
QUARTERLY ACTIVITIES REPORT

for the period ending 31 December 2018

(All figures are unaudited and in A\$ unless stated otherwise)

Key Points

Operations

- L-Max® Pilot Plant construction commenced during the quarter with the project within budget and on schedule for commissioning in April 2019.
- A 20 tonne sample of lepidolite-amblygonite mineralisation sourced from the Alvarrões Mine is in transit to Perth, for delivery in late February 2019.
- Final engineering work for the Phase 1 L-Max® Plant with a nominal output of 5,000 tonnes per year of lithium carbonate equivalent was completed by Lycopodium in late December and is currently being reviewed.
- Feasibility Study infill Mineral Resource drilling at Alvarrões completed in December, with assays pending. A revised Mineral Resources estimate is due in the current quarter.
- Drilling at Alvarrões also identified new zones of lepidolite mineralisation, which are expected to be included in the next Mineral Resource estimate.
- Preliminary assessment of L-Max® residue as a land reclamation product was completed in January with promising results that indicate that the material should be viable for industrial applications.
- Drilling at Youanmi identified the presence of a number of lepidolite-mineralised individual pegmatites that could collectively provide sufficient tonnage for an economic opportunity.

Corporate

- Cash and cash equivalents as at 31 December 2018 of \$8.0 million and no debt.
- National and regional patent processes for L-Max® progressing.

OVERVIEW & OUTLOOK

Lepidico continues to have a zero-harm track record since health, safety and environmental incident reporting and data collection commenced in September 2016. Workstreams for the integrated Phase 1 L-Max® Plant Feasibility Study (the “Study”) remain on track for completion during the first half of 2019. Final engineering for the nominal 5,000 tonnes per annum (tpa) lithium carbonate equivalent (LCE) chemical plant was completed in December 2018 and is currently being reviewed. During the quarter, Mineral Resource infill and exploration programmes at Alvarrões were completed to support a maiden Ore Reserve estimate for the feasibility study. Environmental studies were completed for the Phase 1 Plant in Canada and the project description was submitted to the regulator for review. Residue storage design work has been deferred pending the outcome of studies by the University of Waterloo. Permitting processes in both Canada and Portugal continued and, along with the registration processes for the various L-Max® products, represent the critical path for the integrated Project. First production continues to be targeted for calendar year 2020, based on a final investment decision being made for the Phase 1 Plant Project in the September 2019 quarter. Construction of the L-Max® Pilot Plant commenced in October and at the end of the quarter the project was on schedule for commissioning in April 2019 and within budget. A series of location studies were undertaken as part of the full-scale L-Max® plant Scoping Study, with two compelling jurisdictions identified, in addition to Sudbury.

DEVELOPMENT

Phase 1 L-Max® Plant Feasibility Study

Lycopodium Minerals Pty Ltd, a subsidiary of Lycopodium Limited (ASX:LYL) (“Lycopodium”) completed the final engineering for the Phase 1 L-Max® Plant and provided Lepidico with a draft report on schedule in late December. Lepidico and Strategic Metallurgy Pty Ltd (“Strategic Metallurgy”) have commenced an internal review of the engineering, which is scheduled to be completed in February. The engineering is based on a nominal concentrate throughput rate of 6.9 tonnes per hour (tph) to produce approximately 5,000 tpa of lithium carbonate equivalent, plus by-products of SOP fertiliser, amorphous silica and sodium sulphate. This compares with the production rate contemplated in the pre-feasibility study of 2,500 tpa to 3,000 tpa LCE (at a throughput of 3.6 tph).

Further leach tests were carried out under standard process conditions to determine the amenability of lithium extraction from blended mica and amblygonite bulk flotation concentrates, sourced from Alvarrões. Excellent results were achieved with overall lithium extraction of over 96% after 24 hours, confirming that blended lithium mica and phosphate mineral concentrates can be processed with no material attenuation in metal recovery.

Work was completed in early January 2019 by the Department of Earth and Environmental Sciences at the University of Waterloo in Ontario to characterise the blended residue streams from the L-Max® process and assess this material as a potential by-product for the environmental reclamation of industrial and/or city landfill sites. Encouraging results were received that indicate the material should be viable for industrial applications. Growth trials were also performed using

the residue blended with various proportions of other materials including soil, peat and clay, providing further promising results. Follow up work programmes are being designed. Funding support for this study work was approved by the Natural Sciences and Engineering Research Council, which will contribute to the cost of the next phase of work.

A conceptual two-year capacity residue storage facility (RSF) design has been incorporated into the feasibility study. However, RSF engineering has been deferred pending results from the next phase of testwork on the residue, as the need to have a dedicated RSF on site may be eliminated, thereby potentially making the Phase 1 Plant a “zero waste” facility.

Feedback is pending on a draft project description for the Phase 1 Plant, which was submitted to the Ministry of Energy, Northern Development and Mines the previous quarter. Environmental baseline work is scheduled to be completed in the current quarter along with a Project closure plan. The permitting process, which is on the critical path for the project is scheduled to conclude in the second half of calendar year 2019. Marketing and registration activities for the planned Phase 1 Plant by-product suite continued and is also on the critical path.

Alvarrões Lepidolite Mine (Gonçalo), Portugal¹

Feasibility Study

A process design pack was completed during the quarter for the Alvarrões concentrator based on an ore feed rate of 134,000 tonnes per annum (tpa) to produce approximately 40,000tpa of lepidolite and amblygonite concentrates. Lithium recovery to concentrate is estimated at 93%. The plant is also designed to produce a feldspar concentrate for sale into the local ceramics market. A Request for Proposal will be issued in February 2019 to equipment suppliers specialising in the design of turn key small-scale modular and semi-transportable process plants. After award it is expected that the concentrator Feasibility Study engineering work will be completed in the June 2019 quarter.

Geotechnical and geochemical waste rock characterisation work continued during the quarter and is scheduled to be completed in January 2019. This is scheduled to allow mine and process plant site designs to be developed and finalised, with the former integrated into an Ore Reserve estimate, during the June 2019 quarter. Site wide water balance modelling and waste and surface water management plans are scheduled for completion in the current quarter. This will allow feasibility study reporting to commence.

Terms of reference for the mine and concentrator Environmental Impact Study were submitted to the regulator for review. Environmental studies are scheduled to commence in the current quarter prior to the mine plan being finalised and submitted in the June 2019 quarter.

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

Alvarrões Exploration Drilling

An initial programme of reverse circulation (“RC”) drilling was conducted east of the Alvarrões Lepidolite Mine area². The programme comprised 14 RC holes for a total of 929 metres. In all, 254 samples of pegmatite and proximal granite wall rock were collected and submitted for assay. This programme identified multiple sub-horizontal lepidolite-bearing pegmatites including intercepts of 4 m @ 0.86% Li₂O and 3 m @ 0.85% Li₂O from “Sill E.” Each of the 14 holes intersected anomalous lithium mineralisation. These positive initial results provided the confidence to extend the exploration drill programme by further exploring the central area of Sill E with three diamond holes to obtain more accurate data on position, thickness and mineralogy of the pegmatite sills in this area. This work was completed in late December with assays pending.

Alvarrões Resource Drilling

A Mineral Resource infill diamond drilling programme comprising 25 holes for 1,320 m of HQ core over parts of the Block 1-2 and Block 3 areas of the Alvarrões Lepidolite Mine was completed during the quarter. The objective of this programme is to increase the confidence in the central part of the current JORC Code-compliant Inferred Mineral Resource (of 1.5 Mt @ 1.1% Li₂O³) into Measured and Indicated categories. Assay results are due in February 2019 and the revised Mineral Resource estimate is scheduled for late March.

Drilling was on a nominal 50 m x 50 m grid to provide spatial consistency of data. The drilling intercepted multiple sills of lepidolite-bearing pegmatite, with the closer drill hole spacing identifying variations in sill thickness, position (depth) and lepidolite content. The average lepidolite content is expected to remain around 15% - 20%, for approximately 1.0% Li₂O.

An additional thick, lepidolite-rich sill, “Sill P”, was identified at a depth of 15m-20m beneath Sill O, the lowest of the three sills that comprise the initial Mineral Resource estimate. Sill P is 3m - 5m thick and carries 10%-30% lepidolite.

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

Full-Scale L-Max® Plant Scoping Study

Encouraging results were received from by-product market, logistics and key consumables studies undertaken for three prospective strategic L-Max® locations outside of North America, two of which appear to be particularly favourable. Further desktop work is scheduled for the first half of 2019 with the objective of developing scoping study level capital and operating cost figures for L-Max® plant configurations ranging from 10,000tpa to 20,000tpa LCE. Initial indications are that significant economies of scale will apply at higher throughput rates, in particular for the L-Max® chemical plant but also for ore concentration.

² ASX release dated 20 December 2018: Lepidico Drilling Update: lithium pegmatites intersected in each of three programs.

³ ASX release dated 7 December 2017: Inaugural Alvarroes Mineral Resource Estimate.

RESEARCH & DEVELOPMENT

Pilot Plant Development, Perth, Western Australia

At the end of the quarter orders had been placed for all major mechanical equipment and the first pieces of fabricated equipment had arrived on site. Fabrication of the steel skids that will house the process equipment is complete and delivery commenced in January 2019, allowing plant construction to commence. At the end of December 2018, 51% of the budget had been committed, with the Project tracking within budget before contingency. Pilot Plant commissioning remains on schedule for April 2019.

Capital cost savings versus budget in the leach, lithium recovery and sodium sulphate recovery circuits have allowed for an upgrade of plant instrumentation and control systems compared with the original design. The electrical and control systems will more closely reflect the planned design for the Phase 1 Plant and allow for greater operating data capture.

A 20 tonne sample of lepidolite sourced from the Alvarrões Mine is being shipped to Perth for delivery in late February 2019. This material will be further concentrated, at a facility operated by Strategic Metallurgy, to a grade of approximately 4% Li₂O, prior to being fed to the pilot plant.

The decision to develop an L-Max® pilot plant was based, in large part on feedback from prospective offtake/finance parties. By way of background, Lepidico commenced its strategic partner outreach programme in Japan in 2015, by retaining an industry specialist to facilitate access to prospective Japanese strategic investors in lithium chemical production and marketing. Subsequently this programme has been expanded to include three further corporate advisors (on success-based mandates) with specific expertise in other parts of Asia, Europe and North America. One of these advisors is also an industry specialist in the lithium chemical sector. The objective of the ongoing strategic partner programme is to secure an industry partner or partners for the Phase 1 L-Max® Plant Project that will provide a proportion of the associated development capital stapled to long term offtake arrangements for its products, in particular lithium carbonate.

Pilot plant operation will also allow part of the S-Max™ process to be evaluated in continuous operation for the first time, with amorphous silica being the end product.

Pilot plant commissioning is scheduled to coincide with completion of the Phase 1 Plant feasibility study, thereby allowing prospective offtake/finance partners the opportunity to conduct comprehensive due diligence from April 2019.

EXPLORATION

Lepidico's exploration strategy is to identify and secure lithium mica deposits that are capable of providing material quantities of quality L-Max® concentrate feed. In addition to exploration undertaken at Alvarrões in Portugal, evaluation of lithium mica projects continues in Australia at Youanmi.

Youanmi Lepidolite Project, Youanmi, Western Australia⁴

Following the encouraging results from the initial drilling programme at the Youanmi Lepidolite Project⁵ a follow-up reverse circulation programme comprising 38 holes for 811 metres was undertaken during the quarter, as reported on 8 January 2019⁶ and which confirmed multiple lepidolite-bearing pegmatites. Specifically, the Central Zone contains a complex cluster of over ten pegmatites ranging from 1 m to 7 m in thickness. Average grades over mineralised intercepts range from 0.4% Li₂O to 0.7% Li₂O and often exceed 1.0% Li₂O. At the Northern Zone, the results show the main “Target 1” pegmatite continues as a 3 m to 5 m thick body to at least 50 m depth in places, carrying 10%-25% lepidolite with average grades of 0.7% Li₂O.

A total of 181 1m-samples were assayed for a broad suite of elements. Five holes (192 m, 44 samples) were drilled at the Northern Zone into the main Target 1 lepidolite pegmatite. Most of the programme was directed at the Central Zone, which hosts a complex set of thin pegmatites spread over a 300 m by 200 m area. A total of 33 holes (619 metres, 137 samples) were drilled across the pegmatite system. The results show abundant lepidolite mineralisation with most of the holes intersecting significant lithium grades associated with lepidolite.

A full review and interpretation of the results is underway. Although the Youanmi pegmatites are relatively thin, early indications suggest the presence of a number of strongly lepidolite-mineralised individual pegmatites that could collectively represent an economic opportunity.

Future work at the project will depend on the outcomes from the ongoing interpretation of the results.

By way of background, on 26 July 2018 the Company entered into an option agreement with Venus Metals Corporation Limited (ASX:VMC) (“Venus”) to explore for lithium mineralisation on exploration licence E57/983 located in the Murchison District in Western Australia, approximately 20 km southwest of the historical Youanmi gold mine. Under the terms of the agreement Lepidico can earn an 80% interest in the lithium rights over the exploration licence. Venus is free carried to a decision to mine.

CORPORATE

As at 31 December 2018, Lepidico had cash and cash equivalents of \$8.0 million and no debt.

Patents

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

⁴ Lepidico announced on 26 July 2018 that it had entered into an option agreement with Venus Metals Corporation Limited (ASX:VMC) to earn up to an 80% interest in lithium pegmatite rights within exploration licence E57/983.

⁵ ASX release dated 30 October 2018: Assay results confirm lithium mineralisation at Youanmi

⁶ ASX release dated 8 January 2019: Multiple lithium intercepts at Youanmi

In 2017, the Company proceeded with the national and regional phase of patent applications in the main jurisdictions in which L-Max® may operate in the future. This regional phase of the patent process is expected to continue through much of 2019.

In addition, the Company holds an Australian Patent Application (2018901424) in relation to the S-Max™ Process.

Further Information

For further information, please contact

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Exploration Results

The information in this report that relates to Exploration Results is based on information compiled by Mr Tom Dukovic, who is an employee of the Company and a member of the Australian Institute of Geoscientists and who has sufficient experience relevant to the styles of mineralisation and the types of deposit under consideration, and to the activity that has been undertaken, to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Dukovic consents to the inclusion in this report of information compiled by him in the form and context in which it appears.

Forward-looking Statements

All statements other than statements of historical fact included in this release including, without limitation, statements regarding future plans and objectives of Lepidico, are forward-looking statements. Forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Lepidico that could cause Lepidico's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this release will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. Lepidico does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this release, except where required by applicable law and stock exchange listing requirements.

CORPORATE INFORMATION

Board

Gary Johnson	Non-Executive Chairman
Joe Walsh	Managing Director
Tom Dukovic	Director Exploration
Mark Rodda	Non-Executive Director
Cynthia Thomas	Non-Executive Director
Brian Talbot	Non-Executive Director
Shontel Norgate	CFO & Joint Company Secretary
Alex Neuling	Joint Company Secretary

Registered & Principal Offices

Level 1, 254 Railway Parade, West Leederville, WA 6007, Australia
Suite 200, 55 University Avenue, Toronto, Ontario, M5J 2H7, Canada

Stock Exchange Listings

Australian Securities Exchange (Ticker LPD)
Frankfurt Stock Exchange (Ticker AUB)

Forward Shareholder Enquiries to

Security Transfers Australia Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone +61 (0) 8 9315 2333
Email: registrar@securitytransfer.com.au
Website: www.securitytransfer.com.au

Issued Share Capital

As at 31 December 2018, issued capital was 3,356,175,188.
As at 31 January 2019, issued capital was 3,356,175,188.

Quarterly Share Price Activity

	High	Low	Close
October – December 2018	2.2c	1.5c	1.6c

TENEMENT INFORMATION (Provided in accordance with ASX Listing Rule 5.3.3)

AUSTRALIAN OPERATIONS

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

Farm-in Agreements

Project/ Tenement ID	Registered Holder	Lepidico Interest in tenement	Expiry Date	Area
Youanmi Lepidolite Project (E57/983) Youanmi, WA	Venus Metals Corporation Limited	Earning up to 80% of lithium pegmatite rights	3 February 2020	29 blocks

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Lepidico Ltd

ABN	Quarter ended ("current quarter")
99 008 894 442	31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(350)	(582)
(b) development	(1,867)	(2,759)
(c) production	-	-
(d) staff costs	(291)	(758)
(e) administration and corporate costs	(763)	(1,306)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	31
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	485	485
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(2,767)	(4,889)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	8,190
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	363
3.4 Transaction costs related to issues of shares, convertible notes or options	(41)	(570)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(41)	7,987

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	10,777	4,860
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,767)	(4,893)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(41)	7,987
4.5 Effect of movement in exchange rates on cash held	24	39
4.6 Cash and cash equivalents at end of period	7,993	7,993

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	7,993	10,777 ¹
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,993	10,777

¹ Balance included funds held in Share Registry trust account on the Company's behalf.

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

Current quarter \$A'000
1,513
-

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

	\$A'000
Salaries	142
Directors Fees	99
Payments to Director Related Entities (Development)	1,272

7. Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

Current quarter \$A'000
-
-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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8. Financing facilities available*Add notes as necessary for an understanding of the position*

8.1 Loan facilities

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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9. Estimated cash outflows for next quarter		\$A'000
9.1	Exploration and evaluation	255
9.2	Development	1,875
9.3	Production	-
9.4	Staff costs (includes exploration and evaluation)	314
9.5	Administration and corporate costs	566
9.6	Other	-
9.7	Total estimated cash outflows	3,010

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

(Director/Company secretary)

Date: 31 January 2019

Print name: Shontel Norgate

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and

+ See chapter 19 for defined terms

1 September 2016

AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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