

# LITHEX RESOURCES LIMITED

ABN 97 140 316 463

## 2014 Financial Report

## Corporate Directory

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### Directors

**Mr Jason Peterson** (Non-Executive Director)

**Mr Joe Graziano** (Non-Executive Director)

**Mr Jack James** (Non-Executive Director)

### Company Secretary

Peter Webse

### Registered Office

22 Lindsay Street

Perth WA 6000

Telephone: (08) 9328 6262

Facsimile: (08) 9227 6390

Email: [admin@lithex.com.au](mailto:admin@lithex.com.au)

### Auditors

Rothsay Chartered Accountants

Level 1, Lincoln House

4 Ventnor Avenue

West Perth WA 6005

Telephone: (08) 9486 7094

### Bankers

National Australia Bank

Level 1

1238 Hay Street

West Perth WA 6005

### Share Registry

Automic Registry Services Pty Ltd

Level 1

7 Ventnor Ave

West Perth WA 6005

Telephone: (08) 9324 2099

### Website

[www.lithex.com.au](http://www.lithex.com.au)

### Stock Exchange Listing

The Company is listed on the Australian Stock Exchange (ASX)

### Australian Stock Exchange Code:

LTX

# CONTENTS

<b>Corporate directory</b>	<b>2</b>
<b>Schedule of mineral tenements</b>	<b>4</b>
<b>Directors' report</b>	<b>5</b>
<b>Audited remuneration report</b>	<b>15</b>
<b>Corporate governance statement</b>	<b>19</b>
<b>Auditor's independence declaration</b>	<b>29</b>
<b>Statement of comprehensive income</b>	<b>30</b>
<b>Statement of financial position</b>	<b>31</b>
<b>Statement of changes in equity</b>	<b>32</b>
<b>Statement of cash flows</b>	<b>33</b>
<b>Notes to financial statements</b>	<b>34</b>
<b>Directors' declaration</b>	<b>59</b>
<b>Independent auditors' report</b>	<b>60</b>
<b>ASX additional information</b>	<b>62</b>

These financial statements are the consolidated financial statements of the consolidated entity consisting of Lithex Resources Ltd and its subsidiaries. The financial statements are presented in Australian currency.

Lithex Resources Ltd is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of activities on pages 7 – 12.

The financial statements were authorised for issue by the Directors on 25 August 2014. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All announcements and financial reports are available on our website: [www.lithex.com.au](http://www.lithex.com.au).

## Schedule of Mineral Tenements as at 30 June 2014

Project Name		Interest Held	
<u>Moolyella Project</u>			
Moolyella	P45/2845	Granted	90%
Moolyella	P45/2846	Granted	90%
Moolyella	P45/2847	Granted	90%
<u>Pilgangoora Project</u>			
Pilgangoora	E45/2375	Granted	90%
<u>Munglinup Project</u>			
Munglinup	E74/517	Granted	100%
Munglinup	E74/518	Granted	100%
Munglinup	E74/523	Granted	100%
Munglinup	E74/531	Granted	100%
Munglinup	E74/538	Granted	100%
Munglinup	E74/538	Application	100%
Munglinup	E74/544	Application	100%
Munglinup	E74/545	Application	100%
<u>Other projects</u>			
Furniss East	E70/4212	Granted	100%
Plumbago	EL7915	Granted	100%

# Directors' report

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Your Directors present their report together with the financial report of Lithex Resources Ltd (the Company or Parent Entity) and its controlled entities (the Group or consolidated entity) for the year ended 30 June 2014 and the auditor's report thereon.

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### Names, qualifications, experience and special responsibilities

#### **Mr Jason Peterson - Non Executive Director (appointed 5 December 2013)**

Mr Peterson has more than 19 years of experience in the financial advisory sector, which he obtained by working in both local and international stockbroking companies such as Patersons, Tolhurst, and Merrill Lynch. Mr Peterson specializes in corporate structuring, capital raisings, corporate and strategic advice to small and medium size companies and reverse takeovers. Mr Peterson holds a Bachelor of Commerce degree from Curtin University in Australia and a Graduate Diploma of Finance from FINSIA (Financial Services Institute of Australia)/SDIA (Securities & Derivatives Institute of Australia). Mr Peterson is a Director and major shareholder of stock broking and corporate advisory firm, CPS Capital.

Mr Peterson is currently a Non-Executive Director for ASX listed company Wolf Petroleum Ltd.

#### **Mr Joe Graziano - Non Executive Director (appointed 5 December 2013)**

Mr Graziano has 25 years' experience providing a wide range of business, financial and taxation advice to small cap unlisted and listed public companies and privately owned businesses in Western Australia's resource-driven industries, particularly mining, banking and finance, professional services and logistics.

Mr Graziano has the knowledge and experience in Corporate Advisory and strategic planning with Corporations and Private Businesses going through a growth phase and restructuring those businesses to assist with the next phase of their growth and strategy. Mr Graziano also has experience in Capital Raisings, ASX compliance and regulatory requirements. Mr Graziano has specific expertise in the mining services and resource exploration sectors, as well as in banking, finance, professional services businesses and privately owned businesses.

Mr Graziano is currently a Non-Executive Director for ASX listed companies Oz Brewing Ltd, Kin Mining NL and a subsidiary to LionGold Corporation Ltd, an SGX listed entity, Brimstone Resources Ltd.

Mr Graziano has a Bachelor of Commerce from Murdoch University, is a Chartered Accountant and a Graduate of the Institute of Company Directors.

#### **Mr Jack James - Non Executive Director (appointed 12 December 2013)**

Mr James provides accounting, secretarial and advisory advice to private and public companies, government and other stakeholders. Mr James has over fifteen years of experience in chartered accounting specialising in corporate advisory and reconstruction.

Mr James is currently the Non-Executive Chairman for ASX listed company Eumeralla Resources Ltd.

Mr James has a Bachelor of Business from the Queensland University of Technology and is a Chartered Accountant.

## Names, qualifications, experience and special responsibilities (continued)

**Mr David Williams - Independent Chairman (resigned 5 December 2013)**

Mr Williams has over 15 years of experience in the energy and resource industry. He has held Managing Director positions in a number of ASX-listed and private companies. Most recently, David was the Managing Director of Larus Energy Ltd and prior to that, President and Director of Heathgate Resources Pty Ltd – the owner/operator of the Beverley uranium mine in South Australia. In his career, he has also held Managing Director positions in Drillsearch Energy Ltd, Great Artesian Oil & Gas Ltd and the Epic Energy group, as well as Principal of The Walton Group. He is currently also Chairman of Plus Connect Limited.

Mr Williams is a member of the Australian Institute of Company Directors (AICD) and a member of the NSW Executive of PESA.

**Mr John Conidi – Non Executive Director (resigned 5 December 2013)**

Mr Conidi graduated in 1995 with a Bachelor of Business degree from Royal Melbourne Institute of Technology. He is a Certified Practising Accountant (CPA) and is currently Managing Director of the ASX listed Capitol Health Limited, a position he has held for 5 years. In that time he has increased revenue 5 fold, paid dividends and reported record profits. He has formulated and executed more than a dozen acquisitions involving both public and private vehicles.

Mr Conidi is also a professional investor specialising in resources. Over the last 15 years he has been involved in PGM's, uranium, rare earths and graphite.

**Mr Stuart House - Non Executive Director (resigned 12 December 2013)**

Mr House is a lawyer by profession. He worked for several boutique resource and corporate law firms and in sole practice, before joining Kings Park Corporate Lawyers as a founding Principal. He has extensive experience and exposure to the resources industry, including work associated a wide range of exploration and mining contracts and in native title negotiations. Prior to a legal career, Stuart worked in the Department of Mines and Petroleum, was a land manager with a large multinational gold mining company and also established his own mining tenement management business.

He has also held executive positions with Alchemy Resources Ltd and Auvex Resources Ltd, and is an active member of the Association of Mining and Exploration Companies (AMEC) Mining Legislation Committee and Aboriginal Affairs Committee.

## Directorships in other listed entities

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of Directorship	
		From	To
Jason Peterson	Wolf Petroleum Ltd	3 January 2013	Current
Joe Graziano	Oz Brewing Ltd	15 April 2011	Current
Jack James	Eumeralla Resources Ltd	22 August 2011	Current
	Firestone Energy Ltd	5 February 2013	13 June 2013
John Conidi	Capital Health Ltd	25 July 2007	Current

## Directors' Interests

The relevant interests of each Director in the shares of the Company at the date of this report are as follows:

	Ordinary shares	Options over ordinary shares	Performance Shares
Jason Peterson	4,211,859 <sup>1</sup>	9,087,080 <sup>1</sup>	Nil
Joe Graziano	Nil	Nil	Nil
Jack James	Nil	Nil	Nil
David Williams	Nil	Nil	Nil
John Conidi	1,000,000 <sup>2</sup>	1,200,000 <sup>2</sup>	Nil
Stuart House	Nil	Nil	Nil

1. Director holdings as at the date of Appointment.
2. Director holdings as at the date of Resignation.

## Company Secretary

### Mr Peter Webse - Company Secretary B.Bus, FGIA, FCIS, FCPA, MAICD (appointed 11 March 2014)

Mr Webse has over 23 years' company secretarial experience and is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services to listed companies.

### Mr Neal Shoobert – Company Secretary (resigned 11 March 2014)

Mr Shoobert is a qualified accountant with over 20 years. Mr Shoobert has extensive experience in corporate compliance and provides company secretarial services for several ASX listed companies.

## Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this director's report, on pages 16 to 19. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

No shares or options have been issued for compensation purposes during or since the end of the financial year to any employee of the Company.

## Operating and financial review

### Principal Activities

The principal activities of the Company during the year were mineral exploration. In late 2013, the newly appointed Board undertook a review of the Company's future strategy and implemented initiatives to reduce costs. As a result of the review, the following key matters took place:

- Preliminary discussions were held with a number of parties regarding future investment opportunities aimed at improving shareholder value; and
- Rationalisation of tenements to reduce expenditure commitments.

Subsequent to year end, the Company entered in to a binding Heads of Agreement with Livelynk Group Pty Limited and Zhenya Holdings Pty Limited to acquire the Mpire Media business ("Mpire").

These matters are discussed in more detail elsewhere in this report.

## Corporate Structure

The Company is a listed public company, incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entity that it controlled during the financial year which is listed in note 18 to the financial statements.

## Operating results for the year

A summary of the salient operating results for the year ended 30 June 2014 is as follows:

- Operating loss after tax was (\$1,871,745) representing a 42% reduction on FY2013 (\$3,265,728).
- Net cash outflow from operating activities was (\$602,882) representing a 56% reduction on FY2013 (\$1,363,708).

The table below sets out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2014.

		30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
EBITDA	\$	(980,321)	(1,697,020)	(1,728,588)	(539,461)	(196,432)
Net profit/(loss) before tax	\$	(1,871,745)	(3,265,729)	(1,629,191)	(525,423)	(195,537)
Net profit/(loss) after tax	\$	(1,871,745)	(3,265,729)	(1,629,191)	(525,423)	(195,537)
Share price at start of year	cps	0.02	0.05	0.16	N/A	N/A
Share price at end of year	cps	0.02	0.02	0.05	0.16	N/A
Basic earnings per share (cents per share)	cps	(0.02)	(0.035)	(0.037)	(0.01)	N/A
Diluted earnings per share (cents per share)	cps	(0.02)	(0.035)	(0.028)	(0.001)	N/A

## Review of operations

As stated above, in late 2013, the newly appointed Board undertook a review of the Company's future strategy and implemented initiatives to reduce costs. As a result of the review, the following key matters took place:

- Preliminary discussions held with a number of parties regarding future investment opportunities aimed at improving shareholder value; and
- Rationalisation of tenements to reduce expenditure commitments.

## Strategic Review

Subsequent to the 2013 Annual General Meeting the Company held discussions with the major shareholders with respect to the composition of the Board. As a result of those discussions, during December 2013, a number of Board and other internal changes occurred.

The newly appointed Board then initiated a cost reduction program, which included reducing both standing costs and tenement holding costs, to focus resources on future investment opportunities that would enhance shareholder value. As part of this, preliminary discussions were held with a number of parties regarding future investment opportunities.

Subsequent to the year end, the Company entered in to a binding Heads of Agreement with Livelynk Group Pty Limited and Zhenya Holdings Pty Limited to acquire the Mpire Media business ("Mpire"), which is an established performance-based marketing business functioning at the forefront of the internet arena with operations across key sectors, and international reach to over 180 countries and regions built upon its industry leading software platform, nxus.

Mpire currently forms part of the Zhenya group of companies controlled by successful entrepreneur Zhenya Tsvetnenko and is being spun out in order to pursue additional growth opportunities on the back of expertise, contacts and technology built up over the past 5 years.

The future for performance-based advertising businesses is considered to be very strong, with the online advertising market predicted to grow from US\$110 billion in 2013 to US\$175 billion in 2017. It is Mpire's intention to take advantage of this level of market growth and to commercialise its custom built software and deliver it as a SaaS product (software as a service).

## Exploration activities – review and rationalisation



As part of the cost cutting initiative initiated by the Board in mid-2013 of the financial year, the Company concluded its review and assessment of all tenements held and commenced a process of divestment aimed at reducing expenditure commitments.

### **Munglinup Project (Western Australia)**

The Munglinup Project is located in far south Western Australia, approximately 100km west of the town of Esperance. The Project is located along strike, and is contiguous with the eastern and southern sides of the Halbert's Main Munglinup Graphite Deposit (1.47Mt at 18.2% fixed carbon), which is held by Graphite Australia Pty Ltd.

The Greater Munglinup Project covered a total area of 579 km<sup>2</sup> over seven granted tenements with the Western Australia Department of Mines and Petroleum.

During the year, the Company entered into a binding Tenement Sale Agreement for the sale of the Company's Munglinup and Plumbago tenements to Sol Jar Property Pty Ltd for consideration of \$100,000. The sale was completed on 31 July 2014.

### **Pilgangoora Project (New South Wales)**

The Pilgangoora Project tenements are located in the East Pilbara region, adjacent to the Pilgangoora Tantalum Field and approximately 120km south-south-east of Port Hedland.

On 22 May 2014, the Company accepted a binding offer from a United Kingdom based client of Titan Capital Partners to purchase the Company's 90% mineral rights to lithium, tin and tantalum on the Pilgangoora E45/2375 Permit for the sum of \$15,000. The sale was completed on 17 July 2014.

### **Shaw River Project (Western Australia)**

The Shaw River Project, located 50 km south-west of Marble Bar, has historically produced tin and tantalum concentrates from alluvial sources. Lithex is targeting the hard rock sources of these alluvial deposits, in addition to the remaining un-mined alluvial deposits previously identified (Non JORC compliant).

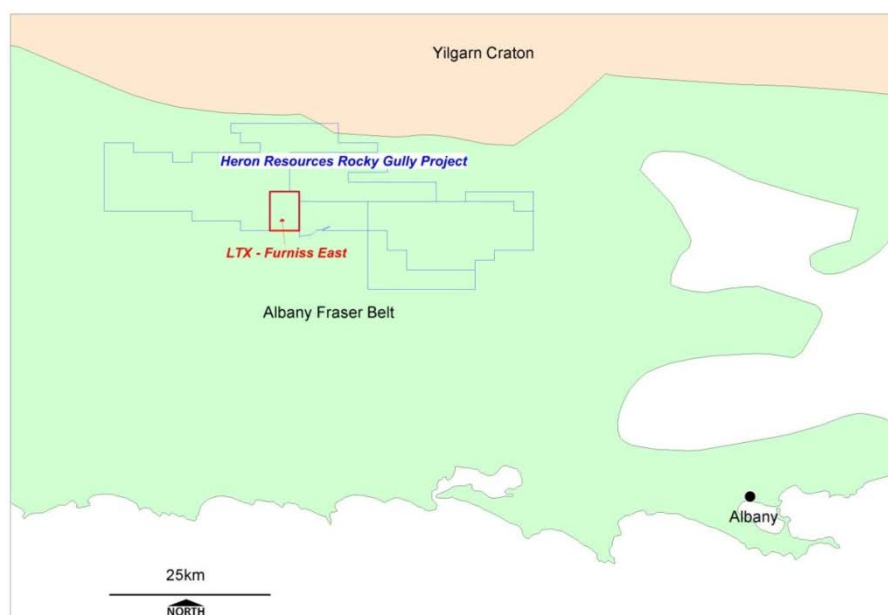
On 28 May 2014, the Company entered into a binding Mining Tenement Sale Agreement with Atlas Operations Pty Ltd for the sale of the Company's interest in the Shaw River tenement for a cash consideration of \$67,500 (plus GST). The sale was completed on 27 June 2014.

### **Furniss East Project (Western Australia)**

The Furniss East Project, located in southern Western Australia, is currently being investigated by the Company for the potential for graphite and Nova style nickel-copper deposits. Furniss East is located near the margin of the Yilgarn Craton, in the Albany-Fraser mobile belt, and is adjacent to the Rocky Gully nickel copper prospect, recently explored by Heron Resources Limited.

### **Work undertaken**

No material work was undertaken during the year ended on any of the tenements held by the Company.



**Figure 1: Furniss East Project Location**

## Review of financial conditions

### Financial Adjustments

The following item was brought to account at 30 June 2014:

- Impairment of tenement assets of \$916,276

### Critical accounting estimates and judgments

The Directors evaluate estimates and judgments 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.

A full discussion surrounding Directors estimates and judgments is included at Note 1(p) of the financial statements.

### Risk management

The Directors identify and manage risk and consider the business of mineral exploration, by its nature, contains elements of risk, with no guarantee of success. The success of these activities is, amongst other things, dependent upon:

- The discovery and/or acquisition of economically recoverable reserves;
- Access to adequate capital;
- Securing and maintaining title to interests;
- Obtaining consents and approvals to undertake exploration and associated activities; and
- Access to appropriately qualified and experienced operational management, contractors and other personnel.

The Directors have identified and disclosed specific risks relating to the Mpire Business Acquisition in the Rights Issue Prospectus as announced on 5 August 2014.

### Significant changes in the state of affairs

During the period there were no changes in the state of affairs of the Group other than those referred to elsewhere in this report of the financial statements or notes thereto.

## Events subsequent to balance date

As announced on 10 July 2014, the Company entered in to a binding Heads of Agreement with Livelynk Group Pty Limited ("Livelynk") and Zhenya Holdings Pty Limited to acquire the Mpire Media business ("Mpire"), an established performance-based marketing business functioning at the forefront of the internet arena with operations across key sectors, and international reach to over 180 countries and regions built upon its industry leading software platform, nxus.

Mpire currently forms part of the Zhenya group of companies controlled by successful entrepreneur Zhenya Tsvetnenko and is being spun out in order to pursue additional growth opportunities on the back of expertise, contacts and technology built up over the past 5 years.

The future for performance-based advertising businesses is very strong, with the online advertising market predicted to grow from US\$110 billion in 2013 to US\$175 billion in 2017. It is Mpire's intention to take advantage of this level of market growth and to commercialise its custom built software and deliver it as a SaaS product (software as a service)

As part of the Mpire acquisition, the Company has agreed to provide a secured loan of up to \$1.2M to Livelynk to be drawn down in tranches.

As announced on 17 July 2014, the Company completed a placement of 14,152,950 shares to sophisticated investors to raise a total of \$283,059 ("Sophisticated Placement"). The Sophisticated Placement is part of a financing package that accompanies the Company's proposed acquisition of Mpire.

As announced on 5 August 2014, the Company has issued a prospectus to complete a rights issue at 2 cents per share ("Rights Issue"). The Rights Issue will be underwritten by CPS Capital Group Pty Ltd, and is expected to raise up to \$542,000 (before costs).

As announced on 5 August 2014, the Company has agreed to partially waive the condition precedent requiring the successful completion of the Rights Issue before any drawdown of funds by Livelynk. The variation provides that Livelynk is able to drawdown up to \$600,000 under the Loan prior to completion of the Rights Issue.

As announced on 19 August 2014, the Heads of Agreement to acquire Mpire was varied to extend the date by which the due diligence by each of the parties is to be completed to 15 September 2014, and to insert an additional condition precedent requiring Livelynk to provide audited accounts for the past 3 years or such period required by ASIC for the purposes of obtaining shareholder approval or for disclosure in the prospectus required to complete the proposed capital raising.

As at the date of this report, the Company is undertaking due diligence in respect to the Mpire acquisition prior to executing a Share Purchase Agreement. Subject to the satisfaction of various conditions precedent (Including, but not limited to, due diligence, shareholder and regulatory approval), the Mpire acquisition is expected to complete prior to 31 December 2014.

Other than the matters above, there has not in the interval between the end of the financial year and the date of this report been any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

## Likely developments

In the event that the planned Mpire Media Acquisition completes, the current board of the Company will step down and will be replaced by:

- Luke Taylor – Managing Director/Chief Executive Officer
- Jeff Botnick – Executive Director/Chief Marketing Officer
- Zhenya Tsvetnenko – Non-Executive Director

The funds raised pursuant to the Capital Raising will be used to expand the international marketing team in order to drive increased revenue growth.

Additionally, the domestic team will expand its operations in preparation of launching nxus, its Software-as-a-Service (SaaS) business management solution to help marketers manage performance advertising relationships across mobile and desktop by producing real-time tracking and attribution analytics.

In the event that the planned Mpire Media Acquisition does not complete, the Board will look for other investment opportunities with the view to increasing shareholder value.

### Environmental regulation

The Group is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with.

## Dividends

No dividends were paid or declared since the end of the previous financial year. The Directors do not recommend a payment of a dividend in respect of the current financial year.

## Share options

### Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

#### Listed Options - LTXOA

Expiry date	Exercise price	Number of shares
31/12/2015	0.08	36,882,754

#### Unlisted options

Expiry date	Exercise price	Number of shares
31/03/2015	0.20	1,000,000
29/05/2015	0.15	400,000
12/06/2015	0.25	250,000
30/06/2015	0.30	1,000,000
30/06/2015	0.20	7,130,000
12/12/2015	0.25	250,000
10/05/2016	0.20	3,500,000
31/12/2016	0.16	10,000,000
		<b>23,530,000</b>

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

### Shares issued on exercise of options

No Ordinary shares have been issued as a result of the exercise of options by the Company, during or since the end of the financial year.

## Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the following current Directors of the Company, Mr Jason Peterson, Mr Joe Graziano, Mr Jack James and Mr Peter Webse against all liabilities to any other person (other than the Company) that may arise from their position as Directors and Officers of the Company, except where the liability arises out of conduct involving a lack of good faith. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

## Director's meetings

The number of meetings of Directors held during the year (including meetings of committees of Directors) and the number of meetings attended by each Director were as follows:

	Board meetings	
	Held	Attended
Jason Peterson	4	4
Joe Graziano	4	4
Jack James	3	3
David Williams	2	2
John Conidi	2	2
Stuart House	3	3

A total of six meetings were held during the year.

## Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

## Non-audit services

The Company's auditor, Rothsay Chartered Accountants was appointed auditor of the Company in August 2010.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included in the Directors' report.

There was no non audit services provided during the year.

## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 29 and forms part of the directors' report for the year ended 30 June 2014.

On behalf of the board of directors, I wish to thank our shareholders for their continued support.

Signed in accordance with a resolution of the Board of Directors:



Jason Peterson  
Chairman  
25th August 2014

*Note: Please refer to the relevant ASX announcements for further details relating to exploration results detailed throughout this report.*

### Competent Person Statements

*Information in this report relating to Exploration Results is based on data compiled by Mr Brendan Borg, who is a Member of the Australasian Institute of Mining and Metallurgy, and who is a contractor of the Company. Mr Borg has sufficient relevant experience to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Borg consents to the inclusion of the data in the form and context in which it appears.*

# Audited Remuneration Report

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The Remuneration Report sets out information relating to the remuneration of the Company's non-executive directors and key management personnel.

Other than the short-term and long-term performance incentives, remuneration is not linked to the performance of the Company.

The Remuneration Report is set out under the following main headings:

- A. Response to first strike against the 2013 Remuneration Report
- B. Remuneration policies
- C. Details of Directors and Company Executives (including Key Management Personnel)
- D. Options and rights over equity instruments granted as compensation

All remuneration is presented in Australian dollars (unless otherwise stated).

## A. Response to first strike against the 2013 Remuneration Report

At its 2013 Annual General Meeting the Company received votes against the Remuneration Report representing approximately 50% of the votes cast by persons entitled to vote. This total was in excess of the prescribed 25% level thereby constituting a 'First Strike'. The Corporations Act requires companies receiving a First Strike to include in the following year's Remuneration Report an explanation of the Board's actions in response to the First Strike or, alternatively, if the Board does not propose any action, the Board's reason for taking no action.

Subsequent to the 2013 AGM, the Company held discussions with the major shareholders with respect to the composition of the Board. As a result of those discussions the Independent Chairman and both non-executive directors at the time of the First Strike resigned with the current directors appointed in December 2013. Lithex believes that its current remuneration levels and practices are appropriate to execute on the Company's business plan.

## B. Remuneration policies

The Board has adopted a framework for corporate governance, including policies dealing with Board and Executive remuneration. These corporate governance policies are described more fully on pages 26 to 31 of the Directors' Report. Policies adopted by the Board reflect the relative stage of development of the Company, having regard for the size and structure of the organisation.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The remuneration packages of Executive Directors provide for a fixed level of remuneration. Other than as noted below Executive remuneration packages do not have guaranteed equity based components or performance based components.

### Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable.

Remuneration levels are reviewed annually by the Board of Directors.

### Performance linked remuneration

During the previous financial period, the Board of Directors completed a review of compensation and benefit structures.

Long-term incentives can be provided as ordinary shares and options over ordinary shares of the Company. As determined, shareholders in general meeting will be asked to approve specific grants of shares and options to Non-

Executive and Executive Directors as a form of remuneration.

### Consequences of performance on shareholders wealth

In view of the relatively early stage of development of the Company's business and remuneration policies, there is insufficient information to provide a meaningful quantitative analysis of the relationship between remuneration and Company performance.

## C. Details of Directors and Company Executives (including Key Management Personnel)

### Non-Executive Directors

The Non-Executive Chairman is paid up to \$40,000 and Non-Executive directors are paid up to \$40,000 per annum director's fees.

### Director and Executive disclosures

Other than the Directors, no other person is concerned in, or takes part in, the management of the Company or has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any person, other than Directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Company Executive" for the purposes of section 300A of the Corporations Act 2001 ("Act"). Directors and Key Management Personnel during the reporting year

Jason Peterson	Non-Executive Chairman (appointed 5 December 2013)
Joe Graziano	Non-Executive Director (appointed 5 December 2013)
Jack James	Non-Executive Director (appointed 12 December 2013)
David Williams	Independent Chairman (resigned 5 December 2013)
John Conidi	Non-Executive Director (resigned 5 December 2013)
Stuart House	Non-Executive Director (resigned 12 December 2013)
Neal Shoobert	Company Secretary and Chief Financial officer (resigned 11 March 2014)



Key Management Personnel	Short term			Post-employment		Share based	Payments	Other	Total	Proportion of remuneration performance related	Value of options as a proportion of remuneration
	Salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Bonuses	Options	Shares	Bonuses			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Jason Peterson</b>											
2014	23,333	-	-	-	-	-	-	-	23,333	-	-
2013	-	-	-	-	-	-	-	-	-	-	-
<b>Joe Graziano</b>											
2014	23,333	-	-	-	-	-	-	-	23,333	-	-
2013	-	-	-	-	-	-	-	-	-	-	-
<b>Jack James</b>											
2014	23,333	-	-	-	-	-	-	-	23,333	-	-
2013	-	-	-	-	-	-	-	-	-	-	-
<b>David Williams</b>											
2014	20,555	-	-	1,858	-	-	-	-	22,413	-	-
2013	4,128	-	-	372	-	-	-	-	4,500	-	-
<b>John Conidi</b>											
2014	18,319	-	-	1,651	-	-	-	-	19,970	-	-
2013	15,291	-	-	1,376	-	-	-	-	16,667	-	-
<b>Stuart House</b>											
2014	19,998	-	-	-	-	-	-	-	19,998	-	-
2013	3,333	-	-	-	-	-	-	-	3,333	-	-
<b>Neal Shoobert</b>											
2014	69,657	-	-	-	-	-	-	-	69,657	-	-
2013	107,764	-	-	-	-	-	-	-	107,764	-	-
<b>Total Compensation</b>											
2014	198,528	-	-	3,509	-	-	-	-	202,037	-	-
2013	130,516	-	-	1,748	-	-	-	-	132,264	-	-

D. Options and rights over equity instruments granted as compensation

No options over ordinary shares in the Company that were granted as compensation to any key management persons during the reporting period. No options have been granted since the end of the financial year.

**Modification of terms of equity-settled share-based payment transactions**

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

**Exercise of options granted as compensation**

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

**Analysis of share-based payments granted as compensation**

During the period there were no share-based payments granted as compensation.

# Corporate governance statement

## Introduction

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity and pursuing the true spirit of corporate governance commensurate with the Company's needs. The Board has adopted a corporate governance framework which it considers to be suitable given the size, history and strategy of the Company. To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) ("Recommendations") as published by ASX Corporate Governance Council. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration. The Company's corporate governance policy documents have been posted on its website.

The Board of the Company has gone through major change during the financial year. As a result of those changes, which were completed in December 2013, the new Board conducted a thorough review of the Company's corporate governance policies and practices, resulting in the adoption by the Board of new corporate governance policies and practices in May 2014.

In accordance with ASX Listing Rule 4.10.3, the Company is required to disclose the extent to which it has followed the Recommendations during the financial year. The Company's compliance with and departure from the Recommendations are set out below.

Principles & Recommendations	Comment
<b>Principle 1 - Lay solid foundations for management and oversight</b>	
1.1 Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Board is responsible for the overall corporate governance of the Company.  The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters are reserved for the Board and specific matters that are delegated to management. A summary of those matters is set out in this Corporate Governance Statement.
1.2 Disclose the process for evaluating the performance of senior executives.	The Board has established a policy on Performance Evaluation Practices for senior executives, which is available on the Company's website.  The Company does not have any senior executives in place following the resignation of the previous Chief Financial Officer/Company Secretary in March 2014. The Board reviews the performance of senior executives annually against specific performance measures set at the commencement of each financial year. However, no formal performance review of senior executives took place during the financial year due to the resignation of the Company's only senior executive in March 2014.
1.3 Provide the information indicated in the Guide to reporting on Principle 1.	A copy of the Board Charter is available on the Company's website and is summarized in this Corporate Governance Statement.
<b>Principle 2 - Structure the board to add value</b>	
2.1 A majority of the board should be independent directors.	The Company has had a majority of independent Directors throughout the financial year and up to the date of this statement. Prior to the change of Board in December 2013, the Directors, Mr David Williams, Mr John Conidi and Mr Stuart House were considered independent as they were not members of management and were

Principles & Recommendations	Comment
	<p>free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement. Following the change of Board in December 2013, the Board is comprised of Mr Jason Peterson, Non-Executive Chairman, Mr Joe Graziano and Mr Jack James. Mr Peterson was considered as independent from the date of his appointment until the Company entered into an underwriting agreement with CPS Capital Group Pty Ltd (of which he is both a director and shareholder) in July 2014 in respect to a rights issue to raise 542,530 before costs. Both Messrs Graziano and James are considered to be independent as they are not members of management and are free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.</p>
2.2 The chair should be an independent director.	The Chairman of the Board, Mr Jason Peterson, is not an independent Director for the reasons set out in 2.1 above.
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	During the reporting period the Company did not have a chief executive officer. Accordingly, the roles of chair and chief executive officer have not been exercised by the same individual.
2.4 The board should establish a nomination committee.	<p>The Board has not established a separate nomination committee. The full Board presently performs the function of a nomination committee. A separate nomination committee may be established when appropriate, as the Company's activities develop in size, nature and scope and where increased efficiency and effectiveness can be derived from having a separate committee.</p> <p>The Board has adopted a Nomination Committee Charter which it follows when considering matters that would usually be considered by a nomination committee. A copy of the Nomination Committee Charter is available on the Company's website.</p>
2.5 Disclose the process for evaluating the performance of the board, its committees and individual directors.	<p>The Board has established a policy on Performance Evaluation Practices for the Board, and Committees (when put in place) and individual Directors, which is available on the Company's website.</p> <p>An informal process has been established to review and evaluate the performance of the Board. Given the size of the Company, the Board is continuously reviewing the role of the Board and assessing its performance over the previous period.</p> <p>The Chairman has the primary responsibility for conducting performance appraisals of the Non-Executive Directors. Given the timing of the appointment of the Non-Executive Directors in December 2013, there has been no formal appraisal of the Non-Executive Directors.</p>
2.6 Provide the information indicated in the Guide to reporting on Principle 2.	<p>The skills, experience and expertise of each Director are set out in the Directors' Report in this Annual Report.</p> <p>The Directors considered by the Board to be independent are Mr Joe Graziano and Mr Jack James. A Director is considered to be independent where he substantially satisfies the test for independence set out in the ASX Corporate Governance Principles and Recommendations. Refer to 2.1 above.</p> <p>Members of the Board are able to take independent professional advice at the expense of the Company, subject to the prior approval</p>

Principles & Recommendations	Comment
	<p>of the Chairman.</p> <p>Mr Jason Peterson was appointed to the Board as Non-Executive Chairman and Mr Joe Graziano as a Non-Executive Director on 5 December 2013. Mr Jack James was appointed as a Non-Executive Director on 12 December 2013.</p> <p>The Board has not established a Nomination Committee for the reasons set out in 2.4 above.</p> <p>The Board regularly reviews its mix of skills and experience in light of the Company's principal activities and direction, and is cognisant of its Diversity Policy, should the need arise for changes to the composition of the Board.</p>
<b>Principle 3 - Promote ethical and responsible decision-making</b>	
<p>3.1 Establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> <li>▪ the practices necessary to maintain confidence in the company's integrity</li> <li>▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	<p>The Board has established a Code of Conduct which provides a framework for decisions and actions in relation to ethical conduct of the Company's Directors, officers and employees.</p> <p>A copy of the Code of Conduct is available on the Company's website.</p> <p>The Code of Conduct sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from management and employees. All employees are responsible for reporting circumstances that may involve a breach of the code of conduct.</p> <p>The Company has also adopted a Securities Trading Policy that establishes a procedure for dealings in the Company's securities by Directors, senior executives, employees and related parties, and also dealings in securities of other entities with whom the Company may have business dealings. The Securities Trading Policy is further described at the end of this Corporate Governance Statements under the section titled "Dealing in Company Securities". A copy of the Securities Trading Policy is available on the Company's website.</p>
<p>3.2 Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.</p>	<p>The Company has established a Diversity Policy and is committed to workplace diversity. A copy of the Diversity Policy is available on the Company's website.</p>
<p>3.3 Disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.</p>	<p>The Company is at a stage of its development such that the application of measurable objectives in relation to gender diversity, at the various levels of the Company's business, is not considered to be appropriate nor practical.</p>
<p>3.4 Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</p>	<p>The Company has included the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board at the end of this Corporate Governance Statement, under the section titled "Diversity".</p>

Principles & Recommendations	Comment
3.5 Provide the information indicated in the Guide to reporting on Principle 3.	The Company has provided explanations of departures from Recommendations in relation to Principle 3 and has noted that copies of the Code of Conduct, Securities Trading Policy and the Diversity Policy are available on the Company's website.
<b>Principle 4 - Safeguard integrity in financial reporting</b>	
4.1 The Board should establish an audit committee.	<p>The Company's had established an Audit and Compliance Committee, which was disbanded upon replacement of the Board in December 2013.</p> <p>The new Board believes that the Company is not currently of sufficient size, nor its financial affairs of such complexity to justify the formation of an audit committee. The full Board undertakes the functions normally associated with an audit committee. Each year the Board will review the necessity or ability to establish a separate audit committee and, if appropriate, delegate certain responsibilities to such committee.</p> <p>The Board has adopted an Audit Committee Charter which it follows when considering matters that would usually be considered by an audit committee.</p>
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>▪ consists only of Non-Executive Directors</li> <li>▪ consists of a majority of Independent Directors</li> <li>▪ is chaired by an independent chair, who is not chair of the board</li> <li>▪ has at least three members.</li> </ul>	<p>Prior to its disbandment upon replacement of the Board in December 2013, the Company had an Audit and Compliance Committee which was comprised of two former Non-Executive Directors, Mr John Conidi and Mr Stuart House, along with the former Chief Financial Officer/Company Secretary, Mr Neal Shoobert.</p> <p>The Company currently does not have a separate audit committee for the reasons set out above.</p>
4.3 The audit committee should have a formal charter.	The Board has adopted a separate Audit Committee Charter to assist it in performing the relevant functions of an audit committee. The Charter sets out the roles and responsibilities of the audit committee
4.4 Provide the information indicated in the Guide to reporting on Principle 4.	<p>The Company has not established a separate audit committee, following the replacement of the Board in December 2013, for the reasons outlined above. Therefore, it has not disclosed the names and qualifications of the committee, but has disclosed that the functions normally carried out by the audit committee are performed by the full Board.</p> <p>The Audit Committee Charter, which contains procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, is available on the Company's website.</p>
<b>Principle 5 - Make timely and balanced disclosure</b>	
5.1 Establish written policies designed to ensure compliance with the ASX Listing Rule disclosure requirements, as well as ensuring accountability at a Senior Executive level for that compliance and	The Company has established a Continuous Disclosure Policy to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001 (Cth). Under the terms of the Continuous Disclosure policy, the Managing Director (or Chairman where the Company does not have one) and the Company Secretary are primarily responsible for making decisions about what

Principles & Recommendations	Comment
disclose those policies or a summary of those policies.	information should be disclosed publicly under the policy. Approval is sought from the Board on all significant matters. Employees must inform the Managing Director, Chairman or Company Secretary of any potentially material price or value sensitive information as soon as they become aware of it.
5.2 Provide the information indicated in Guide to Reporting on Principle 5.	A copy of the Continuous Disclosure Policy is available on the Company's website.
<b>Principle 6 - Respect the rights of shareholders</b>	
6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company has designed a Shareholder Communication Policy for promoting effective communication with shareholders and encouraging their participation at general meetings. The Company uses its website, quarterly, interim and annual reports, market announcements, notices of meetings and the annual general meeting to communicate with its shareholders. In addition, the Company's auditor attends annual general meetings of the Company to answer any questions raised by shareholders about the conduct of the audit and preparation and content of the auditor's report.
6.2 Provide the information indicated in the Guide to reporting on Principle 6.	The Company's Shareholder Communication Policy is available on its website.
<b>Principle 7 - Recognise and manage risk</b>	
7.1 Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	<p>The Company has established policies for the oversight and management of material business risks. The Board is responsible for the ongoing assessment of the effectiveness of risk management and internal compliance and control.</p> <p>The Risk Management and Internal Compliance and Control Policy is available on the Company's website and is summarised at the end of this Corporate Governance Statement under the section titled "Risk".</p>
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	<p>The Board had previously required management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively.</p> <p>Given that the Company does not currently have any executives, the Board monitors directly the effectiveness of the Company's management of its material business risks.</p>
7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material	The Board has received a statement from the Non-Executive Chairman and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.

Principles & Recommendations	Comment
respects in relation to financial reporting risks.	
7.4 Provide the information indicated in the <i>Guide to reporting on Principle 7</i> .	<p>As the Company currently has no executives, there has been no report to the Board from management as to the effectiveness of the Company's management of its material business risks. The management of the Company's material business risks is currently undertaken by the Board.</p> <p>The Company has received a statement of assurance from the Non-Executive Chairman and Chief Financial Officer.</p> <p>The Risk Management and Internal Compliance and Control Policy is available on the Company's web site and is summarised in this Corporate Governance Statement under the section titled 'Risk'.</p>
<b>Principle 8 - Remunerate fairly and responsibly</b>	
8.1 The Board should establish a remuneration committee.	<p>The Board has not established a separate remuneration committee. The full Board presently performs the function of a remuneration committee. A separate remuneration committee may be established when appropriate, as the Company's activities develop in size, nature and scope and where increased efficiency and effectiveness can be derived from having a separate committee.</p> <p>The Board has adopted a Remuneration Committee Charter which it follows when considering matters that would usually be considered by a remuneration committee. A copy of the Remuneration Committee Charter is available on the Company's website.</p>
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>consists of a majority of independent directors</li> <li>is chaired by an independent director</li> <li>has at least three members</li> </ul>	Refer to 8.1 above.
8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company has separate policies relating to the remuneration of Non-Executive Directors and that of Executive Directors and senior executives, if any. This information is detailed in the Remuneration Report, which forms part of the Directors' Report in this Annual Report.
8.4 Provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	<p>The Company has not established a remuneration committee for the reasons outlined above.</p> <p>The Company does not have any schemes for retirement benefits other than superannuation for Non-Executive Directors.</p> <p>Explanations for departures from Recommendations 8.1 and 8.2 are set out above.</p> <p>A copy of the Remuneration Committee Charter, which is followed by the Board, is available on the Company's website.</p> <p>The Securities Trading Policy, a copy of which is available on the Company's website, prohibits the hedging of risk of fluctuation of the value of the Company's securities.</p>

Unless stated otherwise, the Company's corporate governance practices were in place for the full financial year ended



30 June 2014 and to the date of signing the Directors' Report in this Annual Report.

For further information on corporate governance policies adopted by the Company, refer to our website, [www.lithex.com.au](http://www.lithex.com.au). A summary of the principal corporate governance practices is set out below.

## The Role of the Board and Management

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

The Board is responsible for, and has the authority to determine all matters relating to strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The monitoring and ultimate control of the business of the Company is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders.

The Board delegates responsibility for the day to day operations and administration of the Company to the Managing Director (where one is appointed). In addition to formal reporting structures, members of the Board are encouraged to have direct communications with management and other employees (where they are appointed) within the Company to facilitate the carrying out of their duties as Directors.

## Composition of the Board

The Company's Constitution governs the regulation of meetings and proceedings of the Board.

The Board determines its size and composition, subject to the terms of the Constitution. The Board does not believe that it should establish a limit on tenure other than stipulated in the Company's Constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its operations and, therefore, an increasing contribution to the Board as a whole. Where practical, it is intended that the Board should comprise a majority of independent Non-Executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. Where practical, it is also intended that the Chair should be an independent Non-Executive Director. The Board regularly reviews the independence of each Director in light of the interests disclosed to the Board.

The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Revised Principles and Recommendations. The Board reviews the independence of each Director in light of interests disclosed to the Board, including their participation in Board activities associated with related entities, from time to time.

In accordance with the definition of independence above, Mr Joe Graziano and Mr Jack James are considered to be independent. Mr Jason Peterson is not considered to be independent as he is a director and shareholder of CPS Capital Group Limited, which entered into an underwriting agreement with the Company in July 2014 in respect to a rights issue to raise \$542,530 before costs.

Further details on each Director can be found in the Directors' Report in this Annual Report.

## Committees of the Board

Given the Company's current size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. Accordingly, the duties of the committees below are currently undertaken by the full Board:

- Audit Committee;
- Remuneration Committee; and

- Nomination Committee.

The above Committees may be established when appropriate, as the Company's activities develop in size, nature and scope, and where increased efficiency and effectiveness can be derived from having separate Committees.

### Access to Advice

The Board, Committees, if any, or individual Directors may seek independent professional advice as considered necessary at the expense of the Company, subject to prior approval of the Executive Chairman, which shall not be unreasonably withheld. A copy of such advice received is made available to all members of the Board.

### Dealings in Company Securities

The Company has adopted a Securities Trading Policy outlining when Directors, senior management and other employees may deal in the Company's securities and contains procedures to reduce the risk of insider trading.

The Securities Trading Policy has been issued to ASX and a copy is available on the Company's website

### Risk

The Company has established a Risk Management and Internal Compliance and Control Policy, which puts frameworks in place to recognise and oversee the Company's risk and internal compliance and controls. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources,
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

### Performance

An informal process has been established to review and evaluate the performance of the Board. Given the size of the Company, the Board is continuously reviewing the role of the Board, assessing its performance over the previous period, including comparison with others, and examining ways in which the Board can better perform its duties. The review will incorporate the performance of the Board.

The review may include consideration of the following measures:

- comparison of the performance of the Board against the requirements of the Board Charter;
- assessment of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- review of the Board's interaction with management;
- identification of any particular goals and objectives of the Board for the next year;

- review the type and timing of information provided to the Directors; and
- identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman will have primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

Due to the replacement of the Board in December 2013, a formal review of the performance of the Board was not conducted.

The Board will annually review the performance of the Chairman and the Managing Director (if appointed). At the commencement of each financial year, the Board and Managing Director (if appointed) will agree, where applicable, a set of generally Company specific performance measures to be used in the review of the forthcoming year.

These will include:

- financial measures of the Company's performance;
- the extent to which key operational goals and strategic objectives are achieved;
- development of management and staff;
- compliance with legal and Company policy requirements; and
- achievement of key performance indicators.

The Chairman was appointed to the role in December 2013. Accordingly, no performance review of the Chairman was conducted.

### Non-Executive Director Remuneration

Non-Executive Directors are normally remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

Shareholder approval must be obtained in relation to the overall limit set for non-executive Directors' fees.

The maximum aggregate remuneration that can be paid to Non-Executive Directors is subject to approval by shareholders at a general meeting. Total Directors' fees paid to all Non-Executive Directors is not to exceed \$200,000 per annum.

Non-Executive Directors are not provided with retirement benefits.

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by Directors in the current period, please refer to the Remuneration Report, which forms part of the Directors' Report in this Annual Report.

There is no scheme to provide retirement benefits to Non-Executive (or Executive) Directors.

The duties of the Remuneration Committee are currently undertaken by the full Board, which is responsible for determining and reviewing compensation arrangements for the Directors themselves and for any Executives.

### Diversity

The Company is committed to actively managing diversity as a means of enhancing the Company's performance by recognizing and utilising the contribution of diverse skills and talent from its Directors, officers and employees.

Diversity involves recognising and valuing the unique contribution people can make because of their individual background and different skills, experiences and perspectives, including persons with co-existing domestic

responsibilities. Diversity may result from a range of factors including age, gender, ethnicity, cultural background or other personal factors. The Company values the differences between its people and the contribution these differences make to the Company.

The Diversity Policy is available on the Company's website.

The Company is currently in an early stage of its development and given that the Company currently has few employees, the application of measurable objectives in relation to gender diversity, at various levels of the Company's business, is not considered to be appropriate nor practical.

The participation of women in the Company at 30 June 2014 was as follows:

Women employees in the Company	0%
Women in senior management positions	0%
Women on the board	0%



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The Directors  
Lithex Resources Ltd  
22 Lindsay Street  
Perth WA 6000

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2014 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan (Lead auditor)

Rothsay

Dated 25 August 2014



Chartered Accountants

# Financial statements

## Consolidated statement of comprehensive income

for the year ended 30 June 2014

		Consolidated	
	Note	2014 \$	2013 \$
Revenue	2	83,389	338,559
General and administrative expenses		(39,653)	(86,186)
Depreciation	11	(5,939)	(18,543)
Corporate and legal expenses		(193,687)	(390,804)
Directors fees		(128,872)	(325,725)
Insurance expenses		(18,869)	(21,047)
Employment expenses		(152,559)	(277,164)
Occupancy expenses		(3,697)	(125,579)
Exploration expenses	10	(484,392)	(438,489)
Impairment of tenement assets	10	(916,276)	(1,605,888)
Travelling expenses		(9,407)	(39,863)
Share based payments expense		-	(275,000)
Loss on sale of assets		(1,783)	-
<b>Loss before income tax</b>		<b>(1,871,745)</b>	<b>(3,265,729)</b>
Income tax benefit	3		
<b>Loss after tax from continuing operations</b>		<b>(1,871,745)</b>	<b>(3,265,729)</b>
Other comprehensive income, net of tax			
<b>Total comprehensive loss</b>		<b>(1,871,745)</b>	<b>(3,265,729)</b>
Loss attributable to members of Lithex Resources Limited		<b>(1,871,745)</b>	<b>(3,265,729)</b>
<b>Total comprehensive income attributable to members of Lithex Resources Limited</b>		<b>(1,871,745)</b>	<b>(3,265,729)</b>
Basic and diluted earnings per share (cents per share)	6	(0.020)	(0.035)
Basic and diluted earnings per share from continuing operations (cents per share)		(0.020)	(0.035)

The accompanying notes form part of these financial statements

## Consolidated statement of financial position

as at 30 June 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	1,163,874	1,664,506
Trade and other receivables	8	12,576	18,560
		1,176,450	1,683,066
Assets classified as held for sale	9	115,000	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,291,450</b>	<b>1,683,066</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation	10	-	1,466,720
Property, plant and equipment	11	3,274	31,115
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,274</b>	<b>1,497,835</b>
<b>TOTAL ASSETS</b>		<b>1,294,724</b>	<b>3,180,901</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	112	39,320
Other Creditors	12	41,616	16,840
<b>TOTAL CURRENT LIABILITIES</b>		<b>41,728</b>	<b>56,160</b>
<b>TOTAL LIABILITIES</b>		<b>41,728</b>	<b>56,160</b>
<b>NET ASSETS</b>		<b>1,252,996</b>	<b>3,124,741</b>
<b>EQUITY</b>			
Issued capital	13	8,655,606	8,655,606
Share based payments reserve	14	85,015	85,015
Accumulated losses	15	(7,487,625)	(5,615,880)
<b>TOTAL EQUITY</b>		<b>1,252,996</b>	<b>3,124,741</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity

for the year ended 30 June 2014

	Note	Share Capital Ordinary \$	Accumulated Losses \$	Share Based Payments Reserve \$	Total \$
<b>ENTITY</b>					
<b>Balance at 1 July 2012</b>		6,075,323	(2,350,151)	85,015	3,810,186
Loss attributable to members of the entity	15	-	(3,265,729)	-	(3,265,729)
Other comprehensive income		-	-	-	-
<b>Total comprehensive Loss for the year</b>		-	(3,265,729)	-	(3,265,729)
Transactions with owners in their capacity as owners					
Issue of share capital	13	2,683,725	-	-	2,683,725
Transaction costs		(103,442)	-	-	(103,442)
<b>Balance at 30 June 2013</b>		8,655,606	(5,615,880)	85,015	3,124,741
Loss attributable to members of the entity	15	-	(1,871,745)	-	(1,871,745)
Other comprehensive income		-	-	-	-
<b>Total comprehensive Loss for the year</b>		-	(1,871,745)	-	(1,871,745)
Transactions with owners in their capacity as owners					
Issue of share capital	13	-	-	-	-
<b>Balance at 30 June 2014</b>		8,655,606	(7,487,625)	85,015	1,252,996



## Consolidated statement of cash flows

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		-	-
Payments to suppliers and employees		(454,101)	(955,763)
Interest received		31,284	55,723
Expenditure on mining assets		(220,065)	(753,823)
Other receipts		40,000	290,155
Net cash (from) operating activities	17	(602,882)	(1,363,708)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		18,000	(16,841)
Exploration and Evaluation assets		84,250	(150,000)
Net cash (from) investing activities		102,250	(166,841)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	1,688,725
Payment of share issue costs		-	(119,818)
Net cash from by financing activities		-	1,568,907
Net (decrease) in cash held		(500,632)	38,358
Cash at beginning of financial year		1,664,506	1,626,148
Cash at end of financial year	7	1,163,874	1,664,506

The accompanying notes form part of these financial statements.

## Notes to the consolidated financial statements for the year ended 30 June 2014

### Note 1: Statement of significant accounting policies

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

The financial report covers the consolidated entity of Lithex Resources Limited and its subsidiary ("the Group"). Lithex Resources Limited (LTX) is a listed public company, incorporated and domiciled in Australia.

#### Reporting basis and conventions

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

#### New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

#### Standards and Interpretations issued but not yet effective

None of the new standards and interpretations issued but not yet effective for the current annual reporting period have a material impact on the Group.

#### Early adoption of standards

The Directors have not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts presented are Australian dollars unless otherwise stated.

The financial report was authorised for issue by the Directors on 25 August 2014.

#### Accounting policies

##### a. Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

## Note 1: Statement of significant accounting policies (continued)

### a. Income tax (continued)

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognized where the timing of the reversal of temporary differences can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### b. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## Note 1: Statement of significant accounting policies (continued)

### c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including,

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

#### Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

## Note 1: Statement of significant accounting policies (continued)

### c. Basis of consolidation (continued)

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### d. Parent entity financial information

The financial information for the parent entity, Lithex Resources Limited, disclosed in note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

### e. Property, plant and equipment

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

#### Plant and equipment

Plant and equipment are measured on the cost basis.

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 that will be received from the asset's 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 economic 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 income statement during the financial period in which they are incurred.

#### Depreciation

Depreciation on plant and equipment is provided on a prime cost basis over the estimated useful life of those assets. The depreciation rates used for each class of depreciable assets for 2014 and 2013 are:

## Note 1: Statement of significant accounting policies (continued)

## e. Property, plant and equipment (continued)

Class of Fixed Asset	Depreciation Rate
Plant and equipment	33.3%
Computer Equipment	33.3%
Furniture & Fittings	20.0%
Motor Vehicle	22.5%

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 and losses are included in the income statement.

## f. Financial Instruments

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) Financial assets at fair value through profit and loss.

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designed as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) in the statement of financial position..

(iii) Held-to maturity Investments

Held-to maturity Investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

## Note 1: Statement of significant accounting policies (continued)

### f. Financial Instruments (continued)

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

#### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised as fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risk and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit and loss as gains and losses from investment securities.

#### Subsequent measurement

Loans and receivables and held-to-maturity Investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in profit and loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in profit and loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit and loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 20.

#### Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or company of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is reclassified from equity and recognised in profit and loss as a reclassification adjustment. Impairment losses recognised in profit and loss on equity instruments classified as available-for-sale are not reversed through profit and loss.

## Note 1: Statement of significant accounting policies (continued)

### f. Financial Instruments (continued)

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit and loss.

### g. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset and the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

Non-current assets (and disposal Groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell,

### h. Fair value

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at balance sheet date. The quoted market price for financial assets is the current bid price and the quoted market price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at balance date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at balance sheet date. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### i. Impairment of non-financial 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 asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for 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.

### j. Exploration and Evaluation Expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.



## Note 1: Statement of significant accounting policies (continued)

### j. Exploration and Evaluation Expenditure (continued)

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- i. the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- ii. activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy i). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

### k. 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.

### l. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### m. Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

#### Sale of goods

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Note 1: Statement of significant accounting policies (continued)

### m. Revenue Recognition (continued)

#### Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

n. Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

o. Contributed equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

p. Critical accounting estimates and judgments

The Directors evaluate estimates and judgments 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.

Key estimates — impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets including property, plant and equipment and identifiable intangible assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates, including levels of operating revenue and terminal values of assets. A material change to these key assumptions could result in a material adjustment to the carrying values of non-current assets.

Plant and equipment, impairment losses are recognised in the statement of comprehensive income for the year ended 30 June 2014.

Exploration and evaluation assets have been reviewed where the asset had reached a reasonable assessment stage and appropriate impairment charges have been recognised in the Profit and Loss for the year ended 30 June 2014.

Note 1: Statement of significant accounting policies (continued)

q. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and

assessing performance of the operating segments, has been identified as the board of directors of Lithex Resources Limited.

r. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of Lithex Resources Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

s. Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

t. Trade receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off.

u. Going concern basis of accounting

Notwithstanding the loss for the year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on cash at bank balance at balance date of \$1,163,874 cash. (2013: \$1,664,506).

## Note 2: Revenue

	Consolidated	
	2014 \$	2013 \$
Interest received	31,284	55,722
Other Revenue	52,105	282,837
	<u>83,389</u>	<u>338,559</u>

## Note 3: Income tax

	Consolidated	
	2014 \$	2013 \$

**a. Income tax benefit**

Accounting loss	(1,871,745)	(3,265,729)
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Prima facie tax benefit on the loss from ordinary activities before income tax at 30% (2013: 30%) differs from the income tax provided in the financial statements as follows:

Tax benefit at 30%	(561,523)	(979,719)
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Tax effect of non-deductible expense

Add:

non-deductible expense	81,500
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revaluation of shares not subject to income tax	219,000
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temporary differences	6,568
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Less:

temporary differences	(210)
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Deferred tax asset not brought to account	254,665	979,719
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Income tax benefit attributable to operating loss	-	-
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**b. Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following item:

. Tax losses	254,665	979,719
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The deductible tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

#### Note 4: Key management personnel disclosures

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key management person	Position
Jason Peterson	Non-Executive Chairman (appointed 5 December 2013)
Joe Graziano	Non-Executive Director (appointed 5 December 2013)
Jack James	Non-Executive Director (appointed 12 December 2013)
David Williams	Non-Executive Chairman (resigned 5 December 2013)
John Conidi	Non-Executive Director (resigned 5 December 2013)
Stuart House	Non-Executive Director (resigned 5 December 2013)
Neal Schoobert	Chief Finance Officer / Company Secretary (resigned 11 March 2014)

The key management personnel remuneration has been included in the remuneration report section of the directors' report.

#### Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in LTX Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014

	Held at 1 July 2013	Granted as compensation	Granted other	Lapsed	Other	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
<b>Directors</b>								
Jason Peterson	9,087,080 <sup>1</sup>	-	-	-		9,087,080	-	-
Joe Graziano	-	-	-	-		-	-	-
Jack James	-	-	-	-		-	-	-
David Williams	-	-	-	-		-	-	-
John Conidi	1,200,000	-	-	-	(1,200,000) <sup>2</sup>	-	-	-
Stuart House	-	-	-	-	-	-	-	-
Neal Shoobert	1,170,000	-	-	-	(1,170,000) <sup>2</sup>	-	-	-

(1) Options held at date of appointment acquired on market

(2) Options held at date of resignation

## Note 4: Key management personnel disclosures (continued)

2013

	Held at 1 July 2012	Granted as compensation	Granted other	Lapsed	Other	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
<b>Directors</b>								
David Williams	-	-	-	-	-	-	-	-
John Conidi	-	-	-	-	-	-	-	-
Stuart House	-	-	-	-	-	-	-	-
Neal Shoobert	1,170,000	-	-	-	-	1,170,000	-	-

## Movements in shares

The movement during the reporting period in the number of ordinary shares in LTX Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014

	Held at 1 July 2013	Acquired	Disposed	Other Changes	Held at 30 June 2014
<b>Directors</b>					
Jason Peterson	4,211,859 <sup>1</sup>	-	-	-	4,211,859
Joe Graziano	-	-	-	-	-
Jack James	-	-	-	-	-
David Williams	-	-	-	-	-
John Conidi	1,000,000	-	-	(1,000,000) <sup>2</sup>	-
Stuart House	-	-	-	-	-
Neal Shoobert	390,000	-	-	(390,000) <sup>2</sup>	-

(1) Shares held at date of appointment

(2) Shares held at date of resignation

2013

	Held at 1 July 2012	Acquired	Disposed	Other Changes	Held at 30 June 2013
<b>Directors</b>					
David Williams	-	-	-	-	-
John Conidi	-	1,000,000	-	-	1,000,000
Stuart House	-	-	-	-	-
Neal Shoobert	350,000	40,000	-	-	390,000

## Note 4: Key management personnel disclosures (continued)

## Other transactions with key management personnel

Automatic Registry Services Pty Ltd, a related party of Mr Jason Peterson, a Director, provided share registry services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the share registry agreement was \$1,945 (2013: nil), \$617 of which was outstanding at 30 June 2014 (30 June 2013: nil).

Palisade Business Consulting Pty Ltd, a related party of Mr Jack James, a Director, provided financial and associated services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the financial and associated services agreement was \$17,932 (2013: nil), none of which was outstanding at 30 June 2014 (30 June 2013: nil).

## Note 5: Auditor's remuneration

	Entity	
	2014 \$	2013 \$
Remuneration of the auditor (Rothsay Chartered Accountants) of the entity for:		
An audit or review of the financial report of the Group		
- Current year	20,000	28,000
	20,000	28,000

## Note 6: Earnings per share

	Entity	
	2014 cents	2013 Cents
<b>Basic Earnings per Share</b>	<b>\$0.020</b>	<b>\$0.035</b>
a. Basic loss per share (cents)		
Loss attributable to ordinary shareholders	(1,871,745)	(3,265,729)
Earnings used to calculate basic EPS	<b>(1,871,745)</b>	<b>(3,265,729)</b>
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	94,353,015	94,353,015
<b>Diluted Earnings per Share</b>		
a. Basic loss per share (cents)	\$0.020	\$0.035
Loss attributable to ordinary shareholders	(1,871,745)	(3,265,729)
Earnings used to calculate diluted EPS	<b>(1,871,745)</b>	<b>(3,265,729)</b>
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	94,353,015	94,353,015

## Note 7: Cash and cash equivalents

	Consolidated	
	2014 \$	2013 \$
<b>CURRENT</b>		
Cash at bank	1,163,874	1,664,506

## Note 8: Trade and other receivables

	Consolidated	
	2014 \$	2013 \$
<b>CURRENT</b>		
Prepaid Insurance	10,232	14,801
Other debtors	2,344	3,759
	12,576	18,560

## Note 9: Assets classified as held for sale

	Consolidated	
	2014 \$	2013 \$
<b>CURRENT</b>		
Exploration assets held for sale (refer to note 10)	115,000	-
	115,000	-

## Note 10: Exploration and evaluation

	Consolidated	
	2014 \$	2013 \$
<b>NON-CURRENT</b>		
Balance as 1 July 2013	1,466,720	2,270,818
Mining permits, tenement acquisition and administration and geologist expenses	307,170	1,240,279
Exploration expenses written off during the year	(667,614)	(438,489)
Impairment of tenement assets	(916,276)	(1,605,888)
Disposed	(75,000)	-
Classified as held for sale	(115,000)	-
Balance as 30 June 2014	-	1,466,720



## Note 10: Exploration and evaluation (continued)

The value of the Group's interest in exploration expenditure is dependent upon the:

- continuance of the Group's right to tenure of the areas of interest;
- the results of future exploration, and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

## Note 11: Property, plant and equipment

	Consolidated	
	2014	2013
	\$	\$
NON-CURRENT		
Computer Equipment		
At cost	10,503	26,431
Accumulated depreciation	(7,229)	(17,712)
	3,274	8,719
Furniture and Fittings		
At cost	-	1,931
Accumulated depreciation	-	(1,668)
	-	263
Plant and equipment		
At cost	-	2,337
Accumulated depreciation	-	(931)
	-	1,406
Motor Vehicles		
At cost	-	33,565
Accumulated depreciation	-	(12,838)
	-	20,727
Total written down amount	3,274	31,115

## Note 11: Property, plant and equipment (continued)

## Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

2014	Plant & Equipment	Motor Vehicle	Furniture & Fittings	Computer Equipment	Total
	\$	\$	\$	\$	\$

**Consolidated:**

Carrying amount 1 July 2013	1,406	20,727	263	8,719	31,115
Additions	-	-	-	-	-
Disposals	(1,094)	(17,618)	-	(1,070)	(19,782)
Depreciation expense	(312)	(3,109)	(34)	(2,484)	(5,939)
Impairment loss	-	-	(229)	(1,891)	(2,120)
Carrying amount year ended 30 June 2014	-	-	-	3,274	3,274

2013	Plant & Equipment	Motor Vehicle	Furniture & Fittings	Computer Equipment	Total
	\$	\$	\$	\$	\$

**Consolidated:**

Carrying amount 1 July 2012	2,110	26,745	1,578	17,228	47,661
Additions	-	-	-	2,000	2,000
Disposals					
Depreciation expense	(704)	(6,018)	(1,315)	(10,506)	(18,543)
Impairment loss	-	-	-	(3)	(3)
Carrying amount year ended 30 June 2013	1,406	20,727	263	8,719	31,115

## Note 12: Trade and other payables

	Consolidated	
	2014 \$	2013 \$
<b>CURRENT</b>		
Unsecured liabilities		
Trade payables	112	39,320
Other payables and accrued expenses	41,616	16,840
	41,728	56,160

## Note 13: Issued capital

	Consolidated	
	2014 \$	2013 \$
94,353,015 (2013: 94,353,015) fully paid ordinary shares	8,655,606	8,655,606

## Movement in Issued Capital

	2014 No.	2014 \$.	2013 No.	2013 \$
<b>a. Ordinary shares</b>				
At the beginning of reporting period	94,353,015	8,655,606	44,080,010	6,075,323
Shares issued during the year				
- Issued to Directors as per AGM at \$0.07	-	-	2,500,000	175,000
- Issued as per Placement @ \$0.05	-	-	6,987,000	349,350
- Issued as per Entitlement offer @ \$0.05	-	-	26,783,505	1,339,175
- Issued as per asset purchase at \$0.06	-	-	12,000,000	720,000
- Issued as per exercise of options @ \$0.08	-	-	2,500	200
- Issued to Directors @ \$0.05	-	-	2,000,000	100,000
Less Cost of capital	-	-	-	(103,442)
At reporting date	94,353,015	8,655,606	94,353,015	8,655,606

## Terms and Conditions of Issued Capital

Ordinary Shares

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the Group, 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 the holder to one vote either in person or by proxy at a meeting of the Company.

## Note 13: Issued capital (continued)

**b. Options on issue**

The following reconciles the outstanding share options at the beginning and year end of the financial year:

	2014 No.	2013 No.
<b>Description</b>		
At the beginning of reporting period	60,412,754	13,530,000
Granted during the financial year	-	46,885,254
Forfeited during the financial year	-	-
Exercised during the financial year	-	(2,500)
Expired during the financial year	-	-
<b>Balance at the end of the financial year</b>	-	60,412,754
Exercisable at the end of the financial year	60,412,754	60,412,754

Options

Each of the options entitles the holder to one fully paid ordinary share in the Group. The terms of the options on issue are:

**Listed**

36,882,754 exercisable at \$0.08 before 31 Dec 2015

**Unlisted**

1,000,000 exercisable at \$0.20 before 31 March 2015

400,000 exercisable at \$0.15 before 29 May 2015

250,000 exercisable at \$0.25 before 12 June 2015, 130,000 exercisable at \$0.20 before 30 June 2015

1,000,000 exercisable at \$0.30 before 30 June 2015

250,000 exercisable at \$0.25 before 12 Dec 2015

3,500,000 exercisable at \$0.20 before 10 May 2016

10,000,000 exercisable at \$0.16 before 31 Dec 2016

## Note 14: Share based payments reserve

**Share based payments reserve**

The share based payments reserve records items recognised as expenses on share based payments.

	Consolidated	
	2014 \$	2013 \$
Balance as 1 July 2013	85,015	85,015
Equity settled share based payments	-	-
Balance as at 30 June 2014	85,015	85,015

## Note 15: Accumulated losses

	Consolidated	
	2014 \$	2013 \$
Balance 1 July	(5,615,880)	(2,350,151)
Loss for the year	(1,871,745)	(3,265,729)
Balance 30 June	(7,487,625)	(5,615,880)

## Note 16: Commitments for expenditure

	Consolidated	
	2014 \$	2013 \$
<b>Exploration and evaluation</b>		
- not later than 1 year	43,762	624,092
- later than 1 year but no later than 5 years	102,501	890,858
<b>Remuneration</b>		
- not later than 1 year	120,000	250,000
	266,263	1,764,950

The Company holds a number of exploration assets classified as held for sale (refer Note 9). The exploration and evaluation commitments on these exploration assets have not been included in the above disclosure as the Company intends to sell the exploration assets prior to incurring any additional exploration and evaluation costs.

## Note 17: Cash Flow Information

	Consolidated	
	2014 \$	2013 \$
<b>a. Reconciliation of cash flows used in operations with loss after income tax</b>		
Loss after income tax	(1,871,745)	(3,265,729)
Non-cash flows in loss		
Impairment of mining assets	1,583,890	2,044,376
Depreciation and impairment of fixed assets	8,058	18,543
Loss on sale of fixed assets	1,783	
Changes in assets and liabilities, (Increase)/decrease in trade and other receivables		
(Increase)decrease in prepayments	5,984	(3,137)
(Increase)decrease in other assets	27,841	35,114
(Increase)decrease in Exploration	(335,332)	(137,787)
Increase (decrease) in GST receivable	1,415	(16,565)
Increase (decrease) in trade payables and accruals	(24,776)	(38,523)
Net cash used in operating activities	(602,882)	(1,363,708)

## Note 18: Related parties transactions

**a) Parent entity**

The parent entity within the Group is Lithex Resources Ltd.

**b) Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Country of Incorporation	Class of shares	Holding	
			2014 %	2013 %
Far North Minerals Pty Ltd	Australia	Ordinary	100%	100%

**c) Key management personnel**

Details relating to key management personnel are included in Note 4.

**d) Loans to related parties**

No loans are made between the Parent Entity and its subsidiaries for capital purchases and working capital purposes.

**e) Dividends**

No dividends were received from the subsidiaries in the 2014 or 2013 financial year.

## Note 19: Parent entity information

The individual financial statements for the parent entity show the following aggregate amounts. The information presented has been prepared using accounting policies as disclosed in Note 1.

	2014 \$	2013 \$
<b>Financial Position</b>		
Current assets	1,291,450	1,683,066
Total assets	1,294,724	3,180,901
Current liabilities	41,728	56,160
Total liabilities	41,728	56,160
<i>Shareholder's equity</i>		
Issued capital	8,655,606	8,655,606
Share based payments reserve	85,015	85,015
Accumulated losses	(7,487,625)	(5,615,880)
	1,252,996	3,124,741
<b>Financial Performance</b>		
Loss for the year	(1,871,745)	(3,265,728)
Total comprehensive loss	(1,871,745)	(3,265,728)

**Contingencies of the Parent Entity**

The directors are not aware of any contingent liabilities involving the parent entity.

**Contractual commitments of the Parent Entity**

Included in the commitments in Note 16 are commitments incurred by the Parent Entity as follows:

	Consolidated	
	2014 \$	2013 \$
<b>Exploration and evaluation</b>		
- not later than 1 year	22,334	507,835
- later than 1 year but no later than 5 years	57,825	591,072
<b>Remuneration</b>		
- not later than 1 year	120,000	250,000
	200,159	1,348,907

The Company holds a number of exploration assets classified as held for sale (refer Note 9). The exploration and evaluation commitments on these exploration assets have not been included in the above disclosure as the Company intends to sell the exploration assets prior to incurring any additional exploration and evaluation costs.

## Note 20: Financial instruments

### a. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The main risk the Group is exposed to through its financial instruments is interest rate risk.

#### Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities refer Note 19(b).

#### Foreign currency risk

The Group is not exposed to fluctuations in foreign currencies.

#### Credit risk

The Group does not have any material credit or other risk exposure to any single receivable or company of receivables or payables under financial instruments entered into by the Company.

#### Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves or unutilised borrowings are maintained.

#### Price risk

The Company is not exposed to any material commodity price risk.



## Note 20: Financial instruments (continued)

**Financial Instrument composition and maturity analysis**

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet

	Weighted average effective interest rate		Floating interest rate		Within one year		1 to 5 years		Non-interest bearing		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Consolidated	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

**Financial assets:**

Cash and cash equivalents	2.5%	2.5%	1,163,874	1,664,506	-	-	-	-	1,163,874	1,664,506
Trade and other receivables	-	-	-	-	-	-	12,576	18,560	7,569	18,560
<b>Total financial assets</b>	-	-	1,163,874	1,664,506	-	-	12,576	18,560	1,176,450	1,683,066

**Financial liabilities:**

Trade payables	-	-	-	-	-	-	-	-	112	39,320	112	39,320
<b>Total financial liabilities</b>	-	-	-	-	-	-	-	-	112	39,320	112	39,320

## Note 21: Company details

The registered office of the Company and principal place of business is:

Lithex Resources Limited  
22 Lindsay Street  
Perth, WA 6000

## Note 22: Segment reporting

The Company consists of one business segment operating predominately in Australia and investing in mineral exploration and identification of potential mining assets for acquisition and development.

## Note 23: Contingent liabilities

The directors are not aware of any contingent liabilities or assets as at the date of these financial statements.

## Note 24: Subsequent events

As announced on 10 July 2014, the Company entered in to a binding Heads of Agreement with Livelynk Group Pty Limited ("Livelynk") and Zhenya Holdings Pty Limited to acquire the Mpire Media business ("Mpire"), an established performance-based marketing business functioning at the forefront of the internet arena with operations across key sectors, and international reach to over 180 countries and regions built upon its industry leading software platform, nxus.

As part of the Mpire acquisition, the Company has agreed to provide a secured loan of up to \$1.2M to Livelynk to be drawn down in tranches.

As announced on 17 July 2014, the Company completed a placement of 14,152,950 shares to sophisticated investors to raise a total of \$283,059 ("Sophisticated Placement"). The Sophisticated Placement is part of a financing package that accompanies the Company's proposed acquisition of Mpire.

As announced on 5 August 2014, the Company has issued a prospectus to complete a rights issue at 2 cents per share ("Rights Issue"). The Rights Issue will be underwritten by CPS Capital Group Pty Ltd, and is expected to raise up to \$542,000 (before costs).

As announced on 5 August 2014, the Company has agreed to partially waive the condition precedent requiring the successful completion of the Rights Issue before any drawdown of funds by Livelynk. The variation provides that Livelynk is able to drawdown up to \$600,000 under the Loan prior to completion of the Rights Issue.

As announced on 19 August 2014, the Heads of Agreement to acquire Mpire was varied to extend the date by which the due diligence by each of the parties is to be completed to 15 September 2014, and to insert an additional condition precedent requiring Livelynk to provide audited accounts for the past 3 years or such period required by ASIC for the purposes of obtaining shareholder approval or for disclosure in the prospectus required to complete the proposed capital raising.

As at the date of this report, the Company is undertaking due diligence in respect to the Mpire acquisition prior to executing a Share Purchase Agreement. Subject to the satisfaction of various conditions precedent (Including, but not limited to, due diligence, shareholder and regulatory approval), the Mpire acquisition is expected to complete prior to 31 December 2014.

Other than the matters above, there has not arisen in the interval between the end of the year and the date of these financial statements any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Directors' declaration

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The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 30 to 58 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
  - b. give a true and fair view of the group's financial position as at 30 June 2014 and of its performance for the year ended on that date;
2. note 1 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
3. in the directors' opinion, there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable;
4. the remuneration disclosures included in pages 15 to 18 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the *Corporations Act 2001*; and
5. the directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

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



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**Jason Peterson**

Chairman

Dated this 25th day of August 2014



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LITHEX RESOURCES LIMITED**

### **Report on the financial report**

We have audited the accompanying financial report of Lithex Resources Limited ("the Company") which comprises the balance sheet as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

### **Directors' Responsibility for the Financial Report**

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

### **Independence**

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.



Chartered Accountants



#### **Audit opinion**

In our opinion the financial report of Lithex Resources Limited is in accordance with the *Corporations Act 2001*, including:

- a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and  
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### **Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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.

#### **Audit opinion**

In our opinion the remuneration report of Lithex Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham R Swan  
Partner

Dated 25 August 2014



Chartered Accountants



## ADDITIONAL INFORMATION – AS AT 30 SEPTEMBER 2014

### (a) Distribution schedule and number of holders of equity securities as at 30 September 2014

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 and over	Total
Fully Paid Ordinary Shares (LTX)	8	7	86	278	163	542
Listed Options (LTXO)	1	49	10	36	48	144
Unlisted Options – 20c 31/03/15	-	-	-	-	1	1
Unlisted Options – 15c 29/05/15	-	-	-	-	2	2
Unlisted Options – 25c 12/06/15	-	-	-	-	1	1
Unlisted Options – 20c 30/06/15	-	-	-	12	22	34
Unlisted Options – 30c 30/06/15	-	-	-	-	1	1
Unlisted Options – 25c 12/12/15	-	-	-	-	1	1
Unlisted Options – 20c 10/05/16	-	-	-	-	1	1
Unlisted Options – 16c 31/12/16	-	-	-	-	1	3

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 30 September 2014 is 149

### (b) 20 largest holders of quoted equity securities as at 30 September 2014

The names of the twenty largest holders of fully paid ordinary shares (ASX code: LTX) as at 30 September 2014 are:

RANK	NAME	NUMBER	PERCENTAGE
1	SPINKS, ANDREW <A S GOLD SF A/C>	4,975,000	4.20%
2	CLEMENZA PTY LTD	3,690,381	3.12%
3	KING FAME GROUP LTD	2,939,200	2.48%
4	RWH NOMINEES PTY LTD <RWH NOMINEES A/C>	2,938,033	2.48%
5	DUKETON CONSOLIDATED PTY LTD	2,922,937	2.47%
6	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	2,847,125	2.41%
7	CITICORP NOMINEES PTY LTD	2,792,500	2.36%
8	PETERSON, JASON & LISA <J&L PETERSON S/F A/C>	2,717,698	2.30%
9	METIS PTY LTD	2,385,360	2.02%
10	RWH NOMINEES PTY LTD <KAR SUPERFUND A/C>	2,261,967	1.91%
11	MITCHELL, WILLIAM & DIANE <MITCHELL SUPER FUND A/C>	2,000,000	1.69%
12	MULATO NOMINEES PTY LTD	1,969,973	1.66%
13	NITCHE, MICHAEL	1,939,447	1.64%
14	MANDANICI, ROBERT PAUL	1,800,000	1.52%
15	VAGABOND RESOURCES PTY LTD	1,689,405	1.43%
16	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	1,562,500	1.32%
17	MONTEZUMA MINING CO LTD	1,525,000	1.29%
18	SANTALUCIA, LEONARDO	1,500,000	1.27%
19	BORG, BRENDAN JAMES & ERIN BELINDA <BORG FAMILY SUPER FUND A/C>	1,467,941	1.24%
20	WANG, JING	1,338,500	1.17%
	<b>TOTAL</b>	<b>47,312,967</b>	<b>39.98%</b>

The names of the twenty largest holders of listed options (ASX code: LTX0) as at 30 September 2014 are:

	<b>RANK</b>	<b>NAME</b>	<b>NUMBER</b>	<b>PERCENTAGE</b>
	1	STRATEGIC RESOURCE MANAGEMENT PTY LTD	7,750,000	21.01%
	2	CELTIC CAPITAL PTE LTD <INVESTMENT 1 A/C>	7,000,000	18.98%
	3	CRAWFORD, JOHN & PAMELA <CRAWFORD SUPER FUND A/C>	2,542,500	6.89%
	4	CLEMENZA PTY LTD	2,140,250	5.80%
	5	PETERSON, JASON & LISA <J&L PETERSON S/F A/C>	1,087,080	2.95%
	6	LAWRENCE CROWE CONSULTING PTY LTD <LCC SUPER FUND A/C>	1,050,000	2.85%
	7	ALBATROSS PASS PTY LTD	1,000,000	2.71%
	8	WICKLOW CAPITAL PTY LTD <THE TIPPERARY A/C>	1,000,000	2.71%
	9	JDK NOMINEES PTY LTD <KENNY CAPITAL A/C>	525,000	1.42%
	10	GANGUS PTY LTD <THE JIG FAMILY A/C>	500,000	1.36%
	11	REZOS, GAVIN & JOANNE <REZOS FAMILY SUPERFUND A/C>	500,000	1.36%
	12	NEFCO NOMINEES PTY LTD	500,000	1.36%
	13	CRAWFORD, JOHN	500,000	1.36%
	14	CHOWDER BAY PTY LTD	500,000	1.36%
	15	AGENS PTY LIMITED <THE MARK COLLINS FAMILY A/C>	500,000	1.36%
	16	SUBURBAN HOLDINGS PTY LTD <SUBURBAN SUPER FUND A/C>	500,000	1.36%
	17	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	500,000	1.36%
	18	CONIDI, JOHN <CONIDI SUPER FUND A/C>	500,000	1.36%
	19	SPINKS, ANDREW <AS GOLD SUPERFUND A/C>	350,000	0.95%
	20	RWH NOMINEES PTY LTD <RWH NOMINEES A/C>	350,000	0.95%
		<b>TOTAL</b>	<b>29,294,830</b>	<b>79.46%</b>

**(c) Substantial shareholders**

As at the date of this report the Company does not have any substantial shareholders.

**(c) Quoted Options**

<b>Quoted Securities</b>	<b>Number on Issue</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Quoted Options	36,882,754	8c	31/12/15

**(d) Unquoted Securities**

The number of unquoted securities on issue as at 18 August 2014:

<b>Unquoted Securities</b>	<b>Number on Issue</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Unquoted Options <sup>1</sup>	1,000,000	20c	31/03/15
Unquoted Options <sup>2</sup>	400,000	15c	29/05/15
Unquoted Options <sup>3</sup>	250,000	25c	12/06/15
Unquoted Options <sup>4</sup>	7,130,000	20c	30/06/15
Unquoted Options <sup>5</sup>	1,000,000	30c	30/06/15
Unquoted Options <sup>6</sup>	250,000	25c	12/12/15
Unquoted Options <sup>7</sup>	3,500,000	20c	10/05/16
Unquoted Options <sup>8</sup>	10,000,000	16c	31/12/16

Persons holding more than 20% of a given class of unquoted securities as at 30 September 2014:

<sup>1</sup>. 100% held by Hazelwood Resources Limited. <sup>2</sup>. 62.5% held by Brendan Borg and 37.5% held by Adderstone Holdings Pty Ltd <The Shoobert Family S/F A/C>. <sup>3</sup>. 100% held by Brendan Borg. <sup>4</sup>. No one holder holds more than 20%. <sup>5</sup>. 100% held by Adderstone Holdings Pty Ltd <The Shoobert Family S/F A/C>. <sup>5</sup>. 100% held by Brendan Borg. <sup>6</sup>. 100% held by Duketon Consolidated Pty Ltd. <sup>7</sup>. 80% held by Strategic Resource Management Pty Ltd.

**(e) Restricted Securities as at 30 September 2014**

There are no restricted securities on under ASX imposed escrow.