



**LEPIDICO LTD**

ACN 008 894 442

**FINANCIAL REPORT 2022**

## Table Of Contents

Corporate Directory .....	3
Directors' Report.....	4
Auditors Independence Declaration .....	25
Consolidated Statement of Profit and Loss and Other Comprehensive Income.....	26
Consolidated Statement of Financial Position.....	27
Consolidated Statement of Changes in Equity .....	28
Consolidated Statement of Cash Flow .....	29
Notes to the Financial Statements .....	30
Directors' Declaration.....	61
Independent Auditor's Report.....	62

## 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

23 Belmont Avenue  
Belmont, WA, Australia, 6104

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

### Principal Place of Business

23 Belmont Avenue  
Belmont, WA, Australia, 6104  
PO Box 330 Belmont WA 6984

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

### Country of Incorporation

Australia

### Auditors

Moore Australia Audit (WA)  
Level 15, Exchange Tower  
2 The Esplanade  
PERTH WA 6000

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

### Automic Group

Automic Pty Ltd  
Level 2, 267 St Georges Terrace  
Perth WA 6000  
GPO Box 5193 Sydney NSW 2001

Telephone: 1300 288 664  
Email: [hello@automicgroup.com.au](mailto:hello@automicgroup.com.au)

### Home Exchange

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

### ASX Code: LPD, LPDOD

## 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 2022 (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 Mark Rodda	Non-executive Director
Ms Cynthia Thomas	Non-executive Director

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

### 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 25 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. Prior to its 2007 takeover by Norilsk Nickel for in excess of US\$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 the 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:*

None

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

Executive Chair of Victory Nickel Inc. (CSE listed) – resigned 26 July 2022

## 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 25 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 2022, 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	6	6	2	2	3	3	0	0
Mr Joe Walsh	6	6	0	0	0	0	2	2
Mr Mark Rodda	6	6	2	2	3	3	2	2
Ms Cynthia Thomas	6	6	2	1	3	3	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	335,358,326	23,927,955
Mr Joe Walsh	35,468,572	45,944,286
Mr Mark Rodda	-	22,500,000
Ms Cynthia Thomas	-	22,500,000
	<b>370,826,898</b>	<b>114,872,241</b>

## PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were mineral exploration and development, and development of proprietary technologies, including: L-Max<sup>®</sup>, LOH-Max<sup>®</sup> and caesium-rubidium extraction.

## 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 2022, 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 2022 the Group recorded a net loss after tax of \$7,941,340 (2021: net profit after tax \$282,556) and a net cash out flow from operations of \$5,482,547 (2021: net inflow \$1,036,610).

The net assets of the Group increased to \$76,441,558 at 30 June 2022 (2021: \$74,949,679).

## PHASE 1 PROJECT DEVELOPMENT

### Chemical Conversion Plant (100%), Abu Dhabi

The Phase 1 Project represents a unique opportunity globally for production of the strategic metals: caesium and rubidium, for which the United States is 100% reliant on imports. Furthermore, lithium, caesium, and rubidium, the main Phase 1 products, are all on the U.S. Government list of Critical Minerals, making Lepidico's technologies and the Phase 1 chemical plant strategically significant.

The Musataha lease agreement was signed in early October 2021 with Abu Dhabi Ports (ADP) with the staged deposit fully paid during the period. The Musataha agreement secures the 57,000m<sup>2</sup> site for the Phase 1 chemical plant for an initial term of 25 years. The site is located within the Khalifa Industrial Zone Abu Dhabi (KIZAD), a major industrial free zone, which allows full foreign business ownership as well as tax exemptions on imports and exports. During the year the Company was granted its Environmental Permit to Construct with work on other permits continuing.

Following the signing of the Musataha, Lycopodium Minerals Pty (Lycopodium), the Company's appointed EPCM contractor, started work with ADP (the parent company of KIZAD) to design the on-site infrastructure and tie-ins to all utilities with the general site layout approved by ADP. Site geo-technical

work, which included drilling and geophysical investigations were completed during the period with infrastructure development works to establish access, utilities and services to the chemical plant site being progressed by ADP. Access road works are complete, which has allowed electrical power, natural gas and industrial water utilities, and sewer and drainage services works to the site boundary to start.

Lycopodium and Strategic Metallurgy collaborated on the chemical plant flowsheet during the year which incorporated demonstration scale pilot plant campaign results and allowed for a milestone version of the Process Design Criteria (PDC) to be developed. Further refinements were made to the PDC on receipt of critical mechanical equipment vendor development testwork in June (based on samples generated from the pilot campaigns), which allowed the specifications of the filters, crystallisers and regrind mill to be finalised. This in turn allowed Lycopodium to start work on the engineering and design for the installation of these units, with the draft control estimate and implementation schedule expected in the second half of calendar 2022. Limited vendor testwork continues that is confirmatory (non-critical) and thereby not on the Front End Engineering and Design (FEED) critical path. The PDC will however, continue to be a live document throughout the detailed design phase and thereby take account of all confirmatory testwork.

In April 2022, Hans Daniels was appointed as General Manager Operations UAE. He started with Lepidico in early July 2022. Hans brings a great breadth and depth of experience from his plus 30 years working in the chemicals industry, much of it in the UAE, where he has established and developed new chemicals businesses. As GM Operations for the region, Hans will lead the implementation and operation of Lepidico's Phase 1 chemicals process facility – which employs the Company's proprietary process technologies – being developed within the Khalifa Industrial Zone Abu Dhabi (KIZAD).

### **Karibib Project (80%), Namibia**

Karibib is fully permitted for the re-development of two open pit mines at Rubicon and Helikon 1, which will feed lithium mica ore to a central mineral concentrator adjacent to Rubicon that employs conventional flotation technology. Key permits for the Project which have been awarded include the Mining Licence (ML204), water extraction permit, Environmental Compliance Certificate (ECC), and a separate ECC awarded for the overhead power transmission line.

The Ministry of Mines and Energy, Republic of Namibia granted the Accessory Works Permit for the development of the Karibib Lithium Operations within ML204. The accessory works application included the waste management areas designed by Knight Piésold and various site ancillaries designed by Lycopodium, which includes site buildings and structures.

Lycopodium finalised the FEED in June following a review of major equipment vendors which led to a change in supplier being recommended for the flotation cells, which in turn necessitated some redesign works. Some modifications were also introduced into the crusher and concentrate bagging areas. The revised FEED was finalised with no material impact to the control estimate but an improved risk position for implementation and operations.

An Ore Reserve review was completed by AMDAD based on a first principles revision to operating costs for the integrated project, updated physicals that incorporates all process testwork since completion of the Definitive Feasibility Study (DFS) in May 2020 and Benchmark Mineral Intelligence latest lithium hydroxide price forecast. The re-optimisation confirmed the pit stages assumed in the DFS and therefore the pit designs remain in good standing. A modest increase in life of mine ore tonnes at slightly lower grade is implied, subject to further evaluation. This is consistent with the higher lithium price more than offsetting the effect of inflation on operating costs.

Bulk earthworks were awarded to a national construction contractor in December 2021 following a tender process. Works include access road upgrade, on-site roads, Rubicon waste management area starter pad, site water management structures and bulk earthworks pads for the concentrator, non-process buildings and stockpile areas.



The power supply system design was completed and issued for tender in January 2022. Solar and hydropower already make significant contributions to the Namibian national grid. It is expected that at least 80% of grid power will be from committed renewable sources by 2025. Lepidico is also tracking several new solar projects that appear to be close to a development decision, which could allow all power to the Karibib Project to be from renewable sources.

Site works at Karibib are scheduled to start once Project finance is secured. A considerable tonnage of high-grade in-situ lepidolite mineralisation is exposed at surface at Rubicon with minimal requirement for mining of waste. As such, ore mining is not on the critical path and is planned to start just ahead of concentrator commissioning.

In August 2022, Timotheus (Timo) Ipangelwa commenced as GM Operations Namibia. Timo has 16 years' experience as a Mining Engineer working at both large and medium scale open pit operations. As GM Operations for Lepidico in Namibia, Timo will lead the re-development of the two open pit mines at Rubicon and Helikon, as well as the implementation and operation of Lepidico's Phase 1 mineral concentrator for the Karibib Project.

### **Sustainability**

In April, 2022 Benedicta Uris joined Lepidico as General Manager Sustainability & Country Affairs Namibia. Benedicta is uniquely well qualified and brings a wealth of experience from more than 20 years in senior management sustainability roles within the natural resources industries in Africa and the United Kingdom. As GM Sustainability for the Lepidico Group, Benedicta is responsible for designing and implementing the Company's sustainability strategy, with an emphasis on Environment, Social and Governance (ESG), reporting to the Managing Director. Based in Namibia, Benedicta is also responsible for Country Affairs in the region.

A comprehensive mapping and gap assessment of IFC, World Bank, Development Finance Corporation (DFC) and IRMA standards/requirements versus Phase 1 ESIs and the Karibib ESMP (Environment and Social Management Plan) was completed during the year. The results have been shared with DFC and policy/standard development is well advanced to meet finance requirements, which includes an Environment and Social Action Plan. At year end Lepidico Chemicals Namibia was also well advanced on an updated stakeholder engagement plan.

Lepidico remains committed to continued improvement in environmental performance. Opportunities to reduce already low levels of greenhouse gas (GHG) emissions versus industry peers have been identified and are actively being pursued. Evaluation of work by environmental consultant GHD for Phase 1 has identified opportunities to reduce aggregate Scope 1 and 2 emissions to less than 3.0t CO<sub>2</sub>-e/ t Lithium Carbonate Equivalent (LCE); an industry leading position.

GHD advised in its report that Scope 1 and 2 emissions<sup>1</sup> intensity associated with the Abu Dhabi Phase 1 chemical plant is estimated at just 7.46t CO<sub>2</sub>-e/t<sup>2</sup> lithium hydroxide. The largest single source of chemical plant emissions, approximately 60%, is from natural gas used for generating process heat. Lepidico has started discussions for supply of green hydrogen from new production planned to be developed at KIZAD. Opportunities to reduce overall energy consumption via solar preheating of boiler feed water will also be evaluated, amongst other initiatives to reduce emissions and costs.

At Karibib, grid power already includes a significant renewable component with more committed projects to come onstream. As previously advised, by 2025 it is estimated that 80% of power will be generated from renewable sources<sup>3</sup>. It appears increasingly likely that further solar power capacity will be committed

<sup>1</sup> Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.

<sup>2</sup> Tonnes of carbon dioxide equivalent

<sup>3</sup> NamPower Investors Briefing, July 2019

to in the Karibib region this year, which would provide an opportunity to reduce or even eliminate Scope 2 emissions, other than for backup purposes.

Excellence in environmental stewardship, which includes demonstrating that products have low associated CO<sub>2</sub>-e emissions, is now almost essential for chemicals supplied for EV manufacture, particularly when associated with vehicle sales into the European and North American markets. This ethical sourcing of chemicals also extends to the evaluation of water and land usage, both of which can be challenging for certain types of lithium deposits and processes. This is not the case when employing Lepidico's proprietary process technologies, which will be commercialised in the Company's integrated Phase 1 Project.

In consultation with the Traditional Authority, Lepidico completed a micro-finance project, during the period, to support disadvantaged women in the nearby town of Otjimbingwe. Chicken coups, livestock and animal husbandry training were provided. In addition, a business registration and entrepreneurship workshop for women and youth was held in the town of Otjimbingwe. The workshop was attended by recipients of existing Lepidico micro-finance projects as well as 23 women and youths who showed keen interest in starting micro-businesses. Supporting information was received during the period from the Ministry of Health and Social Services for a new maternity space at the Otjimbingwe clinic to allow a funding proposal to be completed, with implementation planned for the 2023 fiscal year.

Fire and water trailers were acquired for the Karibib Operations to service the site and local farmer community, where there have been instances of scrub fires. In June, 2022 a scrub fire was started just outside the Mining Lease and EPL area by a grader contracted by Lepidico to develop fire breaks along access roads to site. The fire was brought under control with no injury or impacts to local farmer livestock. The incident has been investigated and revisions to procedures implemented to prevent a recurrence. Scrub fires remain a significant risk during dry seasons that follow higher rainfall wet seasons such as occurred in 2021-'22.

Australian not for profit organisation, ellect<sup>4</sup>, helps companies achieve diversity, equity and inclusion in their business as part of their ESG goals. ellect has completed gender equality ratings for all ASX listed companies, with Lepidico having a score in the top 5% based on its Board and key management composition.

### **Product Marketing**

The Company entered into a binding offtake agreement in December 2021 for sales-marketing, logistics and trade finance with Traxys Europe S.A. ("Traxys") for 100% of the production of lithium hydroxide (5,000tpa) from the Company's planned Phase 1 Project during the first 7 years of operation or 35,000t in total. In addition, Traxys will act as agent for 100% of the production of caesium sulphate solution (c.400tpa) from the Chemical Plant.

A growing understanding across the industry of an impending acceleration in lithium demand growth coupled with limited new supply options means that Lepidico is well positioned to commit its lithium hydroxide with leading sustainability focused consumers within the electric vehicle supply chain. Negotiations are well advanced for binding supply agreements to be entered into with Lepidico-Traxys before December 2022. Product samples continue to be manufactured by Strategic Metallurgy in Perth for prospective customers.

Similarly, caesium chemical supply negotiations continue to advance well with multiple size consumers. Interest is being driven by an emerging substantial supply deficit, as one of just two major producers of caesium chemicals ceases supply this year on depletion of its raw material source. The Phase 1 chemical plant represents the only advanced source of new supply outside of China.

Offtake letters of intent have now been signed with multiple local UAE groups for all three Phase 1 bulk products following successful sample tests. There is strong demand for amorphous silica as a

---

<sup>4</sup> [www.ellect.biz](http://www.ellect.biz)

supplementary cementitious material for use in construction, as it both lowers the greenhouse gas emissions associated with concrete manufacture and also improves its compressive strength. Multiple uses have also been identified for the Phase 1 gypsum residue that include construction materials, agricultural soil amendments and as a product employed in the rehabilitation of landfill sites. Lepidico's ambition for Phase 1 to have zero solid process waste is fast approaching a reality. The Company has secured three non-binding LOIs for the supply of between 15,000-20,000t per annum of sulphate of potash (SOP) from the Phase 1 Chemical Plant.

Binding term sheets are now being developed and negotiated with customers to be closely followed by supply agreements for all bulk-products.

### **Phase 2 Plant Scoping Study**

Completion of FEED works for the Phase 1 concentrator has allowed a debottlenecking and expansion study to be undertaken. Existing water infrastructure and the planned power supply have capacity to support a doubling of the ore milling rate to 520,000tpa. The cyclones are also scaled for this throughput and allowance is made in the existing design for a second ball mill, to allow Phase 1 concentrate output of 60,000tpa to be maintained on lower grade, predominantly lithian-muscovite ores.

Preliminary results from the expansion review indicate that a doubling of throughput on higher grade lepidolite ore could support a doubling of concentrate output in an extremely capital efficient manner.

Positive exploration results at Helikon 3-4 and encouragement from regional exploration activities, coupled with unsolicited interest from owners of various lithium mica assets has justified a review of Phase 2 development options. An additional 5-7 million tonnes of near surface Measured-Indicated Mineral Resources at Karibib of similar grade to Rubicon-Helikon 1 is sufficient to support a Pre-Feasibility Study on a Phase 2 chemical plant project of similar scale to Phase 1. This scenario is supported by the Karibib exploration target for fiscal 2023, with a more ambitious target set for 2024.

However, additional sources of concentrate from third-party lithium mica mines could support a significantly larger chemical conversion plant and lead to the development of a global market for lithium mica concentrates.

## **RESEARCH & PRODUCT DEVELOPMENT**

Collaboration between Lepidico, Lycopodium and Strategic Metallurgy in developing a revised PDC has resulted in a chemical plant flowsheet-layout that will ensure improved operability and maintainability, as well as reducing scale-up and ramp-up risks.

Strategic Metallurgy continued to conduct pilot operations through the demonstration scale facility in Perth. L-Max<sup>®</sup> operations concluded early in the June 2022 quarter. LOH-Max<sup>®</sup> lithium hydroxide refining from the inventory of raw product was delayed due to availability of plant operators and contamination from a purchased reagent that was substantially out of specification. All refining equipment has been dismantled, cleaned and reassembled. Refining operations recommenced in early July.

L-Max<sup>®</sup> and LOH-Max<sup>®</sup> pilot campaign reports have been drafted by Strategic Metallurgy and provided to the project lender's Independent Engineer, Behre Dolbear Australia Pty Ltd (BDA), for its review. A third report on by-product manufacture was in advanced draft, while the final lithium hydroxide refining report was pending completion of the campaign trial and receipt of assays at year end.

Virtual demonstration plant tours were run for both lenders and equity investors during the year. Various demonstration plant product samples were prepared and dispatched to customers for assessment. At year end further samples were scheduled for dispatch to customers on receipt of assays.

## EXPLORATION<sup>5</sup>

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

Lepidico is pursuing a strategy of maximising the value of its exploration properties by implementing programs targeted at a range of metals, which the Namibian properties are prospective for and include lithium, caesium, rubidium, tantalum, gold, copper and tungsten.

A drilling program was completed during the year at Helikon 4 and returned the broadest high grade lithium intercepts to date at the Karibib Project, while a new lepidolite bearing pegmatite was identified at Homestead with a strike of at least 250 m and downhole width of up to 31 m. In addition, trenching and sampling of lepidolite rich stockpiles at Rubicon was completed with a revised Mineral Resource Estimate (MRE) planned for later in calendar 2022 that is intended to upgrade the current high-grade Inferred material into Indicated category and thereby allow it to be included in the Phase 1 mine plan.

Two new land access agreements were entered into during the year allowing exploration of priority targets to start within EPL5439, which is located immediately to the east the Phase 1 Mining Licence area (ML204). The Homestead target is situated within this EPL, 1.6 km along strike from the Helikon 2 5 line of lepidolite pegmatites.

### Helikon 4 Mineral Resource infill drilling

Helikon 4 has the largest Inferred Mineral Resource on the 1.5km long E-W line of pegmatites, Helikon 2 - Helikon 5, situated one kilometre north of Helikon 1 within a folded sequence of marbles and metasediments. These pegmatites were mined historically for petalite, a lithium mineral used mainly in ceramics and glass manufacture. Currently, Helikon 4 contains an Inferred Mineral Resource JORC Code (2012) of 1.51Mt @ 0.38% Li<sub>2</sub>O (0.20% Li<sub>2</sub>O cut-off) based largely on diamond core drilling completed in 2017. The reverse circulation (RC) infill drilling program that started in late January 2022, comprised 20 holes for 1,612m, which provided additional data on the geometry of the pegmatite and continuity of mineralisation, with the objective of upgrading the Resource into Measured and Indicated categories before the end of calendar 2022. Six of the holes from this RC program stopped short of their target depth due to heavy water flow. These holes were completed by a diamond rig with HQ core (see ASX announcement on 27 June 2022 for drill hole data). Assay results for the RC phase of this work have been received. Logging of the diamond core tails confirms the presence of lepidolite, with assay results pending at year end.

All holes from the RC program intersected mineralised pegmatite and all but two holes intersected significant lepidolite mineralisation.

---

<sup>5</sup> 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.

Better results (before receipt of core assays) included:

- 40m @ 1.08% Li<sub>2</sub>O from massive and disseminated lepidolite in hole HRCH033
- 20m @ 1.16% Li<sub>2</sub>O from a zone of albite with disseminated lepidolite in hole HRCH039
- 6m @ 2.15% Li<sub>2</sub>O from a mica rich zone in hole HRCH030

#### Homestead Pegmatite

A maiden drilling program started at the Homestead prospect in May 2022. This target is marked by a small outcrop of lepidolite-bearing pegmatite. Drilling to date has confirmed the presence of a mineralised pegmatite at depth. Hole HRC009 intersected 31 metres of zoned LCT-type pegmatite with bands of lepidolite, green (possibly lithian) muscovite and petalite, confirming the prospectivity of this pegmatite. The pegmatite appears to plunge to the SW, with drilling now chasing the mineralised zone. This first phase of drilling completed in June, with assay results pending at year end.

#### Rubicon Stockpiles

The Rubicon surface stockpiles currently comprise an Inferred Mineral Resource JORC Code (2012) of 414,506t @ 0.84% Li<sub>2</sub>O. An extensive sampling program was completed during the year, aimed at increasing the confidence in lithium distribution within and between the various stockpiles to aid in the potential upgrade of most of this Mineral Resource into the Indicated category.

A total of 44 trenches were excavated over various fine (< 60mm) dumps. Trench spacing was nominally 20m on the larger dumps and 10m on smaller dumps. Trenches were sampled from top to base by vertical channels cut into one side of the trench, with a total of 406 samples collected. The coarser (> 60mm) Dump A was sampled by a grid of 25 pits excavated to colluvium at the base of the dump. One bulk sample of c.200 kg was collected from around the spoil at each pit.

In addition, 424 bulk density determinations were taken from across the stockpiles. All trenches and stockpiles were surveyed by differential GPS, including the top and base (colluvium) in each case. Assay results were pending at year end. Work on a revised Mineral Resource estimate for the Rubicon stockpiles will start once the assays are received.

#### Regional Exploration and Scout Drilling

Drilling commenced over conceptual LCT-type pegmatite regional targets (RT targets) generated by an algorithm developed in house. Targets are initially ground truthed and verified by soil sampling on a nominal 100m x 50m grid, with the soils subjected to analysis by portable hand-held XRF to determine the Rb content. Rubidium is used as a proxy for lepidolite-bearing pegmatites as lithium, with an atomic number of only 3, cannot be detected by XRF.

So far, priority targets RT01 and RT18 located within ML204 have been tested by scout lines of RC holes drilled across the strongest parts of associated surface Rb anomalies. Fractionated pegmatitic granite was intersected in both cases similar to that seen proximal to the Rubicon deposit, with several pegmatite lenses also identified at RT18. Assay results were pending at year end.

Regional exploration of other LCT pegmatite and gold targets within EPL5439 using portable XRF was ongoing during the year. The method provides a quick first-pass assessment of targets which allows certain works to continue while assays are awaited.

Further work was also undertaken at the Marble Hill pegmatite prospect where old surface scratchings and limited prior drilling has identified an LCT-type pegmatite over a c.700m strike. To date, only 200m of this strike has been effectively tested with drilling, identifying sporadic lepidolite mineralisation.

EPL5439 was recently renewed till June 2024. Work undertaken to date allowed this EPL area to be reduced by 25% to 165km<sup>2</sup> with no loss in proceptivity. EPL5718 and EPL5555 were relinquished during the year as no meaningful results were returned from scout exploration works over recent years.

## **CORPORATE**

### **Cash and Facilities**

At 30 June 2022, Lepidico had cash and cash equivalents of \$8.0 million.

In January 2022, the Company agreed with Acuity Capital to extend the expiry date of its Controlled Placement Agreement (“CPA”) to 31 January 2024.

As previously announced, the CPA was initially established with an expiry date of 31 January 2021 (see announcement dated 23 December 2019).

There is no requirement on Lepidico to utilise the CPA and there were no fees or costs associated with the extension of the CPA. Further, no additional security in the form of shares has been provided or is required in relation to the CPA extension.

### **COVID-19**

The health, safety and wellbeing of our people, staff and contractors, remains of paramount importance. Precautions associated with the COVID-19 eased during the second half of the financial year with normal business travel re-instated including Investor Relations and Marketing activities. Working from home and adherence to local safety protocols remained in place in the jurisdictions in which we operate.

### **Options**

On 18 May 2022, the LPDOC options with an exercise price of \$0.02 per option expired. Significant option holder support was received with over 95% of all LPDOC options exercised. The remaining 14,718,406 LPDOC options expired unexercised.

On 5 June 2022, 189,140,022 LPDOB options with an exercise price of \$0.05 per option expired.

### **Project Finance**

The Company continues to make good progress in assembling a debt financing package with proceeds to be used for the development of the integrated Phase 1 Project, supported by debt advisor Lions Head Global Partners (Lions Head).

In June 2022, DFC provided an updated Letter of Interest as it continued its detailed due diligence on the Project under its formal Mandate Agreement (October 2020), with a view to providing the necessary debt financing for the Namibian portion. BDA, the independent engineer appointed by DFC to undertake Phase 1 technical due diligence completed its report on the Definitive Feasibility Study earlier in the year. This work is being augmented by a review of demonstration plant pilot operations reports and control estimates from EPCM Stage 1 works. In addition, BDA completed the Environmental and Social Due Diligence Review Report during the March 2022 quarter. DFC has provided a short list for legal counsel to undertake legal due diligence and facilities documentation following confirmation of the commercial lenders.

In parallel, Lions Head advanced discussions with other Development Finance Institutions, as well as commercial lenders and export credit agencies for debt finance for the chemical plant development in Abu Dhabi.

### **Patents & Trademarks**

At 30 June 2022, the Company held granted patents for its L-Max<sup>®</sup> technology in the United States, Europe, Japan and Australia, along with an Innovation Patent in Australia. National phase patent applications are well advanced in the other key jurisdictions, with these processes expected to continue during calendar year 2022. The Company also has a patent granted for its process technology for lithium recovery from phosphate minerals (amblygonite) from the United States, Japan and Australia.

The national and regional phase of the patent application process is progressing for LOH-Max<sup>®</sup> under PCT/AU2020/050090. The S-Max<sup>®</sup> national phase patent applications are progressing under

PCT/AU2019/050317 and PCT/AU2019/050318. In addition, the national and regional phase of the patent application process for the production of caesium, rubidium and potassium brines and other formates is continuing under PCT/AU2019/051024. The national and regional phase applications for the above processes are expected to continue beyond 2022.

On 1 April 2022, the Company progressed with an International application under the Patent Cooperation Treaty (PCT) and was allotted the number PCT/AU2022/050297 for the lithium carbonate recovery process from a raw lithium hydroxide material.

On 1 October 2021 a provisional patent application was filed for the preparation of Cs-Rb-K alkali salt solutions from lithium mica mineral source material. This refining process has application in tailoring ternary materials for industrial catalyst applications.

### **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**

Other than the matters discussed above there are no other matters or circumstances which have arisen since 30 June 2022 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 alkali metals chemical company through the commercialisation of its proprietary technologies including L-Max<sup>®</sup> and LOH-Max<sup>®</sup> 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:

<b>Number</b>	<b>Exercise Price</b>	<b>Grant</b>	<b>Expiry</b>
73,000,000	\$0.025	21 November 2019	21 November 2022
75,000,000	\$0.016	8 December 2020	8 December 2022
5,967,000	\$0.350	11 July 2019	26 February 2023
478,597,823	\$0.026	18 June 2021	18 June 2023
67,500,000	\$0.012	19 November 2020	19 November 2023
18,090,000	\$0.020	11 July 2019	14 January 2024
<u>67,500,000</u>	\$0.072	18 November 2021	18 November 2024
<u>785,654,823</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 2022 is included on page 25 of the Directors' Report.

The Auditor did not provide any non-audit services for the year ended 30 June 2022 (2021: \$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 Nomination & 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 Nomination & 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, Mercer Consulting (Australia) Pty Ltd (Mercer) was engaged by the Nomination & Remuneration Committee to review elements of KMP remuneration for the year commencing 1 July 2022 including the provision of comparative information relating to the KMP remuneration for the Company's peers. The Company has not engaged Mercer to provide any other services and the Board is satisfied that the remuneration review undertaken was free from undue influence by members of KMP to whom the review relates. The Nomination & Remuneration Committee made recommendations to the Board and those recommendations were approved by the Board.

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

*Non-Executive Directors*

Mr Gary Johnson	Non-executive Chair
Mr Mark Rodda	Non-executive Director
Ms Cynthia Thomas	Non-executive Director

*Executive Director*

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

*Executives*

Ms Shontel Norgate	Chief Financial Officer & Joint Company Secretary
Mr Peter Walker	GM – Project Development
Ms Benedicta Uris	GM – Sustainability & Country Affairs Namibia (appointed 20 April 2022)
Mr Tom Dukovcic	GM – Geology
Mr Alex Neuling <sup>(1)</sup>	Joint Company Secretary

(1) Mr Neuling provides services as a 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 since 1 December 2018 are:

Base fees (annual) Non-Executive Chair	\$ 87,600
Other Non-Executive Directors	\$ 54,750
Chair of Audit & Governance /Nomination & Remuneration Committee	\$ 10,000
Member of Audit & Governance /Nomination & Remuneration Committee	\$ 10,000

On formation of the Diversity Committee, it was resolved by the Committee members that the Committee would forgo any Fees and the decision would be reviewed once a final investment decision was reached by the Board.

Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholders' interests, Directors 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.

*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 Nomination & Remuneration 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 key milestones relating to the development of the integrated Phase 1 Project with permits and approvals in place for the integrated Phase 1 Project and sites development ready, offtake secured for lithium hydroxide and early services and FEED completed for the Karibib Project in Namibia and well advanced for the Chemical Plant in Abu Dhabi. The Company completed a successful drilling program with results released in late June. The Company continued to ensure the health and safety of its employees.

For the year ended 30 June 2022, STIs of \$401,146 (including superannuation) were payable to KMP of the Company or Group (2021: \$322,920.82).

*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.

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net Profit/(Loss)	(7,219,713)	(5,105,014)	(10,118,237)	\$282,556	(7,941,340)
EPS	(0.003)	(0.002)	(0.002)	0.00006	(0.00127)
Share price at 30 June	0.037	0.026	0.007	0.01	0.026

## 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 2021 included deferred remuneration relating to 2020 which was paid during the financial year ended 30 June 2021.

		Short-term Benefits			Post-employment Benefits		Share based Payments	Total
		Cash Salary and Fees	Deferred Cash Salary and Fees	Other (STI)	Retirement Benefits	Deferred Retirement Benefits	Equity Options	
							Vested	
		\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>								
Mr Gary Johnson	2022	100,000	-	-	10,000	-	202,500	312,500
	2021	100,000	25,000	-	9,500	2,375	37,500	174,375
Mr Mark Rodda	2022	80,000	-	-	8,000	-	202,500	290,500
	2021	80,000	20,000	-	7,600	1,900	37,500	147,000
Ms Cynthia Thomas	2022	88,000	-	-	-	-	202,500	290,500
	2021	87,600	21,900	-	-	-	37,500	147,000
<b>Executive Director</b>								
Mr Joe Walsh <sup>(1)</sup>	2022	408,317	-	161,157	-	-	405,000	974,474
	2021	376,496	18,825	145,639	-	-	75,000	615,960
<b>Executives</b>								
Mr Tom Dukovcic	2022	218,182	-	55,776	21,818	-	270,000	565,776
	2021	208,478	9,406	48,410	19,805	894	50,000	336,993
Ms Shontel Norgate <sup>(2)</sup>	2022	321,209	-	79,236	-	-	270,000	670,445
	2021	263,547	13,177	63,755	-	-	50,000	390,479
Ms Benedicta Uris <sup>(3)</sup>	2022	49,101	-	14,482	-	-	-	63,583
	2021	-	-	-	-	-	-	-
Mr Peter Walker <sup>(4)</sup>	2022	405,407	-	90,495	-	-	270,000	765,902
	2021	248,587	17,750	59,718	-	-	50,000	376,055
Mr Alex Neuling <sup>(5)</sup>	2022	45,425	-	-	-	-	-	45,425
	2021	37,026	-	-	-	-	-	37,026
<b>Total Directors' and KMP remuneration</b>	<b>2022</b>	<b>1,715,641</b>	<b>-</b>	<b>401,146</b>	<b>39,818</b>	<b>-</b>	<b>1,822,500</b>	<b>3,979,105</b>
	<b>2021</b>	<b>1,401,734</b>	<b>126,058</b>	<b>317,522</b>	<b>36,905</b>	<b>5,169</b>	<b>337,500</b>	<b>2,224,888</b>

- (1) Mr Walsh is remunerated in Canadian dollars and his total salary paid was C\$375,000 (2021: C\$378,525 including C\$18,025 paid as deferred remuneration). 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\$1.0888 (2021: C\$1.00 for every A\$1.0444).
- (2) Ms Norgate is remunerated in Canadian dollars and her total salary paid was C\$295,000 (2021: C\$264,968, including C\$12,617 paid as deferred remuneration). 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\$1.0888 (2021: C\$1.00 for every A\$1.0444).
- (3) Ms Uris joined the Company as GM-Sustainability and Country Affairs – Namibia on 20 April 2022. Ms Uris is remunerated in Namibian dollars and her total salary paid was N\$542,040 (2021: Nil). The Company uses the average annual rate to translate remuneration into the reporting currency and has been translated at the rate of N\$1.00 for every A\$0.0906 (2021: Nil).
- (4) Mr Walker is remunerated in Great British pounds and his total salary paid was GBP£221,020 (2021: GBP£147,700, including GBP£9,800 paid as deferred remuneration). 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\$1.8343 (2020: GBP£1.00 for every A\$1.8027).
- (5) 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 \$45,425 (2021: \$37,026) 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

	2022	2021
	\$	\$
Payments to director-related entities <sup>(1)</sup>	2,609,905	114,271

<sup>(1)</sup> Payments were made to Strategic Metallurgy Pty Ltd, a company of which Mr Gary Johnson is a director and beneficial shareholder. The payments were for development of L-Max<sup>®</sup> technology on an arm's length basis. As at 30 June 2022 invoices totalling \$141,777 (2021: \$Nil) 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. Mr Walsh's remuneration includes a salary of C\$375,000 per annum. Mr Walsh did not receive an increase to base salary during the reporting period; however an increase in base salary to C\$465,500 was awarded effective from 1 July 2022. A monetary bonus of C\$139,500 has been awarded for the financial year ended 30 June 2022 (2021: C\$135,548). Payment of the salary increase and bonus will be deferred until satisfaction of certain KPIs.

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. Mr Dukovcic's remuneration includes a salary of \$240,000 per annum inclusive of superannuation. Mr Dukovcic did not receive an increase to base salary during the reporting period; however an increase in total fixed remuneration to \$275,000 inclusive of superannuation, was awarded effective from 1 July 2022. A monetary bonus of \$55,776 (inclusive of superannuation) has been awarded for the financial year ended 30 June 2022 (2021: \$48,410). Payment of the salary increase and bonus will be deferred until satisfaction of certain KPIs.

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. Ms Norgate's remuneration includes a salary of C\$295,00 per annum. Ms Norgate did not receive an increase to base salary during the reporting period; however an increase in base salary to C\$357,500 was awarded effective from 1 July 2022. A monetary bonus of C\$68,587 has been awarded for the financial year ended 30 June 2022 (2021: C\$59,338). Payment of the salary increase and bonus will be deferred until satisfaction of certain KPIs.

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 is employed on a casual basis based on the number of days worked and earned a salary of GBP221,020 for the financial year (2021: GBP137,900). Mr Walker did not receive an increase to base rate during the reporting period. A monetary bonus of GBP51,365 has been awarded for the financial year ended 30 June 2022 (2021: C\$32,407). Effective from 1 September, Mr Walker's role transitioned to Technical Advisor the Board.

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.

Ms Benedicta Uris, General Manager – Sustainability & Country Affairs – Namibia (SCA) has an employment agreement with the Group commencing 20 April 2022. The agreement specifies duties and obligations to be fulfilled as SCA and provides for an annual review of base remuneration taking into account performance. Ms Uris' remuneration includes a salary of N\$2,800,000 per annum. Ms Uris did not receive an increase to base salary during the reporting period; however an increase in base salary to N\$30,222,222 was awarded effective from 1 July 2022. A monetary bonus of N\$162,680 has been awarded for the financial year ended 30 June 2022. Payment of the salary increase and bonus will be deferred until satisfaction of certain KPIs.

Termination of the employment agreement requires 3 months written notice. Upon termination, the SCA 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.

## 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:

2022	Balance at start of year	Purchased	Exercised Options	Sold	Other Net Change	Balance at end of year
<b>Non-Executive Directors</b>						
Mr Gary Johnson	370,618,485	-	8,674,569	(43,934,728)	-	335,358,326
Mr Mark Rodda	-	-	7,500,000	(7,500,000)	-	-
Ms Cynthia Thomas	-	-	7,500,000	(7,500,000)	-	-
<b>Executive Director</b>						
Mr Joe Walsh	33,108,572	-	15,360,000	(13,000,000)	-	35,468,572
<b>Key Management</b>						
Mr Tom Dukovcic	6,602,958	666,666	10,005,488	(10,666,666)	-	6,608,446
Ms Shontel Norgate	5,564,022	-	10,000,000	(1,250,000)	-	14,314,022
Ms Benedicta Uris	-	-	-	-	-	-
Mr Peter Walker	-	-	-	-	-	-
Mr Alex Neuling	3,898,495	-	-	-	-	3,898,495
<b>Total</b>	<b>419,792,532</b>	<b>666,666</b>	<b>59,040,057</b>	<b>(83,851,394)</b>	<b>-</b>	<b>395,647,861</b>

## Option Holdings

2022	Balance at start of year	Granted during the year as remuneration	Exercised during year	Expired during year	Balance at end of year	* Vested and exercisable at end of year
<b>Non-Executive Directors</b>						
Mr Gary Johnson	28,433,188	7,500,000	(8,674,569)	(3,330,664)	23,927,955	23,927,955
Mr Mark Rodda	22,500,000	7,500,000	(7,500,000)	-	22,500,000	22,500,000
Ms Cynthia Thomas	22,500,000	7,500,000	(7,500,000)	-	22,500,000	22,500,000
<b>Executive Directors</b>						
Mr Joe Walsh	46,429,286	15,000,000	(15,360,000)	(125,000)	45,944,286	45,944,286
<b>Key Management</b>						
Mr Tom Dukovic	30,283,284	10,000,000	(10,005,488)	(277,796)	30,000,000	30,000,000
Ms Shontel Norgate	30,278,202	10,000,000	(10,000,000)	(278,202)	30,000,000	30,000,000
Ms Benedicta Uris	-	-	-	-	-	-
Mr Peter Walker	10,000,000	10,000,000	-	-	20,000,000	20,000,000
Mr Alex Neuling	4,171,757	-	-	-	4,171,757	4,171,757
<b>Total</b>	<b>194,595,717</b>	<b>67,500,000</b>	<b>(59,040,057)</b>	<b>(4,011,662)</b>	<b>199,043,998</b>	<b>199,043,998</b>

Details of the share options granted during the year as remuneration are disclosed in Note 18(b) as approved by shareholders at the Company's Annual General Meeting in November 2021.

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 22<sup>nd</sup> day of September 2022



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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there has been:

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



NEIL PACE  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 22<sup>nd</sup> day of September 2022.

## Consolidated Statement of Profit and Loss and Other Comprehensive Income as at 30 June 2022

	Note	2022 \$	2021 \$
<b>Continuing Operations</b>			
Other income	4	11,861	4,137,670
Business development expenses		(680,048)	(376,399)
Administrative expenses	5	(2,032,681)	(1,318,832)
Employment benefits		(2,121,351)	(1,639,182)
Depreciation		(411,213)	(278,862)
Share based payments		(1,822,500)	(337,500)
Accretion expense		-	(434,122)
Finance costs		(393,003)	-
Impairment of property, plant and equipment		-	-
Exploration and evaluation expenditure expensed		(452,275)	(408)
Realised foreign exchange gain/(loss)		37,742	(63,248)
Loss before income tax		(7,863,468)	(310,883)
Income tax benefit/(expense)	6	(77,872)	593,439
Profit/(Loss) from continuing operations after tax		(7,941,340)	282,556
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		159,065	473,181
<b>Total comprehensive profit/(loss) for the year</b>		<b>(7,782,275)</b>	<b>755,737</b>
<b>Comprehensive profit/(loss) for the year attributable to:</b>			
Owners of the parent		(7,550,699)	904,916
Non-controlling interest		(231,576)	(149,179)
		<b>(7,782,275)</b>	<b>755,737</b>
<b>Gain/(Loss) per share for the year attributable to the members of Lepidico Ltd</b>			
Basic and diluted gain/(loss) per share	8	(0.00127)	0.00006

The accompanying notes form part of these financial statements.

## Consolidated Statement of Financial Position as at 30 June 2022

	Note	2022 \$	2021 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	8,042,822	14,738,020
Trade and other receivables	10	2,204,232	243,786
<b>TOTAL CURRENT ASSETS</b>		<b>10,247,054</b>	<b>14,981,806</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	10	632,379	71,489
Property, plant and equipment	11	8,590,777	1,669,081
Exploration and evaluation expenditure	12	46,763,770	43,986,682
Intangible asset	13	29,065,361	24,631,056
<b>TOTAL NON-CURRENT ASSETS</b>		<b>85,052,287</b>	<b>70,358,308</b>
<b>TOTAL ASSETS</b>		<b>95,299,341</b>	<b>85,340,114</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,986,170	967,684
Provisions	15	178,697	140,105
Lease Liabilities	16	279,751	-
Deferred Revenue	17	6,613,159	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,057,777</b>	<b>1,107,789</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	15	670,970	-
Lease Liabilities	16	6,744,318	-
Deferred Revenue	17	-	6,071,577
Deferred Tax Liability	6	2,384,718	3,211,069
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,800,006</b>	<b>9,282,646</b>
<b>TOTAL LIABILITIES</b>		<b>18,857,783</b>	<b>10,390,435</b>
<b>NET ASSETS</b>		<b>76,441,558</b>	<b>74,949,679</b>
<b>EQUITY</b>			
Issued capital	18	102,655,726	94,656,278
Reserves	19	8,044,715	6,610,944
Equity component of convertible note		990,000	990,000
Accumulated losses		(41,653,272)	(33,943,508)
Equity attributable to owners of the Parent		70,037,169	68,313,714
Non-controlling interests		6,404,389	6,635,965
<b>TOTAL SHAREHOLDERS EQUITY</b>		<b>76,441,558</b>	<b>74,949,679</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity for the Year ended 30 June 2022

	Attributable to the owners of the Company							Non Controlling Interest	Total Equity
	Issued Capital	Reserves			Equity component of convertible note	Accumulated Losses	Total		
		Options	Warrants	Foreign Currency					
\$	\$	\$	\$	\$	\$	\$	\$	\$	
Balance at 1 July 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
Profit/(Loss) for the year	-	-	-	-	-	431,735	431,735	(149,179)	282,556
Other comprehensive loss	-	-	-	473,181	-	-	473,181	-	473,181
Options issued	-	448,673	-	-	-	-	448,673	-	448,673
Options exercised	42,898	-	-	-	-	-	42,898	-	42,898
Fair value of options exercised	18,630	(18,630)	-	-	-	-	-	-	-
Shares issued	14,513,156	-	-	-	-	-	14,513,156	-	14,513,156
<b>Balance at 30 June 2021</b>	<b>94,656,278</b>	<b>5,345,140</b>	<b>415,135</b>	<b>850,669</b>	<b>990,000</b>	<b>(33,943,508)</b>	<b>68,313,714</b>	<b>6,635,965</b>	<b>74,949,679</b>
Profit/(Loss) for the year	-	-	-	-	-	(7,709,764)	(7,709,764)	(231,576)	(7,941,340)
Other comprehensive loss	-	-	-	159,064	-	-	159,064	-	159,064
Options issued	-	1,822,500	-	-	-	-	1,822,500	-	1,822,500
Options exercised	7,451,655	-	-	-	-	-	7,451,655	-	7,451,655
Fair value of options exercised	547,793	(547,793)	-	-	-	-	-	-	-
<b>Balance at 30 June 2022</b>	<b>102,655,726</b>	<b>6,619,847</b>	<b>415,135</b>	<b>1,009,733</b>	<b>990,000</b>	<b>(41,653,272)</b>	<b>70,037,169</b>	<b>6,404,389</b>	<b>76,441,558</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Cash Flow For the Year ended 30 June 2022

	Note	2022 \$	2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from technology licence holder		-	4,084,027
Receipts from government assistance programs		-	53,421
Payments to suppliers and employees		(4,969,220)	(3,101,060)
Payment of land lease deposit		(514,769)	-
Interest received		1,442	222
		<hr/>	<hr/>
Net cash provided by/(used in) operating activities	23	(5,482,547)	1,036,610
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation activities		(3,063,640)	(998,874)
Payments for research and development activities		(5,478,367)	(692,844)
Proceeds from research and development tax credit		-	1,243,863
Payments for property, plant and equipment		(98,586)	(92,283)
Proceeds from property, plant and equipment		9,562	-
Payments for acquisition of Bright Minz Pty Ltd		-	(10,000)
		<hr/>	<hr/>
Net cash used in investing activities		(8,631,031)	(550,138)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares (net of costs)		-	14,595,619
Proceeds from exercise of options (net of costs)		7,432,350	111,394
Repayment of convertible note		-	(5,176,401)
		<hr/>	<hr/>
Net cash provided by financing activities		7,432,350	9,530,612
Net increase/(decrease) in cash held		(6,681,228)	10,017,084
Cash at beginning of financial year		14,738,020	4,792,713
Effect of foreign exchange rate changes		(13,970)	(71,777)
		<hr/>	<hr/>
<b>Cash at end of financial year</b>	<b>9</b>	<b>8,042,822</b>	<b>14,738,020</b>

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements for the Year ended 30 June 2022

### 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 22<sup>nd</sup> September 2022 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 and working capital. Further, the consequences of the COVID-19 pandemic have negatively impacted the global economy and created volatile market dynamics.

For the year ended 30 June 2022, the Group incurred a net loss after tax of \$7,941,340 and a net cash outflow from operations of \$5,482,547. At 30 June 2022, the Company had net current assets of \$1,189,277.

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 existing standby equity raising facilities in place and the successful outcome of previous Entitlement Offers. The Company is well advanced in its discussions with financial institutions in relation to securing debt financing for the Phase 1 Project. 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) Leases (the Group as lessee)**

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

The present value of the lease liability is increased by the interest cost and decreased by the lease payment each period over the life of the lease. The Group includes right of use leased assets separately in Property, Plant, Equipment disclosures. All new contracts of the Group are assessed on an ongoing basis to determine if a right of use asset exists and if they require recognition under the requirements of the lease standard.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

#### **(h) 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.

**(i) 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.

**(j) 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 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.

**(k) 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.

**(l) 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.

**(m) 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.

**(n) 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.

**(o) 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.

**(p) 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).

**(q) 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.

**(r) 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).

**(s) 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.

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

None noted.

**(u) New Accounting Standards for Application in Future Periods**

None noted.

**(v) 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: Interests in other entities

### (a) Controlled entities

The Group's principal subsidiaries at 30 June 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

	Country of Incorporation	Interest as at 30 June (%)		Principal Activity
		2022	2021	
<b>Parent Entity:</b>				
Lepidico Ltd	Australia			
<b>Subsidiaries of Lepidico Ltd:</b>				
Lepidico Holdings Pty Ltd	Australia	100	100	Lithium Exploration and Investment
Li Technology Pty Ltd	Australia	100	100	Holder of L-Max <sup>®</sup> Technology
Silica Technology Pty Ltd	Australia	100	100	Holder of S-Max <sup>®</sup> Technology
Bright Minz Pty Ltd	Australia	100	100	Holder of LOH-Max <sup>®</sup> 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 (UK) Ltd	United Kingdom	100	100	Management Company
Lepidico (Canada) Ltd	Canada	0	100	Deregistered
Lepidico Holdings (Canada) Inc	Canada	100	100	Holding Company
Lepidico (Canada) Inc	Canada	100	100	Management Company
Lepidico (Mauritius) Ltd	Mauritius	100	100	Holding Company
Lepidico Chemicals Namibia (Pty) Ltd	Namibia	80	80	Exploration and Development Company
Lepidico Infrastructure Namibia (Pty) Ltd	Namibia	100	100	Dormant
Lepidico Chemicals Manufacturing Ltd	UAE	100	100	Developer of Phase 1 Chemical Plant

### (b) Non-controlling interests (NCI)

Set out below is summarised financial information for Lepidico Chemicals Namibia (Pty) Ltd (LCN), the subsidiary that has a non-controlling interest and is material to the group. The amounts disclosed for the subsidiary are in Australian dollars (A\$) before inter-company eliminations.

#### Summarised Balance Sheet

	2022 \$	2021 \$
Current assets	727,828	1,085,257
Current liabilities	(7,124,841)	(157,432)
<b>Current net assets/(liabilities)</b>	<b>(6,397,013)</b>	<b>927,825</b>
Non-current assets	20,479,630	17,903,304
Non-current liabilities	(5,876,033)	(8,925,977)
<b>Non-current net assets</b>	<b>14,603,597</b>	<b>8,977,327</b>
<b>Net assets</b>	<b>8,206,584</b>	<b>9,905,152</b>
Accumulated NCI	6,404,389	6,635,965

**Summarised statement of comprehensive income**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Revenue	8,157	-
<b>Profit/(Loss) for the period</b>	<b>(1,157,879)</b>	<b>(745,897)</b>
Other comprehensive income	(542,372)	2,842,386
<b>Total comprehensive income</b>	<b>(1,700,251)</b>	<b>2,097,489</b>
Profit/(Loss) allocated to NCI	(231,576)	(149,179)

**Summarised cashflows**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Cash flows from operating activities	(608,101)	(247,560)
Cash flows from investing activities	(2,765,633)	(654,186)
Cash flows from financing activities	2,507,007	1,796,229
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(866,727)</b>	<b>894,483</b>

Under the Shareholders' Agreement Term Sheet, Lepidico Ltd, has the discretion to either finance all expenditures of LCN and/or arrange for third party financing. LCN is currently funded via an interest bearing intercompany loan facility between the Company and LCN.

**Note 3: Business Combination**

**(a) Prior Period**

On 25 November 2020, the Company acquired 100% of the issued capital in Bright Minz Pty Ltd (Bright Minz). Bright Minz is the holder of the LOH-Max<sup>®</sup> process technology which was developed for the production of high purity lithium hydroxide monohydrate from a lithium sulphate intermediate, without production of sodium sulphate, thereby reducing capital and operating costs versus conventional process technologies.

The acquisition of LOH-Max<sup>®</sup> brings all the process technologies employed by the Phase 1 Project under the Lepidico umbrella, thereby streamlining the process for future third party licences.

Details of this business combination were included in Note 3 of the Group's annual financial statements for the year ended 30 June 2021.

**Note 4: Revenue**

	2022 \$	2021 \$
Technology Licence Fees	-	4,084,027
<b>Income</b>	<b>-</b>	<b>4,084,027</b>
Interest	1,442	222
Profit on Sale of Fixed Assets	8,157	-
Government assistance programs	-	53,421
Other	2,262	-
<b>Other Income</b>	<b>11,861</b>	<b>53,643</b>
<b>Total Revenue</b>	<b>11,861</b>	<b>4,137,670</b>

**Note 5: Administrative Expenses**

	2022 \$	2021 \$
Office & general	452,434	273,457
Professional services	682,737	628,844
Compliance related	666,536	416,531
Travel	230,974	-
<b>Total Administrative Expenses</b>	<b>2,032,681</b>	<b>1,318,832</b>

**Note 6: Income Tax Expense**

	2022 \$	2021 \$
(a) The components of tax expense/(benefit) comprise:		
Current tax	-	-
Deferred tax	77,872	(593,439)
Losses recouped not previously recognised	-	-
Income tax expense/(benefit) reported in statement of comprehensive income	<b>77,872</b>	<b>(593,439)</b>

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>(b)</b> The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows: Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2021:30%)	(2,359,040)	(93,264)
Add tax effect of:		
- Share based payments	546,750	101,250
- Foreign expenditure	-	48,973
- Deferred tax balances not recognised	2,215,209	(519,413)
- Foreign tax rate differential	(51,423)	(44,508)
- Adjustments to income tax of previous years	(120,468)	431,909
- CGT Adjustments	-	(482,804)
- Other non-allowable items	(153,156)	(35,582)
Less tax effect of:		
- Deferred tax balances not recognised	-	-
- Losses recouped not previously recognised	-	-
Income tax expense/(benefit) reported in statement of comprehensive income	77,872	(593,439)
<b>(c)</b> Deferred tax recognised:		
Deferred Tax Liabilities:		
Karibib assets	(2,384,718)	(3,211,069)
Exploration expenditure	(4,245)	(4,245)
Property, plant and equipment	-	(16,469)
L-Max <sup>®</sup> Technology	(298,445)	(356,263)
L-Max <sup>®</sup> Pilot Plant	(726,432)	(725,102)
Other	(17,416)	(13,210)
Deferred Tax Assets:		
Carry forward revenue losses	1,046,538	1,115,289
Net deferred tax	(2,384,718)	(3,211,069)
<b>(d)</b> Unrecognised deferred tax assets:		
Carry forward revenue losses	11,346,995	9,472,874
Capital raising and other costs	136,339	279,785
L-Max Licence	21,826	21,826
Bright Minz acquisition	-	2,520
Provision and accruals	32,272	24,397
	11,537,432	9,801,402

**(e) Tax consolidation**

Lepidico and its wholly owned Australian resident subsidiaries formed a tax consolidated group effective 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 amount sufficient to enable the benefits to be utilised;
- b) The Company continues to comply with the conditions of 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**

	<b>2022</b>	<b>2021</b>
	\$	\$
Audit services	50,354	49,461

**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.

	<b>2022</b>	<b>2021</b>
	\$	\$
Profit/(Loss) attributable to the ordinary equity holders of the Company	(0.00127)	0.00006
	\$	\$
Profit/(Loss) from continuing operations	(7,941,340)	282,556
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares	6,247,028,694	5,218,441,770

**Note 9: Cash and Cash Equivalents**

	<b>2022</b>	<b>2021</b>
	\$	\$
Cash at bank and in hand	8,042,822	14,738,020

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**

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Current</b>		
Prepaid expenses	120,108	66,063
R&D tax rebate receivable	1,503,314	24,519
Goods and services tax receivable	580,810	153,204
<b>Total Current Trade and Other Receivables</b>	<b>2,204,232</b>	<b>243,786</b>
<b>Non-Current</b>		
Cash backed guarantees and deposits	632,379	71,489
<b>Total Non-Current Trade and Other Receivables</b>	<b>632,379</b>	<b>71,489</b>
<b>Total Trade and Other Receivables</b>	<b>2,836,611</b>	<b>315,275</b>

**Note 11: Property, Plant and Equipment**

	Buildings & Infrastructure	Furniture, Fittings & Equipment	Motor Vehicles	Assets under Construction	Right of Use Asset	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>Balance at 1 July 2020</b>	<b>1,741,511</b>	<b>266,067</b>	<b>215,359</b>	<b>2,392,807</b>	-	<b>4,615,744</b>
Additions	-	92,283	-	-	-	92,283
Disposals	-	(23,821)	-	-	-	(23,821)
Impact of foreign exchange	-	(543)	-	-	-	(543)
<b>Balance at 30 June 2021</b>	<b>1,741,511</b>	<b>333,986</b>	<b>215,359</b>	<b>2,392,807</b>	-	<b>4,683,663</b>
Additions	19,586	75,293	3,707	-	6,835,463	6,934,049
Disposals	-	(84,048)	(25,536)	(2,392,807)	-	(2,502,391)
Impact of foreign exchange	-	(17,844)	(12,176)	-	446,000	415,980
<b>Balance at 30 June 2022</b>	<b>1,761,097</b>	<b>307,387</b>	<b>181,354</b>	-	<b>7,281,463</b>	<b>9,531,301</b>
<b>Accumulated Depreciation</b>						
<b>Balance at 1 July 2020</b>	<b>130,510</b>	<b>124,843</b>	<b>63,954</b>	<b>2,392,807</b>	-	<b>2,712,114</b>
Depreciation	135,636	76,761	66,466	-	-	278,863
Disposals	-	(23,821)	-	-	-	(23,821)
Impact of foreign exchange	23,684	12,134	11,608	-	-	47,426
<b>Balance at 30 June 2021</b>	<b>289,830</b>	<b>189,917</b>	<b>142,028</b>	<b>2,392,807</b>	-	<b>3,014,582</b>
Depreciation	147,503	41,869	23,301	-	198,540	411,213
Disposals	-	(43,688)	(25,537)	(2,392,807)	-	(2,462,032)
Impact of foreign exchange	(20,400)	(6,606)	(6,626)	-	10,393	(23,239)
<b>Balance at 30 June 2022</b>	<b>416,933</b>	<b>181,492</b>	<b>133,166</b>	-	<b>208,933</b>	<b>940,524</b>
<b>Net Book Value</b>						
At 30 June 2021	<b>1,451,681</b>	<b>144,069</b>	<b>73,331</b>	-	-	<b>1,669,081</b>
At 30 June 2022	<b>1,344,164</b>	<b>125,895</b>	<b>48,188</b>	-	<b>7,072,530</b>	<b>8,590,777</b>

**Note 12: Exploration and Evaluation Expenditure**

	2022 \$	2021 \$
Exploration expenditure	46,763,770	43,986,682

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.

	2022 \$	2021 \$
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of year	43,986,682	42,725,634
Exploration and evaluation costs capitalised	3,359,636	1,054,639
Exploration and evaluation costs written off	(452,275)	(408)
Impact of foreign exchange	(130,273)	206,817
<b>Balance at the end of the year</b>	<b>46,763,770</b>	<b>43,986,682</b>

**Note 13: Intangible assets**

	2022 \$	2021 \$
L-Max <sup>®</sup> Technology	28,413,680	24,055,934
S-Max <sup>®</sup> Technology	149,017	149,017
LOH-Max <sup>®</sup> Technology	502,664	426,105
<b>Intangible assets</b>	<b>29,065,361</b>	<b>24,631,056</b>

The recoverability of the carrying amount of the L-Max<sup>®</sup>, S-Max<sup>®</sup> and LOH-Max<sup>®</sup> 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.

	2022 \$	2021 \$
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of year	24,631,056	23,870,434
Development costs capitalised	5,937,619	774,687
Technology acquired	-	10,000
Research and Development Tax Credit received/receivable	(1,503,314)	(24,519)
Impact of foreign exchange	-	454
<b>Balance at the end of the year</b>	<b>29,065,361</b>	<b>24,631,056</b>

**Note 14: Trade and Other Payables**

	2022 \$	2021 \$
<b>Current</b>		
Trade payables	1,352,457	503,334
Sundry payables and accrued expenses	633,713	464,350
<b>Total Current Trade and Other Payables</b>	<b>1,986,170</b>	<b>967,684</b>



**Note 15: Provisions**

	2022 \$	2021 \$
<b>Current</b>		
Employee provisions	178,697	140,105
<b>Total Current Provisions</b>	<b>178,697</b>	<b>140,105</b>
<b>Non-Current</b>		
Make good provision (KIZAD)	670,970	-
<b>Total Non-Current Provisions</b>	<b>670,970</b>	<b>-</b>
<b>Total Provisions</b>	<b>849,667</b>	<b>140,105</b>
<b>Reconciliation of movements in Employee Provisions during the period:</b>	<b>2022 \$</b>	<b>2021 \$</b>
Balance at the beginning of period	140,105	107,652
Additional provisions	125,217	91,198
Provisions used	(90,878)	(61,244)
Impact of foreign exchange	4,253	2,499
<b>Balance at the end of the period</b>	<b>178,697</b>	<b>140,105</b>

	2022 \$	2021 \$
<b>Reconciliation of movements in Make Good Provision during the period:</b>		
Balance at the beginning of period	-	-
Additional provisions	596,030	-
Unwinding of discount	34,268	-
Impact of foreign exchange	40,672	-
<b>Balance at the end of the period</b>	<b>670,970</b>	<b>-</b>

**Note 16: Lease Liability**

	2022 \$	2021 \$
<b>Current</b>		
Lease Liability	279,751	-
<b>Total Current Lease Liability</b>	<b>279,751</b>	<b>-</b>
<b>Non-Current</b>		
Lease Liability	6,744,318	-
<b>Total Non-Current Lease Liability</b>	<b>6,744,318</b>	<b>-</b>
<b>Total Lease Liability</b>	<b>7,024,069</b>	<b>-</b>

During the period the Group entered into the Musataha lease agreement with Abu Dhabi Ports securing the 57,000m<sup>2</sup> site for the Phase 1 chemical plant for an initial term of 25 years.

	2022 \$	2021 \$
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of period	-	-
Additions	6,239,562	-
Interest expense	358,735	-
Impact of foreign exchange	425,772	-
<b>Balance at the end of the year</b>	<b>7,024,069</b>	<b>-</b>

### Note 17: Deferred Revenue

Deferred revenue of \$6,613,159 (US\$4,558,272) represents a payment 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) which provides for the sale of material located in the stockpile at the Karibib project in Namibia.

The deferred revenue is classified as deferred revenue as the payment is no longer refundable and 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.

As the Jinhui Lithium Offtake Agreement expires on 16 November 2022, Deferred Revenue is presented as a current liability. Refer Note 25(b).

	2022 \$	2021 \$
<b>Reconciliation of movements during the year:</b>		
Balance at the beginning of the year	6,071,577	6,629,144
Impact of foreign exchange	541,582	(557,567)
<b>Balance at the end of the year</b>	<b>6,613,159</b>	<b>6,071,577</b>

### Note 18: Contributed Equity

#### a) Share capital

	2022		2021	
	Number	\$	Number	\$
Fully paid ordinary shares	6,507,171,533	108,456,563	6,152,082,446	100,447,338
Share Issue Costs		(5,800,837)		(5,791,060)
		<u>102,655,726</u>		<u>94,656,278</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.

### Movements in ordinary share capital

Description	Date	Number of shares	Issue Price	\$
Opening Balance	30 June 2021	6,152,082,446		94,656,278
Exercise of listed LPDOC options	Various	259,980,404	0.02	5,199,608
Exercise of listed LPDOB options	Various	1,624,899	0.05	81,245
Exercise of listed LPDOD options	Various	3,483,784	0.026	90,578
Exercise of unlisted options	Various	65,000,000	0.026	1,690,000
Exercise of unlisted options	13 April 2022	25,000,000	0.016	400,000
Fair value of options exercised	Various	-	-	547,793
Less: Share Issue Costs				(9,776)
Closing Balance		<u>6,507,171,533</u>		<u>102,655,726</u>

#### a) Share options

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

Number	Exercise Price	Grant	Expiry
73,000,000	\$0.025	21 November 2019	21 November 2022
75,000,000	\$0.016	8 December 2020	8 December 2022
5,967,000	\$0.350	11 July 2019	26 February 2023
478,617,523	\$0.026	18 June 2021	18 June 2023
67,500,000	\$0.012	19 November 2020	19 November 2023
18,090,000	\$0.020	11 July 2019	14 January 2024
<u>67,500,000</u>	<u>\$0.072</u>	<u>18 November 2021</u>	<u>18 November 2024</u>
<u>785,674,523</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.

#### Movements in Options

	Number	Weighted Average Exercise Price \$
Balance at 1 July 2020	914,500,539	0.040
Granted	649,601,307	0.023
Exercised	(2,144,794)	0.020
Expired	<u>(270,518,031)</u>	0.054
Balance at 30 June 2021	1,291,439,021	0.029
Granted	67,500,000	0.072
Exercised	(355,089,087)	0.021
Expired	<u>(218,175,411)</u>	0.049
Balance at 30 June 2022	<u>785,674,523</u>	0.030

**Note 18: Contributed Equity (cont)**

**b) Share Based Payments**

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

**(i) Related Party Options**

On 18 November 2021, the Company issued a total of 67,500,000 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	67,500,000
Grant date share price	\$0.044
Exercise price	\$0.072
Expected volatility	119%
Option life	3 years
Dividend yield	0.00%
Interest Rate	0.5%
Value per option	\$0.027

**c) Warrants**

As at reporting date, all warrants associated with the Desert Lion Energy Inc business combination had expired.

**d) Controlled Placement Agreement**

The Company has a Controlled Placement Agreement (CPA) with Acuity Capital in place to provide Lepidico with up to \$7.5 million of standby equity capital to fund future product research and development work, new process technology development and working capital. As collateral for the CPA, Lepidico issued an initial 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 facility was extended to 31 January 2024 during the year.

At 30 June 2022 there remains \$4.475 million available under the CPA with 96,000,000 Collateral Shares held by Acuity Capital. If the Collateral Shares are unused on the expiry date, or the facility is otherwise terminated, the Collateral Shares are required to be returned to the Company.

**Note 19: Reserves**

	<u>2022</u>	<u>2021</u>
	\$	\$
Option Reserve	6,619,847	5,345,140
Warrant Reserve	415,135	415,135
Foreign Currency Translation Reserve	1,009,733	850,669
<b>Total Reserves</b>	<b><u>8,044,715</u></b>	<b><u>6,610,944</u></b>

**a) Option Reserve**

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

	<b>2022</b>	<b>2021</b>
	\$	\$
Opening Balance	5,345,140	4,915,097
Share based payments for the year	1,822,500	337,500
Options acquired during the year	-	111,173
Transfer of value on exercise of options	(547,793)	(18,630)
<b>Closing Balance</b>	<b>6,619,847</b>	<b>5,345,140</b>

**b) Warrant Reserve**

The warrants reserve recognised the fair value of warrants contractually recognised under the Desert Lion acquisition but not exercised.

	<b>2022</b>	<b>2021</b>
	\$	\$
	<b>415,135</b>	<b>415,135</b>

**c) Foreign Currency Translation Reserve**

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

	<b>2022</b>	<b>2021</b>
	\$	\$
Opening Balance	850,669	377,488
Movement during the year	159,064	473,181
<b>Closing Balance</b>	<b>1,009,733</b>	<b>850,669</b>

**Note 20: Contingent Liabilities and Contingent Assets**

There are no contingent liabilities as at 30 June 2022.

**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.

	<b>Mineral Exploration</b>	<b>Technology</b>	<b>Corporate &amp; Unallocated items</b>	<b>Total</b>
	\$	\$	\$	\$
<b>(i) Segment performance</b>				
<b>Year ended 30 June 2022</b>				
Revenue	10,420	-	1,441	11,861
Profit/(Loss) before tax	(724,935)	(1,142,255)	(5,996,278)	(7,863,468)
<b>Year ended 30 June 2021</b>				
Revenue	-	4,084,027	53,643	4,137,670
Profit/(Loss) before tax	(408)	3,671,830	(3,982,305)	(310,883)
	<b>Mineral Exploration</b>	<b>Technology</b>	<b>Corporate &amp; Unallocated items</b>	<b>Total</b>
	\$	\$	\$	\$
<b>(ii) Segment assets</b>				
As at 30 June 2022	48,566,532	38,201,079	8,531,730	95,299,341
As at 30 June 2021	45,607,272	24,655,575	15,077,267	85,340,114

**Geographical Information**

	<b>Australia</b>	<b>Canada</b>	<b>Africa</b>	<b>UAE</b>	<b>Europe</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>(i) Segment performance for the year ended:</b>						
<b>30 June 2022</b>						
Revenue	1,334	107	10,420	-	-	11,861
Profit/(Loss) before tax	(4,119,291)	(1,071,111)	(927,774)	(874,536)	(870,756)	(7,863,468)
<b>30 June 2021</b>						
Revenue	4,137,670	-	-	-	-	4,137,670
Profit/(Loss) before tax	2,173,607	(1,392,796)	(579,445)	(42,294)	(469,955)	(310,883)
<b>(ii) Segment assets</b>						
As at 30 June 2022	38,386,375	240,306	48,999,256	7,660,452	12,952	95,299,341
As at 30 June 2021	38,361,367	110,814	46,719,272	135,824	12,837	85,340,114

**Note 22: Commitments**

**Operating lease commitments**

As at 30 June 2022, the Group does not have any operating leases other than the Right of Use Asset.

**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:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	931,718	324,361
After one year but less than five years	3,468,744	484,450
	<u>4,400,462</u>	<u>808,814</u>

**Note 23: Cash Flow Information**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
Profit/(Loss) after income tax	(7,941,340)	282,556
Adjustments items not impacting cash flow used in operations:		
Depreciation and amortisation	411,213	278,862
Exploration expenditure written-off	452,275	408
Fair value of options issued	1,822,500	337,500
Profit on sale of property, plant and equipment	(9,562)	-
Finance costs	393,003	-
Accretion expense	-	434,122
Realised FX (Gain)/Loss	(37,742)	63,248
Income tax expense/(benefit)	77,872	(593,439)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(980,588)	27,284
Increase/(decrease) in trade and other payables	291,230	173,616
Increase/(decrease) in provisions	38,592	32,453
Cash flow from/(used) in operations	<u>(5,482,547)</u>	<u>1,036,610</u>

## Note 24: Related Party Transactions

### Key Management Personnel Remuneration

	2022 \$	2021 \$
Cash salaries, fees and other short-term benefits	1,715,641	1,845,314
Post employment benefits	39,818	42,074
Share based payments	1,822,500	337,500
	3,577,959	2,224,888

Detailed remuneration disclosures are provided in the remuneration report on pages 17 to 24.

### Payments to director-related parties

	2022 \$	2021 \$
Payments to director-related entities <sup>(1)</sup>	2,609,905	126,164

<sup>(1)</sup> Payments were made to Strategic Metallurgy Pty Ltd, a company of which Mr Gary Johnson is a director and beneficial shareholder. The payments were in relation to the development of L-Max<sup>®</sup> technology on an arm's length basis. As at 30 June 2022 invoices totalling \$141,777 are payable (2021: \$Nil).

## 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	2022 \$	2021 \$
<b>Financial assets</b>			
Cash and cash equivalents	9	8,042,822	14,738,020
Trade and other receivables	10	2,836,611	315,275
<b>Total financial assets</b>		<b>10,879,433</b>	<b>15,053,295</b>

### (b) Liquidity Risk

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

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. 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<sup>®</sup> Plant. The decision on how and when the Company will raise future capital will largely depend on the market conditions existing at that time.

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 2022

	Note	Carrying amount \$	Contractual cash outflows \$	Within 1 year \$	1-2 years \$	2-5 years \$
Trade & other payables	14	1,986,170	1,986,170	1,986,170	-	-
Lease Liabilities	16	7,024,069	17,394,023	279,751	559,502	1,678,506
Deferred Revenue	17	6,613,159	-	-	-	-
<b>Total</b>		<b>15,623,398</b>	<b>19,380,193</b>	<b>2,265,921</b>	<b>559,502</b>	<b>1,678,506</b>

#### 30 June 2021

	Note	Carrying amount \$	Contractual cash outflows \$	Within 1 year \$	1-2 years \$	2-5 years \$
Trade & other payables	14	967,684	967,684	967,684	-	-
Deferred Revenue	17	6,071,577	-	-	-	-
<b>Total</b>		<b>7,039,261</b>	<b>967,684</b>	<b>967,684</b>	<b>-</b>	<b>-</b>

#### **Assets pledged as security**

The Company has provided a cash deposit of AED1,416,730 (\$559,874) as a security deposit under the Musataha Agreement.

### (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:

		2022		2021	
		%	\$	%	\$
<b>Financial assets</b>					
Cash assets	Floating rate	0.02%	8,042,822	0.01%	14,738,020

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.

		2022	2021
		\$	\$
<b>Change in Loss</b>			
Increase by 1%		102,159	45,970
Decrease by 1%		(1,442)	(222)
<b>Change in Equity</b>			
Increase by 1%		102,159	45,970
Decrease by 1%		(1,442)	(222)

#### (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 effect 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 2022**

	<b>NAD</b>	<b>CAD</b>	<b>AED</b>	<b>USD</b>	<b>GBP</b>	<b>EUR</b>
	\$	\$	د.ا.	\$	£	€
Cash and cash equivalents	4,799,355	185,110	13,431	7,436	20,867	-
Trade and other receivables	3,376,371	24,712	1,416,730	5,550	-	8,543
Trade and other payables	(5,731,570)	(16,180)	-	(4,084)	(2,992)	-
Lease liabilities	-	-	(17,780,400)	-	-	-
Deferred Revenue	-	-	-	(4,558,272)	-	-
<b>Net currency exposure</b>	<b>2,444,156</b>	<b>193,642</b>	<b>(16,350,239)</b>	<b>(4,549,370)</b>	<b>17,875</b>	<b>8,543</b>

**30 June 2021**

	<b>NAD</b>	<b>CAD</b>	<b>AED</b>	<b>USD</b>	<b>GBP</b>	<b>EUR</b>
	\$	\$	د.ا.	\$	£	€
Cash and cash equivalents	11,135,440	75,412	-	18,915	54,448	-
Trade and other receivables	709,225	21,798	-	-	-	8,113
Trade and other payables	(2,553,288)	(210,977)	-	-	(34,507)	-
Lease liabilities	-	-	-	-	-	-
Deferred Revenue	-	-	-	(4,558,272)	-	-
<b>Net currency exposure</b>	<b>9,291,377</b>	<b>(113,767)</b>	<b>-</b>	<b>(4,539,357)</b>	<b>19,941</b>	<b>8,113</b>

The following significant exchange rates applied during the year:

	<b>Average rate</b>		<b>Reporting date spot rate</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
1 USD:AUD	1.378635	1.339942	1.450804	1.331991
1 NAD:AUD	0.090585	0.087141	0.089023	0.093103
1 CAD:AUD	1.088845	1.044372	1.125245	1.074449
1 AED:AUD	0.387370	-	0.394925	-

**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 (2021: 10%) in the Australian dollar against the currencies where it has significant currency risk at the reporting date, with all other variables held constant.

	<b>2022</b>	<b>2021</b>
	<b>A\$</b>	<b>A\$</b>
<b>NAD</b>		
If the NAD had strengthened against the AUD	21,759	110,277
If the NAD had weakened against the AUD	(21,759)	(110,277)
<b>CAD</b>		
If the CAD had strengthened against the AUD	21,790	(12,224)
If the CAD had weakened against the AUD	(21,790)	12,224
<b>USD</b>		
If the USD had strengthened against the AUD	(660,024)	(604,638)
If the USD had weakened against the AUD	660,024	604,638
<b>AED</b>		
If the AED had strengthened against the AUD	(645,712)	-
If the AED had weakened against the AUD	645,712	-

*(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**

	2022 \$	2021 \$
<b>Assets</b>		
Current assets	7,765,120	13,736,055
Non current assets	69,991,938	57,973,666
Total assets	<u>77,757,058</u>	<u>71,709,721</u>
<b>Liabilities</b>		
Current liabilities	1,442,262	461,223
Total liabilities	<u>1,442,262</u>	<u>461,223</u>
<b>Shareholders' Equity</b>		
Issued capital	135,097,760	127,098,312
Reserves	7,723,092	6,523,933
Accumulated Losses	(66,506,056)	(62,373,746)
Total Shareholders' Equity	<u>76,314,796</u>	<u>71,248,499</u>
<b>Result of the parent entity</b>		
Loss for the year	(4,132,308)	(4,129,640)
Other comprehensive loss	(75,555)	641,098
<b>Total comprehensive loss for the year</b>	<u>(4,207,863)</u>	<u>(3,488,542)</u>

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

At 30 June 2022 the parent entity has no contractual commitments for the acquisition of property, plant or equipment.

**(c) Guarantees and contingent liabilities**

At 30 June 2022 the parent entity has no guarantees or contingent liabilities other than as disclosed in Note 20.

## 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 2022 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 2022.
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 22<sup>nd</sup> day of September 2022

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

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Lepidico Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2022, 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 2022 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.

#### **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 (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### **Key Audit Matters**

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current 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.

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

**Key Audit Matters (continued)**

Carrying value of Exploration & Evaluation Expenditure and Intangible Assets	
Refer to Notes 1(h) and (s), Notes 12 Exploration & Evaluation Expenditure & 13 Intangible Assets	
<p>As at 30 June 2022 the Group had capitalised exploration and evaluation expenditure of \$46,763,770 and intangible assets with a carrying value of \$29,065,361.</p> <p>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 and evaluate the tenements or its ability to realise this value through development or sale.</p> <p>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.</p> <p>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.</p>	<p>Our procedures included, amongst others the following:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Review of the latest updated JORC code (2012) compliant mineral resource estimates, as completed by external Consultants, in respect of ore reserves at Karibib, Namibia.</li> <li>• Review of the vertically integrated Phase 1 Project Definitive Feasibility Study completed in May 2020 and any subsequent updates, which is based on a commercial scale L-Max Plant, comprising an integrated mine, concentrator and chemical conversion plant development</li> <li>• Compared the Group's market capitalisation as at 30 June 2022 (\$170 million) to its net asset position (\$76.4 million), noting that the market capitalisation at balance date significantly exceeded net assets. Market capitalisation below net assets is an indicator of possible impairment, thereby requiring further consideration.</li> <li>• Assessing the appropriateness of the relevant disclosures in the financial statements.</li> </ul>

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

### Key Audit Matters (continued)

Related Party Transactions & Share Based Payments to Key Management Personnel	
Refer to Remuneration Report, Note 18 b) Share Based Payments, Note 24 Related Party Transactions	
<p>During the year ended 30 June 2022, the Group transacted with Key Management Personnel and their related entities including:</p> <ul style="list-style-type: none"> <li>• Awarded share-based payments amounting to \$1,822,500 in the form of share options, to Key Management Personnel</li> <li>• Paid \$2,609,905 in development and consulting costs related to the L-Max Technology</li> </ul> <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"> <li>• Enquiring and obtaining confirmations from Key Management Personnel regarding related party transactions occurring during the period.</li> <li>• Reviewing minutes of meetings, ASX announcements and agreements, and considered other transactions undertaken during the financial year.</li> <li>• 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.</li> <li>• Evaluating, based on supporting documentation, whether related party transactions were on an arms-length basis.</li> <li>• 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.</li> <li>• Assessing whether the share-based payments have been appropriately classified and accounted for in the financial statements.</li> <li>• Assessing the appropriateness of the relevant disclosures in the financial statements.</li> </ul>

### 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 2022 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](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 2022.

In our opinion, the Remuneration Report of Lepidico Limited, for the year ended 30 June 2022 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 22<sup>nd</sup> day of September 2022.