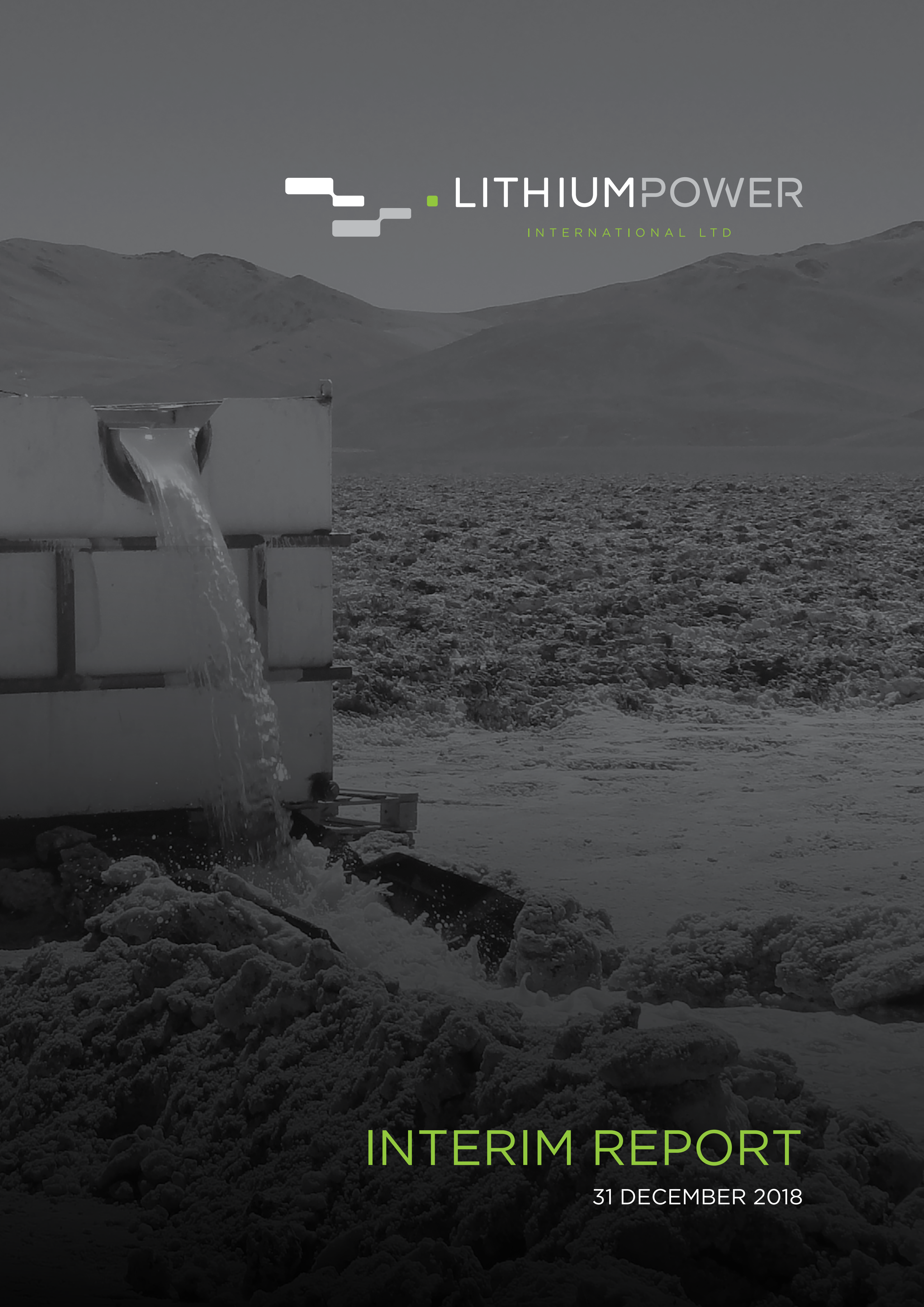

LITHIUMPOWER
INTERNATIONAL LTD

INTERIM REPORT

31 DECEMBER 2018

Corporate Directory

DIRECTORS

Mr David R Hannon
Chairman

Mr Reccared P Fertig
Non-Executive Director

Russell C Barwick
Non-Executive Director

Mr Martin Jose Domingo Borda M
Non-Executive Director

Mr Cristobal Garcia-Huidobro R
Managing Director | Chief Executive Officer

Mr Andrew G Phillips
Executive Director | Chief Financial Officer

Mr Richard A Crookes
Executive Director – Corporate Finance

Dr Luis Ignacio Silva P
Non-Executive Director

COMPANY SECRETARY

Mr Andrew G Phillips

STOCK EXCHANGE LISTING

Lithium Power International Limited shares are listed on the Australian Securities Exchange (ASX code: **LPI**)

WEBSITE

www.lithiumpowerinternational.com

REGISTERED OFFICE

Level 7, 151 Macquarie Street, Sydney NSW 2000

Telephone: +61 2 9276 1245
Facsimile: +61 2 9276 1284
Website: **www.lithiumpowerinternational.com**

SHARE REGISTRY

Boardroom Pty Limited
Level 12, 225 George Street, Sydney NSW 2000

Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
Website: **www.boardroomlimited.com.au**

AUDITOR

Ernst & Young
The EY Centre
Level 34, 200 George Street, Sydney NSW 2000

Telephone: +61 2 9248 5555
Website: **www.ey.com/au**

SOLICITORS

Clarendon Lawyers
Level 29, 55 Collins Street, Melbourne VIC 3000

Telephone: + 61 3 8681 4400
Website: **www.clarendonlawyers.com.au**

Ashurst Australia
5 Martin Place, Sydney NSW 2000

Telephone: +61 2 9258 6000
Website: **www.ashurst.com**

BUSINESS OBJECTIVES

Lithium Power International Limited ("LPI") is a pure play lithium development company. LPI's primary focus is for the development of its lithium brine project in Chile. LPI has a clear path towards becoming Chiles next low-cost, high-grade lithium producer.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement was approved by the Board of Directors at the same time as the 2017 Annual Report and can be found on our website at https://lithiumpowerinternational.com/corporate-governance/

Contents

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Lithium Power International Limited (referred to hereafter as the 'Company', 'LPI' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

DIRECTORS

The following persons were directors of Lithium Power International Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr David R Hannon – Non-Executive Chairman

Mr Reccared P Fertig – Non-Executive Director

Mr Russell C Barwick – Non-Executive Director

Mr Martin Jose Domingo Borda M – Non-Executive Director (appointed on 3 September 2018)

Mr Cristobal Garcia-Huidobro R – Managing Director and Chief Executive Officer (appointed on 3 September 2018)

Mr Andrew G Phillips – Executive Director and Chief Financial Officer

Mr Richard A Crookes – Executive Director – Corporate Finance (appointed on 25 October 2018)

Dr Luis Ignacio Silva – Former Non-Executive Director (resigned on 3 September 2018)

PRINCIPAL ACTIVITY

During the financial half-year, the principal continuing activity of the consolidated entity consisted of the identification, acquisition, exploration and development of lithium assets in Chile, Argentina and Australia.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $7,851,694 (31 December 2017: $2,175,877).

MARICUNGA JOINT VENTURE – CHILE

During the financial half-year, the consolidated entity, through the Maricunga joint venture ('JV') company, Minera Salar Blanco S.A. ('MSB') continued to develop its flagship Maricunga Lithium Brine Project (the 'Maricunga').

Significant milestones occurred at the Maricunga during the financial half-year included:

- MSB submitted the Maricunga Lithium Brine Project's ('the Project') Environmental Impact Assessment ('EIA') to the Chilean Environmental Authority, Servicio de Evaluación Ambiental ('SEA') to be reviewed for approval. The EIA was the culmination of in-depth work spanning more than two years by MSB and was completed to the highest possible standard;
- the Project's EIA successfully passed the initial 45-day assessment period by SEA. Exhaustive assessment is currently being carried out and is expected to be concluded in 2019;
- approval was received to take the required 14.6 MW of power from a sub-station at the nearby La Coipa gold mine, including the use of power lines leading to the Maricunga Salar;
- finalised details of the Project's water supply, with an important groundwater source located in the east of the Maricunga Salar basin;
- had discussions with major Chilean and international financial institutions to secure project development finance have commenced and are expected to be finalised during 2019. Approaches from international companies have also been received regarding off-take agreements and future participation;
- MSB has continued to work closely with the Chilean Government and other corporate bodies to finalise all remaining licenses, agreements and operational relationships;
- LPI increased its ownership in MSB by 1% after paying $1.5 million from existing cash reserves. The Company now owns 51% of MSB; and
- LPI contributed US$2.3 million to a Capital Call from MSB, as its pro-rata share of the overall capital call.

CENTENARIO – ARGENTINA

- Permission for drilling has been obtained and plans are underway to drill several holes at the Centenario lithium project in Salta province, Argentina; and
- a large conductive target has been defined in an electromagnetic survey at the Centenario project. An internal assessment for the next stages of exploration is currently being conducted.

PILGANGOORA – WESTERN AUSTRALIA

- In Western Australia, an extensive soil sampling programme over the Tabba Tabba property identified a 4.3 km long area of elevated lithium and tantalum, with Li_2O values up to 689 ppm; and
- a full development programme for the asset is progressing and is expected to be announced in the second half of this financial year. An initial exploration drilling programme is also likely to commence in the second half of this financial year following Western Australia's wet season.

GREENBUSHES – WESTERN AUSTRALIA

- Documentation is being prepared to gain Ministerial approval for LPI to explore in the forestry areas of the Greenbushes licences; and
- the proposed exploration also covers lands managed by the Department of Biodiversity, Conservation and Attractions ('DBCA'). These lands are held by DBCA and are used for plantation purposes. LPI's documentation will cover the activities proposed on these lands.

CHANGES TO THE BOARD OF DIRECTORS

- On 3 September 2018, the Company appointed Mr Cristobal Garcia-Huidobro and Mr Martin Borda as Non-Executive Directors to further enhance the Company's relationship with MSB. As part of this change, Dr Luis Ignacio Silva resigned from the Board on the same date;
- Mr Cristobal Garcia-Huidobro was subsequently appointed Chief Executive Officer ('CEO') and Managing Director of the Company on 16 October 2018. This is a natural extension of his role as CEO of MSB; and
- Mr Richard Crookes was appointed Executive Director – Corporate Finance on 25 October 2018. He has a key focus to ensure that the Maricunga Project is appropriately funded and that key strategic partnerships, including possible off-take agreements, are secured as the Project moves into the development phase.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 22 January 2019, Engineering Consultants WorleyParsons released the Definitive Feasibility Study ('DFS') for the Maricunga Lithium Brine Project. The DFS presents a possible 100% equity, pre-tax Net Present Value ('NPV') of US$1.286 billion and an internal rate of return ('IRR') of 23.8%.

It forecasts total capital expenditure of US$563 million, which includes direct development costs estimated at US$456 million inclusive of 20% VAT (recoverable once in production), indirect costs of US$45 million and contingency costs of US$63 million.

Project operating costs are estimated at US$3,772 per tonne of Lithium Carbonate Equivalent ('LCE'), without offset income from sales of the potassium chloride ('KCl') by-product.

The DFS predicts a very robust project for what is Chile's highest grade and most advanced lithium project outside of the Salar de Atacama. Production would be a high-value battery-grade lithium carbonate, unlike many of the lithium hard rock projects under development.

On 21 January 2019, the maiden Ore Reserve estimate, prepared in accordance with Joint Ore Reserves Committee ('JORC') and NI 43-101 international standards, was released. It estimated a total of 742,000 tonnes of LCE, which exceeds the 20-year project mine life production needs.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration follows this directors' report.

This report is made in accordance with a resolution of directors.

On behalf of the directors,

DHannan

David R Hannon
Chairman

15 March 2019, Sydney

Building a better
working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of Lithium Power International Limited

As lead auditor for the review of the half-year financial report of Lithium Power International Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lithium Power International Limited and the entities it controlled during the financial period.

Ernst & Young

Ryan Fisk
Partner
Sydney
15 March 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2018

	Note	CONSOLIDATED 6 months ended 31 Dec 2018 $	CONSOLIDATED 6 months ended 31 Dec 2017 $
Revenue			
Share of losses of joint ventures accounted for using the equity method		**(6,573,167)**	(2,028,345)
Net foreign exchange gain		**733,165**	1,580,518
Interest revenue calculated using the effective interest method		**119,472**	16,556
Expenses			
Employee benefits expense		**(1,310,674)**	(567,340)
Occupancy costs		**(61,772)**	(38,367)
Depreciation and amortisation expense		**(1,940)**	(1,066)
Legal and professional fees		**(285,487)**	(313,603)
Travel expense		**(113,450)**	(204,386)
Administration expense		**(209,739)**	(474,397)
Other expenses		**(14,686)**	(15,334)
Finance costs		**(20,945)**	(774)
Loss before income tax expense		**(7,739,223)**	(2,046,538)
Income tax expense		**(144,720)**	(129,339)
Loss after income tax expense for the half-year		**(7,883,943)**	(2,175,877)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**60,894**	20,596
Other comprehensive income for the half-year, net of tax		**60,894**	20,596
Total comprehensive income for the half-year		**(7,823,049)**	(2,155,281)
Loss for the half-year is attributable to:			
Non-controlling interest		**(32,249)**	–
Owners of Lithium Power International Limited		**(7,851,694)**	(2,175,877)
		(7,883,943)	(2,175,877)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		**(12,103)**	–
Owners of Lithium Power International Limited		**(7,810,946)**	(2,155,281)
		(7,823,049)	(2,155,281)

	Note	Cents	Cents
Basic earnings per share	12	**(3.00)**	(1.05)
Diluted earnings per share	12	**(3.00)**	(1.05)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		CONSOLIDATED	
	Note	31 Dec 2018 $	30 Jun 2018 $
Assets			
Current assets			
Cash and cash equivalents		**17,132,094**	23,364,477
GST receivable		**112,258**	104,054
Other		**136,029**	158,825
Total current assets		**17,380,381**	23,627,356
Non-current assets			
Investments accounted for using the equity method	4	**31,650,123**	33,232,609
Property, plant and equipment		**6,880**	8,820
Exploration and evaluation	5	**2,419,517**	1,933,503
Total non-current assets		**34,076,520**	35,174,932
Total assets		**51,456,901**	58,802,288
Liabilities			
Current liabilities			
Trade and other payables		**308,215**	562,795
Income tax		**285,487**	142,020
Employee benefits		**41,981**	28,885
Total current liabilities		**635,683**	733,700
Total liabilities		**635,683**	733,700
Net assets		**50,821,218**	58,068,588
Equity			
Issued capital	6	**69,512,044**	69,512,965
Reserves	7	**7,190,846**	6,573,498
Accumulated losses		**(25,758,843)**	(17,907,149)
Equity attributable to the owners of Lithium Power International Limited		**50,944,047**	58,179,314
Non-controlling interest		**(122,829)**	(110,726)
Total equity		**50,821,218**	58,068,588

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2018

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2017	37,258,548	2,127,352	(9,124,067)	–	30,261,833
Loss after income tax expense for the half-year	–	–	(2,175,877)	–	(2,175,877)
Other comprehensive income for the half-year, net of tax	–	20,596	–	–	20,596
Total comprehensive income for the half-year	–	20,596	(2,175,877)	–	(2,155,281)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	34,193,101	–	–	–	34,193,101
Share-based payments	–	19,580	–	–	19,580
Transfer from share-based payment reserve to issued capital on exercise of options	1,666,169	(1,666,169)	–	–	–
Balance at 31 December 2017	**73,117,818**	**501,359**	**(11,299,944)**	**–**	**62,319,233**
Balance at 1 July 2018	69,512,965	6,573,498	(17,907,149)	(110,726)	58,068,588
Loss after income tax expense for the half-year	–	–	(7,851,694)	(32,249)	(7,883,943)
Other comprehensive income for the half-year, net of tax	–	40,748	–	20,146	60,894
Total comprehensive income for the half-year	–	40,748	(7,851,694)	(12,103)	(7,823,049)
Transactions with owners in their capacity as owners:					
Adjustment to share issue costs in respect of previous period	(921)	–	–	–	(921)
Share-based payments	–	576,600	–	–	576,600
Balance at 31 December 2018	**69,512,044**	**7,190,846**	**(25,758,843)**	**(122,829)**	**50,821,218**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2018

	CONSOLIDATED	
	6 months ended 31 Dec 2018 $	**6 months ended 31 Dec 2017** $
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	**(549,212)**	(1,834,734)
Interest received	**119,472**	16,556
Interest and other finance costs paid	**(20,945)**	(774)
Income taxes paid	**(1,253)**	4,069
Net cash used in operating activities	**(451,938)**	(1,814,883)
Cash flows from investing activities		
Payments for additional investment in the Maricunga Joint Venture	**(5,296,978)**	(2,736,150)
Payments for property, plant and equipment	**–**	(2,519)
Payments for exploration and evaluation	**(486,014)**	(92,978)
Receipt of deposit for sale of company	**–**	1,000,000
Net cash used in investing activities	**(5,782,992)**	(1,831,647)
Cash flows from financing activities		
Proceeds from issue of shares	**–**	35,839,477
Share issue transaction costs	**–**	(1,646,376)
Net cash from financing activities	**–**	34,193,101
Net increase/(decrease) in cash and cash equivalents	**(6,234,930)**	30,546,571
Cash and cash equivalents at the beginning of the financial half-year	**23,364,477**	3,616,971
Effects of exchange rate changes on cash and cash equivalents	**2,547**	258
Cash and cash equivalents at the end of the financial half-year	**17,132,094**	34,163,800

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

31 December 2018

NOTE 1. GENERAL INFORMATION

The financial statements cover Lithium Power International Limited as a consolidated entity consisting of Lithium Power International Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (collectively referred to as the 'consolidated entity'). The financial statements are presented in Australian dollars, which is Lithium Power International Limited's functional currency and the consolidated entity's presentation currency.

Lithium Power International Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 7, 151 Macquarie Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activity are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2019.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 FINANCIAL INSTRUMENTS

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The consolidated entity has adopted AASB 15 from 1 January 2018. As the consolidated entity currently has no revenue from contracts with customers there was no material impact on adoption of this standard.

COMPARATIVE INFORMATION

The comparatives in profit or loss have been reclassified to align with the current period presentation, that is, a business previously classified as a discontinued operation no longer was a discontinued operation. The reclassification did not have an impact on the net loss previously reported.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

AASB 16 LEASES

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019, however, at present it is not practical to provide a reliable estimate of the financial impact of the adoption of this standard. Final determination of the impact of the adoption of AASB 16 is subject to the resolution of the following key matters:

- finalisation of choice of transition method;
- finalisation of discount rates to be applied; and
- consideration of the impact of practical expedients.

NOTE 3. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The consolidated entity is organised into one operating segment, being the exploration and evaluation of early stage Lithium resources. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated.

	CONSOLIDATED	
	31 Dec 2018 $	**30 Jun 2018** $

NOTE 4. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 Dec 2018 $	30 Jun 2018 $
Investment	**31,650,123**	33,232,609
Reconciliation		
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial period are set out below:		
Opening carrying amount	**33,232,609**	37,456,279
Share of loss after tax	**(6,573,167)**	(5,727,205)
Additional investment	**5,296,978**	–
Foreign exchange differences	**(306,297)**	1,503,535
Closing carrying amount	**31,650,123**	33,232,609

The consolidated entity, through the Company's subsidiary entity Lithium Power Inversiones Chile S.p.A ('LPI Chile'), has a 51% (30 June 2018: 50%) interest of the Maricunga lithium brine project in Chile (the Maricunga Joint Venture ('JV')). The JV is constituted by the JV Shareholder Agreement of the Joint Venture Company, Minera Salar Blanco S.A. ('MSB'). The consolidated entity's interest in MSB is deemed to be a joint venture pursuant to accounting standards as the appointment of MSB's directors and the allocation of voting rights for key business decisions requires the unanimous approval of its venturers.

The funds contributed by the consolidated entity to date (US$31 million) have been used by MSB to acquire additional tenements and to fund the exploration and development of the Maricunga Lithium Brine project to the Definitive Feasibility Study ('DFS') stage. During the financial half-year ended 31 December 2018 all MSB shareholders contributed, on a pro-rata basis, to a MSB capital call of US$4.5m. In addition, the consolidated entity acquired a further 1% of MSB to take its total shareholding to 51%. Key milestones have been achieved by MSB and are detailed in the 'Review of operations' section of the Directors' report.

NOTE 5. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION

	31 Dec 2018 $	30 Jun 2018 $
Exploration and evaluation expenditures – at cost	**2,419,517**	1,933,503

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

CONSOLIDATED	**Exploration and evaluation expenditures** $
Balance at 1 July 2018	1,933,503
Additions	486,014
Balance at 31 December 2018	2,419,517

Capitalised exploration and evaluation expenditures are comprised of the costs incurred to acquire the consolidated entity's lithium tenements in Western Australia and Argentina and exploration and evaluation activities incurred to date.

	CONSOLIDATED			
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $	30 Jun 2018 $
NOTE 6. EQUITY – ISSUED CAPITAL				
Ordinary shares – fully paid	**262,513,903**	260,713,903	**69,512,044**	69,512,965

MOVEMENTS IN ORDINARY SHARE CAPITAL

Details	Date	Shares	Issue price	$
Balance	1 July 2018	260,713,903		69,512,965
Issue of shares	30 August 2018	1,800,000	$0.0000	–
Adjustment in respect of prior periods issue costs		–	$0.0000	(921)
Balance	31 December 2018	262,513,903		69,512,044

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

NOTE 7. EQUITY – RESERVES

	CONSOLIDATED	
	31 Dec 2018 $	30 Jun 2018 $
Foreign currency reserve	**467,310**	426,562
Share-based payments reserve	**2,241,525**	1,664,925
Options reserve	**3,198,553**	3,198,553
Other reserve	**1,283,458**	1,283,458
	7,190,846	6,573,498

FOREIGN CURRENCY RESERVE

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

SHARE-BASED PAYMENTS RESERVE

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

OPTIONS RESERVE

The reserve is used to recognise the value of equity benefits provided to shareholders who receive an one for one attaching option for each share acquired in the Company.

OTHER RESERVE

This reserve is used to recognise the difference between the fair value of consideration received and the fair value of the net assets and foreign currency translation reserve transferred to non-controlling interests.

MOVEMENTS IN RESERVES

Movements in each class of reserve during the current financial half-year are set out below:

CONSOLIDATED	Foreign currency $	Share-based payments $	Options $	Other $	Total
Balance at 1 July 2018	**426,562**	1,664,925	**3,198,553**	1,283,458	6,573,498
Foreign currency translation	**40,748**	–	**–**	–	40,748
Share-based payments	**–**	576,600	**–**	–	576,600
Balance at 31 December 2018	**467,310**	2,241,525	**3,198,553**	1,283,458	7,190,846

NOTE 8. EQUITY – DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial half-year.

NOTE 9. FAIR VALUE MEASUREMENT

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

NOTE 10. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2018 and 30 June 2018.

NOTE 11. RELATED PARTY TRANSACTIONS

PARENT ENTITY

Lithium Power International Limited is the parent entity.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

	CONSOLIDATED	
	31 Dec 2018 $	**31 Dec 2017** $
Payment for goods and services:		
Payment for services from key management personnel	**54,000**	36,000

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

LOANS TO/FROM RELATED PARTIES

There were no loans to or from related parties at the current and previous reporting date.

TERMS AND CONDITIONS

All transactions were made on normal commercial terms and conditions and at market rates.

	CONSOLIDATED	
	31 Dec 2018 $	31 Dec 2017 $

NOTE 12. EARNINGS PER SHARE

	31 Dec 2018 $	31 Dec 2017 $
Loss after income tax	(7,883,943)	(2,175,877)
Non-controlling interest	32,249	–
Loss after income tax attributable to the owners of Lithium Power International Limited	(7,851,694)	(2,175,877)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	261,920,390	206,693,719
Weighted average number of ordinary shares used in calculating diluted earnings per share	261,920,390	206,693,719
	Cents	Cents
Basic earnings per share	(3.00)	(1.05)
Diluted earnings per share	(3.00)	(1.05)

74,835,615 (31 December 2017: 689,835,615) options (listed and non-listed) on issue have been excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they are considered anti-dilutive.

NOTE 13. EVENTS AFTER THE REPORTING PERIOD

On 22 January 2019, Engineering Consultants WorleyParsons released the Definitive Feasibility Study ('DFS') for the Maricunga Lithium Brine Project. The DFS presents a possible 100% equity, pre-tax Net Present Value ('NPV') of US$1.286 billion and an internal rate of return ('IRR') of 23.8%.

It forecasts total capital expenditure of US$563 million, which includes direct development costs estimated at US$456 million inclusive of 20% VAT (recoverable once in production), indirect costs of US$45 million and contingency costs of US$63 million.

Project operating costs are estimated at US$3,772 per tonne of Lithium Carbonate Equivalent ('LCE'), without offset income from sales of the potassium chloride ('KCl') by-product.

The DFS predicts a very robust project for what is Chile's highest grade and most advanced lithium project outside of the Salar de Atacama. Production would be a high-value battery-grade lithium carbonate, unlike many of the lithium hard rock projects under development.

On 21 January 2019, the maiden Ore Reserve estimate, prepared in accordance with Joint Ore Reserves Committee ('JORC') and NI 43-101 international standards, was released. It estimated a total of 742,000 tonnes of LCE, which exceeds the 20-year project mine life production needs.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

David R Hannon
Chairman

15 March 2019
Sydney

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Independent Auditor's Review Report to the Members of Lithium Power International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Lithium Power International Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Building a better
working world

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ryan Fisk
Partner
Sydney
15 March 2019

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