |
| | 2019 | 85,901 | - | - | - | - | 60,000 | 145,901 |
| Executive Directors | | | | | | | | |
| Mr Joe Walsh ⁽²⁾ | 2020 | 380,500 | 20,026 | - | - | - | 105,000 | 505,526 |
| | 2019 | 369,648 | - | 182,520 | - | - | 120,000 | 672,168 |
| Executives | | | | | | | | |
| Mr Tom Dukovic ⁽³⁾ | 2020 | 178,721 | 9,406 | - | 16,979 | 894 | 70,000 | 276,000 |
| | 2019 | 227,397 | - | 60,000 | 21,603 | - | 80,000 | 389,000 |
| Ms Shontel Norgate ⁽⁴⁾ | 2020 | 266,351 | 14,018 | - | - | - | 70,000 | 350,369 |
| | 2019 | 258,754 | - | 79,853 | - | - | 80,000 | 418,607 |
| Mr Peter Walker ⁽⁵⁾ | 2020 | 316,982 | 18,414 | - | - | - | - | 335,396 |
| | 2019 | - | - | - | - | - | - | - |
| Mr Alex Neuling ⁽⁶⁾ | 2020 | 39,150 | - | - | - | - | 28,000 | 67,150 |
| | 2019 | 55,356 | - | - | - | - | - | 55,356 |
| Total Directors' and KMP remuneration | 2020 | 1,419,904 | 128,764 | - | 33,366 | 5,169 | 483,000 | 2,070,203 |
| | 2019 | 1,221,355 | - | 322,373 | 42,911 | - | 520,000 | 2,106,639 |

(1) Mr Talbot resigned as Non-Executive Director on 9 April 2020

(2) Mr Walsh is remunerated in Canadian dollars and his total salary paid was C\$342,475, with C\$18,025 deferred (2019: C\$350,000). The Company uses the average annual rate to translate remuneration into the reporting currency and has been translated at the rate of C\$1.00 for every A\$1.111031 (2019: C\$1.00 for every A\$1.056137).

(3) Mr Dukovic ceased to be an Executive Director on 21 November 2019

(4) Ms Norgate is remunerated in Canadian dollars and her total salary paid was C\$239,733, with C\$12,617 deferred (2019: C\$245,000). The Company uses the average annual rate to translate remuneration into the reporting currency and has been translated at the rate of C\$1.00 for every A\$1.111031 (2019: C\$1.00 for every A\$1.056137).

(5) Mr Walker joined the Company as an employee on 1 July 2019, he previously provided services as a Project Manager through a services agreement with Minmet Services Pty Ltd. Mr Walker is remunerated in British pounds and his total salary paid was GBP£168,700, with GBP£9,800 deferred. The Company uses the average annual rate to translate remuneration into the reporting currency and has been translated at the rate of GBP£1.00 for every A\$1.878967

(6) Mr Neuling provides services as the Joint Company Secretary through a services agreement with Erasmus Consulting Pty Ltd (Erasmus). During the year Erasmus was paid or is payable fees of \$39,150 (2019: \$55,356) for the provision of company secretarial services to the Group.

Loans to Key Management Personnel

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

Other Transactions with Key Management Personnel

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Payments to director-related entities ⁽¹⁾ | 1,229,403 | 4,003,387 |

⁽¹⁾ Payments were made to Strategic Metallurgy Pty Ltd, a company of which Mr Gary Johnson is a director and beneficial shareholder. The payments were for development of L-Max[®] technology on an arm's length basis and in 2019 included approximately \$2.1 million in equipment purchases relating to the Pilot Plant which were on-charged by Strategic Metallurgy Pty Ltd at cost. As at 30 June 2020 invoices totalling \$2,860 (2019: \$15,730) were payable.

C. Service Agreements

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

Mr Joe Walsh, Managing Director (MD) has an employment agreement with the Group. The agreement specifies duties and obligations to be fulfilled as MD and provides for an annual review of base remuneration taking into account performance. As previously disclosed, Mr Walsh's remuneration effective from 1 July 2019 includes a salary of C\$360,500 per annum. Mr Walsh did not receive any further increase to base salary during the reporting period. Effective 1 April 2020, Mr Walsh deferred payment of 20% of his base salary until COVID-19 austerity measures are lifted. No bonus has been awarded for the financial year ended 30 June 2020.

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

Mr Tom Dukovcic, GM - Geology (GMG) has an employment agreement with the Group. The agreement specifies duties and obligations to be fulfilled as GMG and provides for an annual review of base remuneration taking into account performance. As previously disclosed, Mr Dukovcic's remuneration effective from 1 July 2019 includes a salary of \$206,000 per annum inclusive of superannuation. Mr Dukovcic did not receive any further increase to base salary during the reporting period. Effective 1 April 2020, Mr Dukovcic deferred payment of 20% of his base salary until COVID-19 austerity measures are lifted. No bonus has been awarded for the financial year ended 30 June 2020.

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

Ms Shontel Norgate, Chief Financial Officer (CFO) has an employment agreement with the Group. The agreement specifies duties and obligations to be fulfilled as CFO and provides for an annual review of base remuneration taking into account performance. As previously disclosed, Ms Norgate's remuneration effective from 1 July 2019 includes a salary of C\$252,350 per annum. Ms Norgate did not receive any further increase to base salary during the reporting period. Effective 1 April 2020, Ms Norgate deferred payment of 20% of her base salary until COVID-19 austerity measures are lifted. No bonus has been awarded for the financial year ended 30 June 2020.

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

Mr Peter Walker, General Manager – Project Development (GMP) has an employment agreement with the Group. The agreement specifies duties and obligations to be fulfilled as GMP and provides for an annual review of base remuneration taking into account performance. Mr Walker joined the Company as an employee on 1 July 2019, he previously provided services as a Project Manager through a services agreement with Minmet Services Pty Ltd. Mr Walker is employed on a casual basis based on the number of days worked and earned a salary of GBP178,500 for the financial year. Mr Walker did not receive any increase to base salary during the reporting period. Effective 1 April 2020, Mr Walker deferred payment of 20% of his base salary until COVID-19 austerity measures are lifted. No bonus has been awarded for the financial year ended 30 June 2020.

Termination of the employment agreement requires 1 months written notice. Upon termination, the GMP is entitled to receive from the Company all payments owed to him under the employment agreement up to and including the date of termination.

D. Share Based Compensation

Share Holdings

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

| 2020 | Balance at start of year | Purchased | Exercised Options | Sold | Other Net Change | Balance at end of year |
|--------------------------------|--------------------------|------------------|-------------------|--------------------|------------------|------------------------|
| Non-Executive Directors | | | | | | |
| Mr Gary Johnson | 365,413,438 | 2,349,137 | - | - | - | 367,762,575 |
| Mr Mark Rodda | - | - | - | - | - | - |
| Mr Brian Talbot ¹ | - | - | - | - | - | - |
| Ms Cynthia Thomas | - | - | - | - | - | - |
| Executive Director | | | | | | |
| Mr Joe Walsh | 30,500,000 | 720,000 | - | - | - | 31,220,000 |
| Key Management | | | | | | |
| Mr Tom Dukovcic ² | 10,146,269 | 456,689 | - | (4,000,000) | - | 6,602,958 |
| Ms Shontel Norgate | 5,564,022 | - | - | - | - | 5,564,022 |
| Mr Peter Walker | - | - | - | - | - | - |
| Mr Alex Neuling | 3,553,946 | - | - | - | - | 3,553,946 |
| Total | 415,177,675 | 3,525,826 | - | (4,000,000) | - | 414,703,501 |

¹ Mr Brian Talbot resigned 9 April 2020

² Mr Tom Dukovcic ceased being a director 21 November 2019

Option Holdings

| 2020 | Balance at start of year | Granted during the year as remuneration | Purchased during year | Exercised/ Expired during year | Balance at end of year | * Vested and exercisable at end of year |
|--------------------------------|--------------------------|---|-----------------------|--------------------------------|------------------------|---|
| Non-Executive Directors | | | | | | |
| Mr Gary Johnson | 35,177,810 | 7,500,000 | 1,174,569 | (12,500,000) | 31,352,379 | 31,352,379 |
| Mr Mark Rodda | 20,000,000 | 7,500,000 | - | (5,000,000) | 22,500,000 | 22,500,000 |
| Mr Brian Talbot ¹ | 7,500,000 | 7,500,000 | - | - | 15,000,000 | 15,000,000 |
| Ms Cynthia Thomas | 7,500,000 | 7,500,000 | - | - | 15,000,000 | 15,000,000 |
| Executive Directors | | | | | | |
| Mr Joe Walsh | 42,875,000 | 15,000,000 | 360,000 | (12,500,000) | 45,735,000 | 45,735,000 |
| Key Management | | | | | | |
| Mr Tom Dukovcic ² | 32,710,495 | 10,000,000 | 228,345 | (12,500,000) | 30,438,840 | 30,438,840 |
| Ms Shontel Norgate | 32,778,202 | 10,000,000 | - | (12,500,000) | 30,278,202 | 30,278,202 |
| Mr Peter Walker | - | - | - | - | - | - |
| Mr Alex Neuling | - | 4,000,000 | - | - | 4,000,000 | 4,000,000 |
| Total | 178,541,507 | 69,000,000 | 1,762,914 | (55,000,000) | 194,304,421 | 190,304,421 |

¹ Mr Brian Talbot resigned 9 April 2020

² Mr Tom Dukovcic ceased being a director 21 November 2019

Details of the share options granted during the year as remuneration are disclosed in Note 18(d) as approved by shareholders at the Company's Annual General Meeting in November 2019.

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



Joe Walsh
Managing Director

Dated this 28th day of September 2020

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

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



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of September 2020.

Consolidated Statement of Profit and Loss and Other Comprehensive Income as at 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|--|------|--------------------|--------------------|
| Continuing Operations | | | |
| Other income | 4 | 63,558 | 59,110 |
| Business development expenses | | (432,830) | (589,148) |
| Administrative expenses | 5 | (2,821,926) | (1,827,998) |
| Employment benefits | | (1,655,873) | (1,472,185) |
| Depreciation | | (306,111) | (8,287) |
| Share based payments | | (511,000) | (520,000) |
| Accretion expense | | (901,639) | - |
| Impairment of property, plant and equipment | | (2,026,267) | - |
| Exploration and evaluation expenditure expensed | | (2,229,049) | (630,241) |
| Realised foreign exchange gain/(loss) | | 6,697 | (116,265) |
| Loss before income tax | | (10,814,440) | (5,105,014) |
| Income tax benefit/(expense) | 6 | 696,203 | - |
| Loss from continuing operations after tax | | (10,118,237) | (5,105,014) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translating foreign operations | | 301,570 | 93,059 |
| Total comprehensive loss for the year | | (9,816,667) | (5,011,955) |
| Comprehensive loss for the year attributable to: | | | |
| Owners of the parent | | (9,373,811) | (5,011,955) |
| Non-controlling interest | | (442,856) | - |
| | | (9,816,667) | (5,011,955) |
| Loss per share for the year attributable to the members of Lepidico Ltd | | | |
| Basic and diluted loss per share | 8 | (0.002) | (0.002) |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9 | 4,792,713 | 13,660,308 |
| Trade and other receivables | 10 | 1,766,863 | 1,148,086 |
| TOTAL CURRENT ASSETS | | 6,559,576 | 14,808,394 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 10 | 72,829 | 71,729 |
| Property, plant and equipment | 11 | 1,903,630 | 19,685 |
| Exploration and evaluation expenditure | 12 | 42,725,634 | 1,928,203 |
| Intangible asset | 13 | 23,870,434 | 22,925,130 |
| TOTAL NON-CURRENT ASSETS | | 68,572,527 | 24,944,747 |
| TOTAL ASSETS | | 75,132,103 | 39,753,141 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 564,671 | 1,077,812 |
| Short-term provisions | 15 | 107,652 | 85,677 |
| Liability component of convertible note | 16 | 5,215,104 | - |
| TOTAL CURRENT LIABILITIES | | 5,887,427 | 1,163,489 |
| NON-CURRENT LIABILITIES | | | |
| Deferred Revenue | 17 | 6,629,144 | - |
| Deferred Tax Liability | 6 | 3,426,317 | - |
| TOTAL NON-CURRENT LIABILITIES | | 10,055,461 | - |
| TOTAL LIABILITIES | | 15,942,888 | 1,163,489 |
| NET ASSETS | | 59,189,215 | 38,589,652 |
| EQUITY | | | |
| Issued capital | 18 | 80,081,594 | 59,430,846 |
| Reserves | 19 | 5,707,720 | 3,858,668 |
| Equity component of convertible note | | 990,000 | - |
| Accumulated losses | | (34,375,243) | (24,699,862) |
| Equity attributable to owners of the Parent | | 52,404,071 | 38,589,652 |
| Non-controlling interests | | 6,785,144 | - |
| TOTAL SHAREHOLDERS EQUITY | | 59,189,215 | 38,589,652 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year ended 30 June 2020

| | Attributable to the owners of the Company | | | | | Total | Non Controlling Interest | Total Equity | |
|---------------------------------|---|------------------|----------------|---------------------|--|---------------------|--------------------------------|------------------|-----------------------|
| | Issued Capital | Reserves | | | Equity component of convertible note | | | | Accumulated Losses |
| | | Options | Warrants | Foreign Currency | | | | | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| Balance at 1 July 2018 | 40,733,812 | 3,377,750 | - | (17,141) | - | (19,594,848) | 24,499,573 | - | 24,499,573 |
| Loss for the year | - | - | - | - | - | (5,105,014) | (5,105,014) | - | (5,105,014) |
| Other comprehensive loss | - | - | - | 93,059 | - | - | 93,059 | - | 93,059 |
| Options issued | - | 565,000 | - | - | - | - | 565,000 | - | 565,000 |
| Options exercised | 363,000 | - | - | - | - | - | 363,000 | - | 363,000 |
| Fair value of options exercised | 160,000 | (160,000) | - | - | - | - | - | - | - |
| Shares issued | 18,174,034 | - | - | - | - | - | 18,174,034 | - | 18,174,034 |
| Balance at 30 June 2019 | 59,430,846 | 3,782,750 | - | 75,918 | - | (24,699,862) | 38,589,652 | - | 38,589,652 |
| Business combination | 16,159,044 | 716,347 | 415,135 | - | 990,000 | - | 18,280,526 | 7,228,000 | 25,508,526 |
| Loss for the year | - | - | - | - | - | (9,675,381) | (9,675,381) | (442,856) | (10,118,237) |
| Other comprehensive loss | - | - | - | 301,570 | - | - | 301,570 | - | 301,570 |
| Options issued | - | 511,000 | - | - | - | - | 511,000 | - | 511,000 |
| Options exercised | 75,000 | - | - | - | - | - | 75,000 | - | 75,000 |
| Fair value of options exercised | 95,000 | (95,000) | - | - | - | - | - | - | - |
| Shares issued | 4,321,704 | - | - | - | - | - | 4,321,704 | - | 4,321,704 |
| Balance at 30 June 2020 | 80,081,594 | 4,915,097 | 415,135 | 377,488 | 990,000 | (34,375,243) | 52,404,071 | 6,785,144 | 59,189,215 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flow For the Year ended 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|--|----------|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from government assistance programs | | 46,964 | - |
| Payments to suppliers and employees | | (4,740,040) | (3,560,720) |
| Interest received | | 16,594 | 57,138 |
| Net cash used in operating activities | 23 | (4,676,482) | (3,503,582) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for exploration and evaluation activities | | (4,923,732) | (1,568,920) |
| Payments for research and development activities | | (2,351,349) | (5,167,505) |
| Proceeds from research and development tax credit | | 1,010,808 | 484,796 |
| Payments for property, plant and equipment | | (2,589) | (1,586) |
| Proceeds from sale of property, plant and equipment | | - | 2,050 |
| Cash acquired on acquisition of Desert Lion Energy Inc | | 416,113 | - |
| Acquisition costs of Desert Lion Energy Inc | | (1,185,134) | - |
| Net cash used in investing activities | | (7,035,883) | (6,251,165) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares (net of costs) | | 3,447,716 | 18,099,034 |
| Proceeds from exercise of options | | 75,000 | 363,000 |
| Net cash provided by financing activities | | 3,522,716 | 18,462,034 |
| Net increase/(decrease) in cash held | | (8,189,649) | 8,707,287 |
| Cash at beginning of financial year | | 13,660,308 | 4,859,962 |
| Effect of foreign exchange rate changes | | (677,946) | 93,059 |
| Cash at end of financial year | 9 | 4,792,713 | 13,660,308 |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the Year ended 30 June 2020

Note 1: Statement of Significant Accounting Policies

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

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

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

Basis of Preparation

Reporting Basis and Conventions

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

The financial statements were authorised for issue on 28 September 2020 by the Directors of the Company. The Directors have the power to amend and re-issue the financial report. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Accounting Policies

(a) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The ability of the Group to continue as a going concern is dependent on the Company being able to continue to raise additional funds as required to meet ongoing exploration and development programs, working capital and being able to either refinance the Convertible Note (Note 16) or raise additional capital in order to repay the Noteholder.

For the year ended 30 June 2020, the Group incurred a net loss after tax of \$10,118,237 and had a net cash outflow from operations of \$4,676,482. As at 30 June 2020, the Company had net current assets of \$672,149. Further, the consequences of the COVID-19 pandemic have negatively impacted the global economy and created volatile market dynamics. As a result, the Group has implemented a business austerity plan including curtailment of all non-essential activities, the deferral of all Directors' fees and the deferral of 20% of senior executives' remuneration.

Notwithstanding this, the financial report has been prepared on a going concern basis which the Directors consider to be appropriate as they believe that the Group will be able to raise additional capital as required based on the successful outcome of previous Entitlement Offers including the most recent Entitlement Offer, where the Company raised \$3.8 million (before costs) during the ongoing COVID-19 pandemic. There remains ongoing interest in the Company and the long term outlook for the lithium industry remains robust.

While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. The Company's opinion concerning its ability to secure future financing options is based on currently available information. To the extent that this information proves to be inaccurate, or the COVID-19 pandemic continues for a prolonged period of time and/or impacts capital markets further the future availability of financing may be adversely affected.

(b) Principles of Consolidation

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

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

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

(c) Business Combinations

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

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

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

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

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

(d) Goodwill

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

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

over the acquisition date fair value of net identifiable assets acquired

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

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

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

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

(e) Income Tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

(f) Property, Plant and Equipment

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

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

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

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

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

Depreciation

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

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

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

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

(g) Exploration and Development Expenditure

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

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

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

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

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

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

(h) Fair Value of Assets and Liabilities

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

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

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

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

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

(i) Financial Instruments

Initial recognition and measurement

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

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

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

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

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

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

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

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

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

A financial liability is held for trading if:

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

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

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

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

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

Measurement is on the basis of two primary criteria:

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

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

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

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

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

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

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

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

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

Equity instruments

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

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

Derecognition

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

Derecognition of financial liabilities

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

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

Derecognition of financial assets

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

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

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

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

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

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

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

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

Recognition of expected credit losses in financial statements

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

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

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

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

(j) Impairment of Assets

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

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

(k) Foreign Currency Transactions and Balances***Functional and presentation currency***

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

Transaction and Balances

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

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

Group companies

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

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

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

(l) Employee Benefits

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

(m) Provisions

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

(n) Cash and Cash Equivalents

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

(o) Revenue

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

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

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

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

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

(p) Goods and Services Tax (GST)

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

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

(q) Critical Accounting Estimates and Judgements

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

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

Key Sources of Estimation Uncertainty

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

(i) Recoverability of Exploration and Evaluation Expenditure

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

(ii) Recoverability of Intangible Assets (Development Expenditure)

The recoverability of capitalised development expenditure recognised as a non-current asset is dependent upon the successful development, or alternatively sale, of the respective intellectual property which comprise the assets. Refer to Note 13 for details of how the development expenditure has been valued.

(iii) Share based payment transactions

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

(r) Intangibles Assets – Intellectual Property Development Expenditure

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

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

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

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

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

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. As a result the Group has made some changes to its accounting policies as a result of adopting AASB 16: Leases.

AASB 16: Leases

AASB 16: Leases introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership. The key requirements of AASB 16 are summarised as follows:

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

AASB 16 will affect primarily the accounting for the Group's operating leases. As at 1 July 2019, the Group did not have any leases in excess of 12 months of tenure and therefore the Group did not recognise a Right of Use Asset and Lease Liability as at 1 July 2019.

(t) New Accounting Standards for Application in Future Periods

None noted.

(u) Comparative Figures

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

Note 2: Controlled Entities

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

| | Country of Incorporation | Interest as at 30 June (%) | | Principal Activity |
|--|--------------------------|----------------------------|------|-------------------------------------|
| | | 2020 | 2019 | |
| Parent Entity: | | | | |
| Lepidico Ltd | Australia | | | |
| Subsidiaries of Lepidico Ltd: | | | | |
| Ashburton Gold Mines NL | Australia | 0 | 100 | Deregistered |
| Trans Pacific Gold Pty Ltd | Australia | 0 | 100 | Deregistered |
| Transdrill Pty Ltd | Australia | 0 | 100 | Deregistered |
| Southern Pioneer Ltd | Australia | 0 | 100 | Deregistered |
| Platypus Resources Ltd | Australia | 0 | 100 | Deregistered |
| Lepidico Holdings Pty Ltd | Australia | 100 | 100 | Lithium Exploration and Investment |
| Li Technology Pty Ltd | Australia | 100 | 100 | Holder of L-Max® Technology |
| Silica Technology Pty Ltd | Australia | 100 | 100 | Holder of S-Max® Technology |
| Mica Exploration Pty Ltd | Australia | 100 | 100 | Lithium Exploration |
| Lepidico (Netherlands) Coöperatief U.A. | Netherlands | 100 | 100 | International Holding Company |
| Lepidico (Netherlands) B.V. | Netherlands | 100 | 100 | Global Marketing Company |
| Lepidico (Canada) Ltd | Canada | 100 | 100 | Dormant |
| Lepidico Holdings (Canada) Inc | Canada | 100 | 100 | Holding Company |
| Lepidico (Canada) Inc (formerly Desert Lion Energy Inc) | Canada | 100 | - | Management Company |
| Lepidico (Mauritius) Ltd (formerly Desert Lion Energy (Mauritius) Ltd) | Mauritius | 100 | - | Holding Company |
| Lepidico Chemicals Namibia (Pty) Ltd (formerly Desert Lion Energy (Pty) Ltd) | Namibia | 80 | - | Exploration and Development Company |

Note 3: Business Combination

(a) Summary of acquisition

On 11 July 2019 the Company announced the completion of the plan of arrangement (the Arrangement), with Desert Lion Energy Inc. (Desert Lion) whereby Lepidico acquired all of the outstanding common shares of Desert Lion for consideration of 5.4 Lepidico ordinary shares for every 1 Desert Lion common share (the Exchange Ratio). The Arrangement, which was announced on 7 May 2019, was approved by the Desert Lion's shareholders at an annual general and special meeting held on 27 June 2019. The acquisition provided the Company with with a direct controlling interest in its first quality lepidolite deposits under an awarded mining license, providing a clear path to development.

(b) Purchase Consideration

Details of the purchase consideration are as follows:

| | \$ |
|---|-------------------|
| Ordinary shares issued to existing Desert Lion shareholders | 14,850,084 |
| Options issued to existing Desert Lion option holders | 716,347 |
| Warrants issued to existing Desert Lion warrant holders | 415,135 |
| Fair value of liability component of convertible note | 5,404,960 |
| Fair value of equity component of convertible note | 990,000 |
| Change of control payments to Desert Lion senior executives | 555,714 |
| Total Purchase Consideration | 22,932,240 |

The fair value of the 571,157,062 shares issued as part of the consideration paid for Desert Lion (\$14.850m) was based on the published share price on 11 July 2019 of \$0.026 per share.

(c) Net assets acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

| | \$ |
|---|-------------------|
| Cash | 416,113 |
| Trade and other receivables | 377,238 |
| Property, plant and equipment | 4,543,380 |
| Exploration assets | 40,521,647 |
| Trade and other payables | (4,367,774) |
| Deferred revenue | (6,447,728) |
| Deferred tax liability | (4,882,636) |
| Net identifiable assets acquired | 30,160,240 |
| Less: non controlling interest | (7,228,000) |
| Net assets acquired | 22,932,240 |

(d) Non-controlling Interest

As part of the transaction the Group acquired an 80% interest in Desert Lion Energy (Pty) Ltd which holds mining and exploration rights for the Karibib Project in Namibia. The Group recognises non controlling interests in an acquired entity either at fair value or at the non controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Desert Lion Energy Inc, the group elected to recognise the non-controlling interests at fair value. See Note 1(c) of the Group's consolidated financial statements for the year ended 30 June 2020 for its Accounting Policy regarding Business Combinations.

(e) Acquisition related expenses

Acquisition related expenses of \$1,134,545 that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in investing cash flows in the statement of cash flows.

Note 4: Revenue

| | 2020 | 2019 |
|---|---------------|---------------|
| | \$ | \$ |
| Interest | 16,594 | 57,060 |
| Profit on sale of property, plant and equipment | - | 2,050 |
| Government assistance programs | 46,964 | - |
| Other Income | 63,558 | 59,110 |
| Total Revenue | 63,558 | 59,110 |

Note 5: Administrative Expenses

| | 2020 | 2019 |
|-----------------------|-------------|-------------|
| | \$ | \$ |
| Office & general | 292,643 | 339,690 |
| Professional services | 657,918 | 250,100 |
| Compliance related | 487,945 | 369,636 |
| Travel | 248,175 | 460,550 |
| | 1,686,681 | 1,419,976 |

Other Significant Administrative Expenses

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

| | | |
|--------------------------------------|------------------|------------------|
| Desert Lion Energy acquisition costs | 1,135,245 | 408,022 |
| Total Administrative Expenses | 2,821,926 | 1,827,998 |

Note 6: Income Tax Expense

| | 2020 | 2019 |
|--|-------------|-------------|
| | \$ | \$ |
| (a) The components of tax expense/(benefit) comprise: | | |
| Current tax | - | - |
| Deferred tax | (696,203) | - |
| Losses recouped not previously recognised | - | - |
| Income tax expense/(benefit) reported in statement of comprehensive income | (696,203) | - |

| | 2020 | 2019 |
|---|-------------|-------------|
| | \$ | \$ |
| (b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows: Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2019:27.5%) | (3,110,847) | (1,403,879) |
| Add tax effect of: | | |
| - Share based payments | 153,300 | 143,000 |
| - Foreign expenditure | 283,840 | 178,867 |
| - Deferred tax balances not recognised | 3,014,827 | 1,032,902 |
| - Intercompany loans written off | (1,309,956) | - |
| - Effect of change in tax rate | (609,565) | - |
| - Foreign tax rate differential | (52,215) | - |
| - Exploration expenditure written off | 668,086 | 49,731 |
| - Adjustments to income tax of previous years | 297,970 | - |
| - Other non-allowable items | (31,643) | (621) |
| Less tax effect of: | | |
| - Deferred tax balances not recognised | - | - |
| - Losses recouped not previously recognised | - | - |
| Income tax expense/(benefit) reported in statement of comprehensive income | (696,203) | - |
| (c) Deferred tax recognised: | | |
| Deferred Tax Liabilities: | | |
| Karibib assets | (3,426,317) | - |
| Exploration expenditure | (4,245) | (1,141) |
| L-Max [®] Technology | (248,698) | (227,973) |
| L-Max [®] Pilot Plant | (723,772) | (272,694) |
| Other | (4,396) | - |
| Deferred Tax Assets: | | |
| Carry forward revenue losses | 981,111 | 501,808 |
| Net deferred tax | (3,426,317) | - |
| (d) Unrecognised deferred tax assets: | | |
| Carry forward revenue losses | 9,257,874 | 6,190,047 |
| Carry forward capital losses | 293,087 | 268,663 |
| Capital raising and other costs | 382,736 | 506,301 |
| L-Max Licence | 21,826 | 20,007 |
| Provision and accruals | 32,745 | 8,686 |
| | 9,988,267 | 6,993,703 |

(e) Tax consolidation:

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

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

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

Note 7: Auditor's Remuneration

| | 2020 | 2019 |
|----------------|-------------|-------------|
| | \$ | \$ |
| Audit services | 64,469 | 39,116 |

Note 8: Earnings per Share

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

| | 2020 | 2019 |
|---|---------------|---------------|
| | \$ | \$ |
| Loss attributable to the ordinary equity holders of the Company | 0.002 | 0.002 |
| | \$ | \$ |
| Loss from continuing operations | 10,118,237 | 5,105,014 |
| | No. | No. |
| Weighted average number of ordinary shares | 4,567,787,554 | 3,272,423,591 |

Note 9: Cash and Cash Equivalents

| | 2020 | 2019 |
|--------------------------|-------------|-------------|
| | \$ | \$ |
| Cash at bank and in hand | 4,792,713 | 13,660,308 |

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 25

Note 10: Trade and Other Receivables

| | 2020 \$ | 2019 \$ |
|--|------------------|------------------|
| Current | | |
| Prepaid expenses | 354,073 | 35,397 |
| R&D tax rebate receivable | 1,194,000 | 950,000 |
| Goods and services tax receivable | 218,790 | 162,689 |
| Total Current Trade and Other Receivables | 1,766,863 | 1,148,086 |
| Non-Current | | |
| Cash backed guarantees | 72,829 | 71,729 |
| Total Non-Current Trade and Other Receivables | 72,829 | 71,729 |
| Total Trade and Other Receivables | 1,839,692 | 1,219,815 |

Note 11: Property, Plant and Equipment

| | Buildings & Infrastructure \$ | Furniture, Fittings & Equipment \$ | Motor Vehicles \$ | Assets under Construction \$ | Total \$ |
|-----------------------------------|-------------------------------------|---|-------------------------|------------------------------------|------------------|
| Cost | | | | | |
| Balance at 1 July 2018 | - | 105,601 | - | - | 105,601 |
| Additions | - | 1,587 | - | - | 1,587 |
| Disposals | - | (37,173) | - | - | (37,173) |
| Balance at 30 June 2019 | - | 70,015 | - | - | 70,015 |
| Acquired on business combination | 1,741,511 | 193,703 | 215,359 | 2,392,807 | 4,543,380 |
| Additions | - | 2,590 | - | - | 2,590 |
| Disposals | - | (241) | - | - | (241) |
| Balance at 30 June 2020 | 1,741,511 | 266,067 | 215,359 | 2,392,807 | 4,615,744 |
| Accumulated Depreciation | | | | | |
| Balance at 1 July 2018 | - | 78,552 | - | - | 78,552 |
| Depreciation | - | 8,287 | - | - | 8,287 |
| Disposals | - | (36,509) | - | - | (36,509) |
| Balance at 30 June 2019 | - | 50,330 | - | - | 50,330 |
| Depreciation | 148,841 | 84,333 | 72,937 | - | 306,111 |
| Disposals | - | (241) | - | - | (241) |
| Impairment | - | - | - | 2,026,267 | 2,026,267 |
| Impact of foreign exchange | (18,331) | (9,579) | (8,983) | 366,540 | 329,647 |
| Balance as at 30 June 2020 | 130,510 | 124,843 | 63,954 | 2,392,807 | 2,712,114 |
| Net Book Value | | | | | |
| At 30 June 2019 | - | 19,685 | - | - | 19,685 |
| At 30 June 2020 | 1,611,001 | 141,224 | 151,405 | - | 1,903,630 |

Note 12: Exploration and Evaluation Expenditure

| | 2020 | 2019 |
|-------------------------|-------------|-------------|
| | \$ | \$ |
| Exploration expenditure | 42,725,634 | 1,928,203 |

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

| | 2020 | 2019 |
|---|-------------------|------------------|
| | \$ | \$ |
| Reconciliation of movements during the year: | | |
| Balance at the beginning of year | 1,928,203 | 729,697 |
| Exploration and evaluation assets acquired | 40,521,647 | - |
| Exploration and evaluation costs capitalised | 2,504,833 | 1,838,747 |
| Exploration and evaluation costs written off | (2,229,049) | (640,241) |
| Balance at the end of the year | 42,725,634 | 1,928,203 |

Note 13: Intangible assets

| | 2020 | 2019 |
|---------------------------------|-------------|-------------|
| | \$ | \$ |
| L-Max [®] Technology | 23,354,178 | 22,692,203 |
| S-Max [®] Technology | 146,109 | 136,543 |
| LOH-Max [®] Technology | 370,147 | 96,384 |
| Intangible assets | 23,870,434 | 22,925,130 |

The recoverability of the carrying amount of the L-Max[®], S-Max[®] and LOH-Max[®] Technologies is dependent of the successful development and commercial exploitation or sale of the asset.

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Reconciliation of movements during the year: | | |
| Balance at the beginning of year | 22,925,130 | 19,026,700 |
| Development costs capitalised | 2,200,112 | 4,848,430 |
| Research and Development Tax Credit received/receivable | (1,254,808) | (950,000) |
| Balance at the end of the year | 23,870,434 | 22,925,130 |

Note 14: Trade and Other Payables

| | 2020 \$ | 2019 \$ |
|---|----------------|------------------|
| Current | | |
| Trade payables | 262,347 | 648,449 |
| Sundry payables and accrued expenses | 302,324 | 429,363 |
| Total Current Trade and Other Payables | 564,671 | 1,077,812 |

Note 15: Provisions

| | 2020 \$ | 2019 \$ |
|---------------------|------------|------------|
| Current | | |
| Employee Provisions | 107,652 | 85,677 |

| Reconciliation of movements during the year: | 2020 \$ | 2019 \$ |
|---|----------------|---------------|
| Balance at the beginning of year | 85,677 | 51,030 |
| Provisions acquired | 36,300 | - |
| Additional provisions | 102,044 | 89,184 |
| Provisions used/paid out | (112,520) | (54,537) |
| Impact of foreign exchange | (3,849) | - |
| Balance at the end of the year | 107,652 | 85,677 |

Note 16: Convertible Note

The Company inherited a C\$5,000,000 Convertible Note (Note), which matures on 7 December 2020, as part of its acquisition of Desert Lion Energy Inc. Under the terms of Note, C\$1,000,000 must be repaid on the maturity date. The remaining C\$4,000,000 may be converted into 108,000,000 Shares at a deemed issue price of C\$0.037 per Share at the discretion of the noteholder, AIP Global Macro Fund L.P. (AIP), on or before 7 December 2020. The Note is secured over the assets acquired by the Company from Desert Lion Energy Inc.

At the date of acquisition Lepidico issued 54,539,996 shares to AIP at a deemed value of A\$1,308,960 being the prepayment of all interest and fees associated with the Note until maturity.

The fair value of the Note on acquisition was split between the financial liability element and an equity component representing the residual attributable to the option to convert the financial liability into equity of the Company as follows:

| | \$ |
|--|------------------|
| Fair value of liability component | 4,096,000 |
| Fair value of prepaid interest and fees | 1,308,960 |
| Fair value of equity component | 990,000 |
| Total fair value of Convertible Note on acquisition | 6,394,960 |

The equity component of \$990,000 has been credited to equity.

The liability component is measured at amortised cost. The accretion expense for the year is calculated by applying an effective interest rate of 16.8% to the liability component for the period since acquisition. Prepaid interest and fees are amortised against the liability component.

| | \$ |
|---|-------------------------|
| Carrying amount of the liability component on acquisition | 5,404,960 |
| Accretion expense for the financial year | 901,639 |
| Amortisation of interest and fees | (780,692) |
| Impact of foreign exchange | (310,803) |
| Carrying amount of the liability component | <u>5,215,104</u> |

Note 17: Deferred Revenue

Deferred revenue of \$6,629,144 represents a payment of US\$4.5 million (the Deposit) received by Desert Lion Energy from Jiangxi Jinhui Lithium Co Ltd (Jinhui), a private Chinese corporation under an offtake agreement dated 6 November 2017 and subsequently amended on 13 February 2018 (the Jinhui Lithium Offtake Agreement).

The Jinhui Lithium Offtake Agreement provides for the sale of material located in the stockpile at the Karibib project in Namibia.

Following the completion of the first shipment by Desert Lion on 24 April 2018, the Deposit is no longer refundable and does not accrue interest. The remaining balance shall continue to amortise against any future shipments of the stockpile material.

The term of the Jinhui Lithium Offtake Agreement began on 16 November 2017 and ends on the earlier of:-

- (i) 60 months following such date; and
- (ii) the date that is 15 business days after all concentrate produced from the stockpiled material has been loaded on to the vessel nominated by Jinhui; and has been paid for by Jinhui.

The offtake payment liability of \$6,629,144 (US\$4,558,272) is classified as unearned revenue as the Deposit is no longer refundable.

Note 18: Contributed Equity

a) Share capital

| | 2020 | | 2019 | |
|----------------------------|---------------|--------------------|---------------|--------------------|
| | Number | \$ | Number | \$ |
| Fully paid ordinary shares | 5,185,735,038 | 84,926,182 | 3,737,703,973 | 63,858,677 |
| Share Issue Costs | | <u>(4,844,588)</u> | | <u>(4,427,831)</u> |
| | | <u>80,081,594</u> | | <u>59,430,846</u> |

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

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

Note 18: Contributed Equity (cont)

a) Share capital (cont)

Movements in ordinary share capital

| Description | Date | Number of shares | Issue Price | \$ |
|--|------------------|----------------------|-------------|-------------------|
| Opening Balance | 30 June 2019 | 3,737,703,973 | | 59,430,846 |
| Acquisition of Desert Lion Energy Inc | 11 July 2019 | 571,157,062 | 0.026 | 14,850,084 |
| Issue of shares to certain Desert Lion creditors | 11 July 2019 | 76,020,767 | 0.024 | 1,824,498 |
| Issue of shares to Bacchus Capital Advisers | 31 July 2019 | 13,786,605 | 0.026 | 358,452 |
| Exercise of options | 6 November 2019 | 5,000,000 | 0.015 | 75,000 |
| Fair value of options exercised | 6 November 2019 | - | - | 95,000 |
| Shares issued as collateral under CPA | 23 December 2019 | 230,000,000 | - | - |
| Entitlement Offer | 18 May 2020 | 552,066,631 | 0.007 | 3,864,471 |
| Less: Share issue costs | | | | (416,757) |
| Closing Balance | | <u>5,185,735,038</u> | | <u>80,081,594</u> |

b) Share options

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

| Number | Exercise Price | Grant | Expiry |
|--------------------|----------------|-------------------|-------------------|
| 220,518,031 | \$0.045 | 30 September 2018 | 30 September 2020 |
| 50,000,000 | \$0.091 | 24 November 2017 | 23 November 2020 |
| 9,450,000 | \$0.040 | 11 July 2019 | 25 October 2021 |
| 65,000,000 | \$0.026 | 23 November 2018 | 22 November 2021 |
| 945,000 | \$0.100 | 11 July 2019 | 31 March 2022 |
| 276,033,605 | \$0.020 | 18 May 2020 | 18 May 2022 |
| 190,764,921 | \$0.050 | 5 June 2019 | 5 June 2022 |
| 3,921,982 | \$0.100 | 11 July 2019 | 20 June 2022 |
| 73,000,000 | \$0.025 | 21 November 2019 | 21 November 2022 |
| 5,967,000 | \$0.350 | 11 July 2019 | 26 February 2023 |
| 18,900,000 | \$0.020 | 11 July 2019 | 14 January 2024 |
| <u>914,500,539</u> | | | |

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

Note 18: Contributed Equity (cont)

b) Share options (cont)

Movements in Options

| | Number | Weighted Average Exercise Price \$ |
|-------------------------|--------------------|---|
| Balance at 30 June 2018 | 130,000,000 | 0.049 |
| Granted | 476,282,952 | 0.044 |
| Exercised | (20,000,000) | 0.019 |
| Expired | - | - |
| Balance at 30 June 2019 | 586,282,952 | 0.046 |
| Granted | 388,217,587 | 0.028 |
| Exercised | (5,000,000) | 0.015 |
| Expired | (55,000,000) | 0.025 |
| Balance at 30 June 2020 | <u>914,500,539</u> | 0.040 |

c) Warrants

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

| Number | Exercise Price | Recognised | Expiry |
|--------------------|-----------------------|-------------------|------------------|
| 77,171,784 | \$0.04 | 11 July 2019 | 7 December 2020 |
| <u>26,611,896</u> | \$0.04 | 11 July 2019 | 13 December 2020 |
| <u>103,783,680</u> | | | |

Movements in Warrants

| | Number | Weighted Average Exercise Price \$ |
|---------------------------|---------------------|---|
| Balance at 30 June 2019 | - | - |
| Recognised on acquisition | 139,797,500 | 0.141 |
| Exercised | - | - |
| Expired | <u>(36,013,820)</u> | 0.432 |
| Balance at 30 June 2020 | <u>103,783,680</u> | 0.040 |

Note 18: Contributed Equity (cont)

d) Share Based Payments

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

(i) Desert Lion Business Combination

Under the terms of the Arrangement with Desert Lion, the Company issued:

- i) 571,157,062 new fully paid ordinary shares (LPD Shares) to existing Desert Lion shareholders at a deemed share price of \$0.026 per share;
- ii) 39,183,982 new options at exercise prices ranging from \$0.02 - \$0.35; and
- iii) 139,797,500 warrants at exercise prices ranging from \$0.04 to \$0.44.

The outstanding convertible notes of Desert Lion were adjusted to allow for the acquisition of LPD Shares upon their exercise (reflecting the Exchange Ratio). The Company may therefore issue up to 108,000,000 new LPD Shares upon conversion of the outstanding convertible notes at the election of the holder, on or before 7 December 2020.

The Company also issued 76,020,767 new fully paid ordinary shares to certain creditors of Desert Lion in settlement of debt arrangements, which Desert Lion had intended to settle in common shares at the time of the announcement of the Arrangement but which had not been allotted at transaction close. The deemed share price of \$0.024 per share was based on the weighted average share price agreed under settlement of the debt arrangements by Desert Lion adjusted for the Exchange Ratio.

(ii) Bacchus Capital Advisors

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

(iii) Related Party Options

On 21 November 2019, the Company issued a total of 73,000,000 options to directors, employees and consultants under the Company's Share Option Plan and were valued using Black Scholes with the following assumptions:

| | <u>Unlisted Options</u> |
|-----------------------------|-------------------------|
| Number of options in series | 73,000,000 |
| Grant date share price | \$0.016 |
| Exercise price | \$0.025 |
| Expected volatility | 88% |
| Option life | 3 years |
| Dividend yield | 0.00% |
| Interest Rate | 2.00% |

(iv) Controlled Placement Agreement

On 23 December 2019, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital to provide Lepidico with up to \$7.5 million of standby equity capital over a 26 month period to fund future product research and development work, new process technology development and working capital.

As collateral for the CPA, Lepidico issued 230,000,000 ordinary shares at nil consideration to Acuity Capital (Collateral Shares) but may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

Note 19: Reserves

| | 2020 \$ | 2019 \$ |
|--------------------------------------|------------------|------------------|
| Option Reserve | 4,915,097 | 3,782,750 |
| Warrant Reserve | 415,135 | - |
| Foreign Currency Translation Reserve | 377,488 | 75,918 |
| Total Reserves | 5,707,720 | 3,858,668 |

a) Option Reserve

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

| | 2020 \$ | 2019 \$ |
|--|------------------|------------------|
| Opening Balance | 3,782,750 | 3,377,750 |
| Options issued on acquisition | 716,347 | - |
| Option expense for the year | 511,000 | 565,000 |
| Transfer of value on exercise of options | (95,000) | (160,000) |
| Closing Balance | 4,915,097 | 3,782,750 |

b) Warrant Reserve

The warrants reserve is used to recognise the fair value of all warrants contractually recognised but not yet exercised.

| | 2020 \$ | 2019 \$ |
|--|----------------|------------|
| Opening Balance | - | - |
| Fair value of warrants recognised on acquisition | 415,135 | - |
| Transfer of value on exercise of warrants | - | - |
| Closing Balance | 415,135 | - |

c) Foreign Currency Translation Reserve

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

| | 2020 \$ | 2019 \$ |
|--------------------------|----------------|---------------|
| Opening Balance | 75,918 | (17,141) |
| Movement during the year | 301,570 | 93,059 |
| Closing Balance | 377,488 | 75,918 |

Note 20: Contingent Liabilities and Contingent Assets

There are no contingent liabilities as at 30 June 2020.

Note 21: Segment reporting

Reportable Segments

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

| | Mineral Exploration | Technology | Corporate & Unallocated items | Total |
|--------------------------------|--------------------------------|-------------------|--|--------------|
| | \$ | \$ | \$ | \$ |
| (i) Segment performance | | | | |
| Year ended 30 June 2020 | | | | |
| Revenue | - | - | 63,558 | 63,558 |
| Loss before tax | 4,267,014 | - | 6,547,426 | 10,814,440 |
| Year ended 30 June 2019 | | | | |
| Revenue | - | - | 59,110 | 59,110 |
| Loss before tax | 630,241 | - | 4,474,773 | 5,105,014 |
| (ii) Segment assets | | | | |
| As at 30 June 2020 | 44,498,939 | 25,064,434 | 5,568,730 | 75,132,103 |
| As at 30 June 2019 | 1,928,203 | 22,925,130 | 14,899,807 | 39,753,140 |

Note 21: Segment reporting (cont)

Geographical Information

| | Australia \$ | Canada \$ | Africa \$ | UAE \$ | Europe \$ | Total \$ |
|--|-----------------|--------------|--------------|-----------|--------------|-------------|
| (i) Segment performance for the year ended: | | | | | | |
| 30 June 2020 | | | | | | |
| Revenue | 62,573 | 985 | - | - | - | 63,558 |
| Loss before tax | 2,285,650 | 3,656,251 | 2,501,415 | 17,914 | 2,353,210 | 10,814,440 |
| 30 June 2019 | | | | | | |
| Revenue | 59,110 | - | - | - | - | 59,110 |
| Loss before tax | 3,989,287 | 984,790 | - | - | 130,927 | 5,105,014 |
| (ii) Segment assets | | | | | | |
| As at 30 June 2020 | 29,519,849 | 866,269 | 44,745,985 | - | - | 75,132,103 |
| As at 30 June 2019 | 37,625,789 | 208,110 | 19,480 | - | 1,899,761 | 39,753,140 |

Note 22: Commitments

Operating lease commitments

| | 2020 \$ | 2019 \$ |
|-------------------------|------------|------------|
| Not later than one year | - | 45,630 |
| | - | 45,630 |

As at 1 July 2019, the Group did not have any leases in excess of 12 months of tenure and therefore the Group did not recognise a Right of Use asset and Lease liability as at 1 July 2019.

Exploration lease commitments

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

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

| | 30 June 2020 \$ | 30 June 2019 \$ |
|---|-----------------------|-----------------------|
| Not later than one year | 3,002,903 | - |
| After one year but less than five years | 1,828,297 | - |
| | 4,831,200 | - |

Note 23: Cash Flow Information

| | 2020 \$ | 2019 \$ |
|---|--------------------|--------------------|
| Reconciliation of Cash Flow from Operations with Loss after Income Tax | | |
| Loss after income tax | (10,118,237) | (5,105,014) |
| Adjustments items not impacting cash flow used in operations: | | |
| Depreciation and amortisation | 306,111 | 8,287 |
| Exploration expenditure written-off | 2,229,049 | 630,241 |
| Fair value of options issued | 511,000 | 520,000 |
| Share based payments | 515,538 | - |
| Desert Lion acquisition costs | 1,135,245 | - |
| Accretion expense | 901,639 | - |
| Impairment of assets under construction | 2,026,267 | - |
| (Profit)/Loss on sale of property, plant & equipment | - | (1,387) |
| Changes in assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | (446,492) | (90,362) |
| Increase/(decrease) in trade and other payables | (1,062,374) | 500,006 |
| Increase/(decrease) in provisions | 21,975 | 34,647 |
| Increase/(decrease) in deferred tax liability | (696,203) | - |
| Cash flow used in operations | <u>(4,676,482)</u> | <u>(3,503,582)</u> |

Note 24: Related Party Transactions

Key Management Personnel Remuneration

| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| Cash salaries, fees and other short-term benefits | 1,548,668 | 1,543,728 |
| Post employment benefits | 38,535 | 42,911 |
| Share based payments | 483,000 | 520,000 |
| | <u>2,070,203</u> | <u>2,106,639</u> |

Detailed remuneration disclosures are provided in the remuneration report on pages 16 to 23.

Payments to director-related parties

| | 2020 \$ | 2019 \$ |
|--|------------------|------------------|
| Payments to director-related entities ⁽¹⁾ | <u>1,229,403</u> | <u>4,003,387</u> |

⁽¹⁾ Payments were made to Strategic Metallurgy Pty Ltd, a company of which Mr Gary Johnson is a director and beneficial shareholder. The payments were in relation to the development of L-Max[®] technology on an arm's length basis and in 2019 included approximately \$2.1 million in equipment purchases relating to the Pilot Plant which were on-charged by Strategic Metallurgy Pty Ltd at cost. As at 30 June 2020 invoices totalling \$2,860 are payable (2019: \$15,730).

Note 25: Financial Risk Management

The Group has exposure to the following risks:

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

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

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

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

(a) Credit Risk

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

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

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

| | Note | 2020 \$ | 2019 \$ |
|-------------------------------|------|------------------|-------------------|
| Financial assets | | | |
| Cash and cash equivalents | 9 | 4,792,713 | 13,660,308 |
| Trade and other receivables | 10 | 1,839,692 | 1,148,086 |
| Total financial assets | | 6,632,405 | 14,808,394 |

(b) Liquidity Risk

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

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. Typically, the Group ensures it has sufficient cash on demand to meet expected expenditures, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as the COVID-19 pandemic.

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

The following table analyses the Group's financial liabilities into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the statement of financial position.

30 June 2020

| | Note | Carrying amount \$ | Contractual cash outflows \$ | Within 1 year \$ | 1-2 years \$ | 2-5 years \$ |
|---------------------------------|------|-----------------------|---------------------------------|---------------------|-----------------|-----------------|
| Trade & other payables | 14 | 564,671 | 564,671 | 564,671 | - | - |
| Convertible Note ⁽¹⁾ | 16 | 5,215,104 | 5,328,465 | 5,328,465 | - | - |
| Deferred Revenue | 17 | 6,629,144 | - | - | - | - |
| Total | | 12,408,919 | 5,893,136 | 5,893,136 | - | - |

(1) The Group holds a C\$5,000,000 Note, which matures on 7 December 2020. Under the terms of Note, C\$1,000,000 must be repaid on the maturity date. The remaining C\$4,000,000 may be converted into 108,000,000 shares at a deemed issue price of C\$0.037 (A\$0.039) per Share at the discretion of the noteholder, AIP Global Macro Fund L.P., on or before the maturity date. As at reporting date the Company's share price was \$0.007 (C\$0.007). In the event the noteholder does not elect to convert its Note into shares in the Company, the Company will need to refinance or raise additional capital to repay the Note in full.

30 June 2019

| | Note | Carrying amount \$ | Contractual cash outflows \$ | Within 1 year \$ |
|------------------------|------|-----------------------|---------------------------------|---------------------|
| Trade & other payables | 14 | 1,077,812 | 1,077,812 | 1,077,812 |
| Total | | 1,077,812 | 1,077,812 | 1,077,812 |

Assets pledged as security

The Convertible Note is secured over the assets acquired by the Company from Desert Lion Energy Inc.

(c) Market Risk

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

(i) Interest Rate Risk

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

| | | 2020 | | 2019 | |
|-------------------------|---------------|-------|-----------|-------|------------|
| | | % | \$ | % | \$ |
| Financial assets | | | | | |
| Cash assets | Floating rate | 0.23% | 4,792,713 | 0.70% | 13,858,394 |

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

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

| | 2020 | 2019 |
|-------------------------|----------|----------|
| | \$ | \$ |
| Change in Loss | | |
| Increase by 1% | 56,159 | 82,313 |
| Decrease by 1% | (16,979) | (57,060) |
| Change in Equity | | |
| Increase by 1% | 56,180 | 82,313 |
| Decrease by 1% | (16,979) | (57,060) |

(ii) *Currency Risk*

The Group operates internationally and is exposed to foreign exchange risk on its financial assets and liabilities. Fluctuations in exchange rates may have a significant affect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction. The Group's currency risk arises primarily with respect to the Namibian dollar (NAD) and South African Rand (ZAR), which are equivalent, Canadian dollars (CAD) and United States dollars (USD). In addition, the Company has transactions in British pounds (GBP) and Euro (EUR). The Group has not entered into any derivative financial instruments to hedge such transactions. The Group reviews its foreign currency exposure, including commitments on an ongoing basis.

The Group's exposure to currency risk arising on financial assets and financial liabilities denominated in various currencies was :

30 June 2020

| | NAD | CAD | USD | GBP | EUR |
|--|-------------|-------------|-------------|----------|-----|
| | \$ | \$ | \$ | £ | € |
| Cash and cash equivalents | 732,529 | 362,245 | 9,645 | 50,360 | - |
| Trade and other receivables | 660,719 | 386,147 | - | - | - |
| Trade and other payables | (2,350,531) | (57,404) | - | (11,074) | - |
| Liability component – Convertible Note | - | (4,893,627) | - | - | - |
| Deferred Revenue | - | - | (4,558,272) | - | - |
| Net currency exposure | (957,283) | (4,202,639) | (4,548,627) | 39,286 | - |

30 June 2019

| | NAD \$ | CAD \$ | USD \$ | GBP £ | EUR € |
|--|-----------|------------------|--------------|----------|--------------|
| Cash and cash equivalents | - | 142,673 | 9,963 | - | - |
| Trade and other receivables | - | 60,620 | - | - | 7,792 |
| Trade and other payables | - | (593,995) | - | - | - |
| Liability component – Convertible Note | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - |
| Net currency exposure | - | (390,703) | 9,963 | - | 7,792 |

The following significant exchange rates applied during the year:

| | Average rate 2020 | Average rate 2019 | Reporting date spot rate 2020 | Reporting date spot rate 2019 |
|-----------|----------------------|----------------------|----------------------------------|----------------------------------|
| 1 USD:AUD | 1.491693 | 1.398216 | 1.453973 | 1.422736 |
| 1 NAD:AUD | 0.095624 | 0.098477 | 0.083848 | 0.100755 |
| 1 CAD:AUD | 1.111031 | 1.056137 | 1.056137 | 1.086430 |

Sensitivity Analysis

The following table details the Group's sensitivity arising in respect of translation of its financial assets and financial liabilities to a 10% movement (2019: 10%) in the Australian dollar against the currencies where it has significant currency risk at the reporting date, with all other variables held constant.

| | 2020 A\$ | 2019 A\$ |
|---|-------------|-------------|
| NAD | | |
| If the NAD had strengthened against the AUD | 11,682 | - |
| If the NAD had weakened against the AUD | (11,682) | - |
| CAD | | |
| If the CAD had strengthened against the AUD | (447,872) | (42,447) |
| If the CAD had weakened against the AUD | 447,872 | 42,447 |
| USD | | |
| If the USD had strengthened against the AUD | (661,358) | 1,417 |
| If the USD had weakened against the AUD | 661,358 | (1,417) |

(iii) Commodity Price Risk

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

(iv) Capital Management

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

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

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

Note 26: Parent Entity Financial Information

The following information relates to the legal parent only.

(a) Summary of Financial Information

| | 2020 \$ | 2019 \$ |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | 4,391,351 | 14,618,365 |
| Total assets | <u>60,057,622</u> | <u>50,364,845</u> |
| Liabilities | | |
| Current liabilities | 325,310 | 507,622 |
| Total liabilities | <u>325,310</u> | <u>507,622</u> |
| Shareholders' Equity | | |
| Issued capital | 112,523,626 | 94,964,846 |
| Reserves | 5,452,792 | 4,171,241 |
| Accumulated Losses | <u>(58,244,106)</u> | <u>(49,278,865)</u> |
| Total Shareholders' Equity | <u>59,732,312</u> | <u>49,857,223</u> |
| Result of the parent entity | | |
| Loss for the year | (8,228,712) | (3,030,828) |
| Other comprehensive loss | <u>(611,572)</u> | <u>178,808</u> |
| Total comprehensive loss for the year | <u>(8,840,284)</u> | <u>(2,852,020)</u> |

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

As at 30 June 2020 the parent entity has no contractual commitments for the acquisition of property, plant or equipment.

(c) Guarantees and contingent liabilities

As at 30 June 2020 the parent entity has no guarantees or contingent liabilities other than as disclosed in Note 20.

Note 27: Events Subsequent to Reporting Date

Industrial License Awarded for Abu Dhabi Free Zone

On 14 September 2020, the Company announced it had established an incorporated subsidiary, Lepidico Chemicals Manufacturing Ltd, in Abu Dhabi and a pre-operations Industrial Licence was awarded for the Phase 1 Project Chemical Plant site within the Khalifa Industrial Zone Abu Dhabi (KIZAD). This license is a precursor to a Musataha Agreement, which entitles its holder to construct a building or to invest in, mortgage, lease, sell, or purchase a plot of land belonging to a third party for a period of up to 50 years.

Directors' Declaration

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

1. The financial statements and notes and the remuneration disclosures that are contained in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - a. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2020.
4. Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Joe Walsh
Managing Director

Dated this 28th day of September 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LEPIDICO LIMITED****Report on the Audit of the Financial Report****Opinion**

We have audited the financial report of Lepidico Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

In forming our opinion on the Group financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1(a) to the financial statements concerning the Group's ability to continue as a going concern. The Group's ability to continue as a going concern for at least the next 12 months is dependent on the Company being able to continue to raise additional funds as required to meet ongoing exploration programs, working capital and being able to either refinance the Convertible Note (Note 16) or raise additional capital in order to repay the Noteholder. These conditions, as explained in Note 1(a) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

Independence

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEPIDICO LIMITED (CONTINUED)

Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Exploration & Evaluation Expenditure and Intangible Assets

Refer to Notes 1(g), and (r), Notes 12 Exploration & Evaluation Expenditure & 13 Intangible Assets

As at 30 June 2020 the Group had capitalised exploration and evaluation expenditure of \$42,725,634 and intangible assets with a carrying value of \$23,870,434.

The ability to recognise and to continue to defer exploration-evaluation assets under AASB 6 is impacted by the Group's ability, and intention, to continue to explore the tenements or its ability to realise this value through development or sale.

The intangible asset includes the Group's investment in the L-Max[®] Technology, S-Max[®] Technology and LOH-Max[®] Technology, including the cost of acquisition of the technology, subsequent development costs and patent fees capitalised. As part of their annual impairment review, management prepared an analysis of the recoverable amount of the technology which was, in part, based on a "fair value less costs to sell" analysis. Note that given the early stages of development of the technology, there are inherent risks in relying on forecast cash flows as a reliable estimate of value-in-use. Notwithstanding this, they have also considered the results of the vertically integrated Phase 1 Project Definitive Feasibility Study incorporating the Karibib assets, which was completed in May 2020, in their impairment review of the exploration and evaluation and intangible assets.

The carrying values of the capitalised exploration and evaluation and technology assets were key audit matters given the significance of the technology and exploration activities to the Group's balance sheet, and the judgement involved in the assessment of their values.

Our procedures included, amongst others the following:

- Assessing the methodologies used by management to estimate recoverable amounts of the exploration and evaluation and technology assets, including challenging the methodologies used, testing the integrity of the information provided, and assessing the appropriateness of the key assumptions adopted based on our knowledge of the technology and industry.
- Reviewing minutes of Board meetings, ASX announcements, the latest professional technological and other reports for evidence of any impairment indicators or material adverse changes in relation to the technology asset since completion of the Pre-Feasibility Report and independent valuation report (included in the target's statement document) announced in 2017. There were no such indicators during the year.
- Testing expenditures and other additions to the technology and exploration-evaluation assets during the year on a sample basis against supporting documentation such as supplier invoices and cost agreements and ensuring such expenditures and additions are appropriately recorded in accordance with applicable accounting standards.
- Reviewing the Group's rights to tenure to its areas of interest and commitment to continue exploration and evaluation activities in these interests and ensuring capitalised expenditures relating to areas of interest which are being discontinued or no longer being budgeted for are appropriately impaired.
- Review of an updated JORC code (2012) compliant mineral resource estimate, completed in January 2020 by Snowden Mining industry Consultants Pty Ltd, in respect of ore reserves at Karibib, Namibia.
- Review of the vertically integrated Phase 1 Project Definitive Feasibility Study completed in May 2020, which is based on a commercial scale L-Max Plant, comprising an integrated mine, concentrator and chemical conversion plant development
- Compared the Group's market capitalisation as at 30 June 2020 (\$47.2 million) to its net asset position (\$57.7 million), noting that the market capitalisation at balance date was lower than net assets, which is an indicator of possible impairment, for further consideration.
- Assessing the appropriateness of the relevant disclosures in the financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LEPIDICO LIMITED (CONTINUED)**

Key Audit Matters (continued)

| Acquisition of Desert Lion Energy Inc | |
|---|--|
| Refer to Note 3 – Business Combination | |
| <p>On 11 July 2019 the Group completed the acquisition of a 100% controlling interest in Desert Lion Energy Inc, which included an 80% interest in the Karibib Project in Namibia, for total consideration of \$22.9 million</p> <p>Accounting for this transaction is complex, requiring management to exercise judgement to determine the fair value of consideration given, the fair value of acquired assets and liabilities, including determining the allocation of purchase consideration to separately identifiable intangible and other assets.</p> <p>This is a key audit matter due to the significance of the acquisition and the extent of judgement involved in accounting for the transaction.</p> | <p>Our procedures included, amongst others the following:</p> <ul style="list-style-type: none"> • We read the acquisition agreement dated 6 May 2019 and related correspondence, so as to understand key terms and conditions. • We assessed whether this acquisition should be accounted for under AASB 3/IFRS 3 Business Combinations or AASB 116 Property, Plant and Equipment – the Group accounted for it as an acquisition of a business under AASB3/IFRS3. • Evaluated the fair value model developed by management to determine the fair value of consideration given and the fair value of acquired assets and liabilities. This included review and evaluation of a Purchase Price Allocation report prepared by an independent, appropriately qualified consultant. • Assessed the cut-off period (acquisition date) for consolidating the post-acquisition financial performance of the acquired business. • Assessed the appropriateness of the relevant disclosures in the financial statements. |
| Related Party Transactions & Share Based Payments to Key Management Personnel | |
| Refer to Remuneration Report, Note 18 d) Share Based Payments, Note 24 Related Party Transactions | |
| <p>During the year ended 30 June 2020, the Group transacted with Key Management Personnel and their related entities including:</p> <ul style="list-style-type: none"> • Awarded share-based payments amounting to \$511,000 in the form of share options, to Key Management Personnel • Paid \$1,229,403 in development and consulting costs related to the L-Max Technology <p>As these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third party.</p> <p>The value of the share-based payments is a key audit matter due to it being a key material transaction with members of key management personnel, the valuation of which involves significant judgement and accounting estimation.</p> | <p>Our procedures included, amongst others the following:</p> <ul style="list-style-type: none"> • Enquiring and obtaining confirmations from Key Management Personnel regarding related party transactions occurring during the period. • Reviewing minutes of meetings, ASX announcements and agreements, and considered other transactions undertaken during the financial year. • Reviewing payments, receipts and general journals throughout the year, and examining transactions with known related parties, or those that appear large or unusual for the Group. • Evaluating, based on supporting documentation, whether related party transactions were on an arms-length basis. • Assessing the valuation methodology used by management to estimate fair value of share options issued, including testing the integrity of the information provided, assessing the appropriateness of the key assumptions input into the valuation model and recalculating the valuation using the Black Scholes Model. • Assessing whether the share-based payments have been appropriately classified and accounted for in the financial statements. • Assessing the appropriateness of the relevant disclosures in the financial statements. |

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LEPIDICO LIMITED (CONTINUED)**

Key Audit Matters (continued)

| Group's ability to continue as a Going Concern | |
|---|--|
| Refer to Note 1(a) | |
| <p>The financial statements are prepared on a going concern basis in accordance with AASB 101 Presentation of Financial Statements. The Group continues to incur significant operating losses in its ongoing efforts to advance the commercialisation and development of its L-MAX[®], LOH-Max[®] and S-Max[®] technologies, and the exploration of newly acquired Karibib Project. As the directors' assessment of the Group's ability to continue as a going concern is subject to significant judgement, we identified going concern as a significant risk requiring special audit consideration.</p> | <p>Our audit procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • An evaluation of the directors' assessment of the Group's ability to continue as a going concern. In particular, we reviewed budgets and cashflow forecasts for at least the next 12 months and reviewed and challenged the directors' assumptions. • Reviewed plans by the directors to defer certain payments and secure additional funding through either the issue of further shares and/or debt funding or a combination thereof. • An evaluation of the directors plans for future operations and actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year end, through discussion with the directors. • Review of disclosure in the financial statements to ensure appropriate. <p>Based on our work, we agree with the directors' assessment that the going concern basis of preparation is appropriate. However, we also concur that there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern because of the uncertainty over securing future funding. The disclosures in the financial statements appropriately identify this risk.</p> |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEPIDICO LIMITED (CONTINUED)

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Lepidico Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of September 2020.