COWAN LITHIUM

Annual Report 2019

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CORPORATE DIRECTORY

Directors

Mark Calderwood

Executive Chairman

Michael Naylor

Executive Director

Mark Turner

Non-Executive Director

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West Perth WA 6005

Telephone: 08 9489 2670

Email: admin@cowanlithium.com.au

Website: www.cowanlithium.com.au

Company Secretary

Nicholas Katris

Share Registry

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

Perth WA 6000

Auditor

Ernst & Young

11 Mounts Bay Rd

Perth WA 6000

Solicitors

King & Wood Mallesons

Level 30, 250 St Georges Terrace

Perth WA 6000

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

Dear Shareholder,

It gives me great pleasure to present the 2019 Annual Report for Cowan Lithium Limited (Cowan).

The lithium sector continued to weaken throughout 2019 resulting in the neighbouring Bald Hill and Wodgina mines being put into 'care and maintenance' and the Pilgangoora and Mount Cattlin mines reducing production rates. Reduced demand for spodumene concentrate is a direct result of a 30-45% decrease in the price for lithium carbonate and lithium hydroxide due to supply demand imbalance.

During the year exploration on the Cowan project was focused on mapping, soil and rock chip sampling and very limited drilling. Only three RC drill holes totalling 500m was completed with one intercepting a spodumene bearing pegmatite, *(October 2019 Exploration Update)*.

Wide spaced soil sampling was successful in defining a broad gold in soil anomaly extending 5.2km which remains open to the north, *(October 2019 Exploration Update)*.

Mapping and sampling during the December quarter resulted in the discovery of what appears to be a significant new LCT pegmatite belt with a strike of at least 26km, along the Cowarna Fault Zone *(February 2020 Exploration Update)*.

Its early days for exploration of the Cowarna LCT pegmatite belt however based on the vast area and the high ratio of highly fractionated Ta, Sn, Cs mineralised pegmatites, the belt is particularly prospective for tantalum and lithium.

As a result of the discovery, The Company exercised an option with Serendipity Resources Pty Ltd to earn an equity in four exploration licences totalling 551.5 Sq Km, adjacent to and to the north of the Cowan Project *(February 2020 Exploration Update)*.

Cowan Lithium now dominates the tenure over the known extent of the Bald Hill-Mt Belches and Cowarna LCT pegmatites belts. The Bald Hill – Cowarna Region in due course may prove to be an important source of lithium and tantalum.

The Company will continue to explore for lithium-tantalum and gold with low cost techniques and minimal overheads to preserve cash as much as possible.

I look forward to the continued patience of our Shareholders as we position Cowan to be well placed when the sector sentiment recovers.

Yours sincerely

Mark Calderwood
Executive Chairman

DIRECTORS' REPORT

The Directors of Cowan Lithium Limited (**Cowan** or **the Company**) present their report, together with the financial statements for the year ended 31 December 2019.

DIRECTORS

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

NON EXECUTIVE DIRECTOR

Michael Naylor (appointed 23 March 2018)

Mr Naylor has 22 years' experience in corporate advisory and public company management since commencing his career and qualifying as a chartered accountant with Ernst & Young. Mr Naylor has been involved in the financial management of mineral and resources focused public companies serving on the board and in the executive management team focusing on advancing and developing mineral resource assets and business development.

He has previously worked as the Chief Financial Officer of ASX-listed Tawana Resources NL during the exploration and development phase of the Company.

He is currently a Director, Company Secretary and CFO of Bellevue Gold Limited and Company Secretary of First Cobalt Corporation, Cygnus Gold Limited, African Gold Limited and Blackstone Limited. He also serves as the local Director on Teranga Gold Corporation subsidiaries.

Mr Naylor has worked in Australia and Canada and has extensive experience in financial reporting, capital raisings, debt financings and treasury management of resource companies.

Other current Directorships:

Bellevue Gold Limited (since July 2018)

Auteco Minerals Ltd (since November 2018)

Previous Directorships (last 3 years):

Tawana Resources NL
(from 1 January 2015 to 31 October 2017)

Equator Resources Limited
(from 15 February 2016 to 15 February 2017)

Helix Resources Limited
(from 28 November 2016 to 16 February 2018)

EXECUTIVE CHAIRMAN

Mark Calderwood (appointed 23 March 2018)

Mr Calderwood is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy. He has extensive experience in mineral exploration (including 7 years in pegmatite minerals) and production management. Mr Calderwood was Managing Director of Alita Resources until it entered Voluntary Administration in August 2019. He retired as Managing Director of Perseus Mining Limited in January 2013 and was instrumental in the transition from an explorer to producer and a period which saw the junior explorer mature to an ASX100 company. He is also an authority on pegmatites and is a co-author of the publication 'A Guidebook to the Pegmatites of Western Australia".

Other current Directorships:

Manas Resources Limited (since October 2017).
Alliance Mineral Assets Limited (since October 2016)

Previous Directorships (last 3 years):

Manas Resources Limited
(from October 2007 to October 2019).
Tawana Resources Limited
(from October 2016 to December 2018)
Alita Resources Limited

(December 2018 to September 2019)

Amani Gold Limited (from August 2014 to January 2018)
Explaurum Ltd (from Aug 2013 to August 2016)

NON-EXECUTIVE DIRECTOR

Mark Turner (appointed 23 March 2018)

Mr Turner is COO of RTG Mining Inc and is a Mining Engineer with more than 30 years of experience in the resources sector. He has been responsible for the start-up and operation of mines in Australia, Africa and Asia. He was previously General Manager Operations of Resolute Mining Ltd, one of Australia's largest gold producers Chief Operating Officer ("COO") of CGA Mining, before its takeover by B2 Gold, Non-Executive Director of Tawana Resources and an Executive Director of Alita Resources Limited

Other current Directorships:

None

Previous Directorships (last 3 years):

Alita Resources Limited (from August 2017 to September 2019).

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of Cowan Lithium Limited were:

	Number of ordinary shares	Number of options over ordinary shares	Number of performance rights over ordinary shares
Mark Calderwood	1,174,174	1,066,667	266,667
Mark Turner	30,030	133,333	33,333
Michael Naylor	266,667	400,000	100,000

COMPANY SECRETARY

Nicholas Katris

Appointed as Company Secretary on 13 November 2019.

Mr Katris is a Chartered Accountant who has extensive background in the resources industry. He has over 12 years' experience and brings with him a wealth of knowledge in governance and financial management.

Nick Katris is a Chartered Accountant with over 14 years' of experience in the resources sector, operating in Australia, Canada, Europe and Africa.

His career includes corporate and financial management with a number of ASX listed companies active in a range of commodities, precious and base metals and industrial minerals sector, together with Directorships and Company Secretarial of unlisted entities.

During this time, he's been responsible for accounting and financial management of exploration, feasibility studies, new business development, joint ventures, structuring and corporate governance. He is currently the Financial Controller of Bellevue Gold Limited, African Gold Limited, Cygnus Gold Limited and Auteco Minerals Ltd.

Claire O'Brien resigned as the company secretary on 13 November 2019.

DIVIDENDS

No dividend was paid or declared by the Company in the financial period and up to the date of this report.

PRINCIPAL ACTIVITIES

The planned principal activities of the Company will consist of exploration and evaluation of mineral resources.

OPERATING AND FINANCIAL REVIEW

Cowan Lithium-Tantalum, Gold Project, Western Australia (100%)

The Cowan Lithium Project (**Cowan Project**), comprised of six exploration licences and 2 licence applications, located in the Eastern Goldfields district of Western Australia, approximately 50 km south-east of Kambalda. It is adjacent to the Bald Hill Mine Lithium and Tantalum Mine (currently in care and maintenance). The Cowan Project covers a 10km strike of the 20km long Mt Belches-Bald Hill LCT pegmatite belt that hosts the Bald Hill Mine and the recently discovered 25km Cowarna LCT pegmatite belt (see Figures 1 and 2).

Exploration in 2019 including very limited drilling, has provided further clarity on the mineralisation on the Mt Belches-Bald Hill LCT belt *(October 2019 Exploration Update)*. However, potentially more importantly, regional field mapping and rock chip sampling, in an area of sparse outcrop has identified numerous highly fractionated, tantalum-bearing pegmatites along the Cowarna fault zone *(February 2020 Exploration Update)*.

From 35 samples collected from E28/2702, 17 returned grades in excess of 100 ppm Ta_2O_5, with these samples averaging 317 ppm Ta_2O_5 and 471 ppm SnO_2. An additional 5 samples contained anomalous lithium and/or beryllium. A total of 6 samples contained in excess of 400ppm of combined Ta_2O_5 and/or 1,000ppm SnO_2, indicating that the pegmatites are not only highly fractionated LCT pegmatites, but also particularly high grade in Ta, Sn and similar to the tantalum pegmatites mined at Bald Hill, located 20km to the WSW.

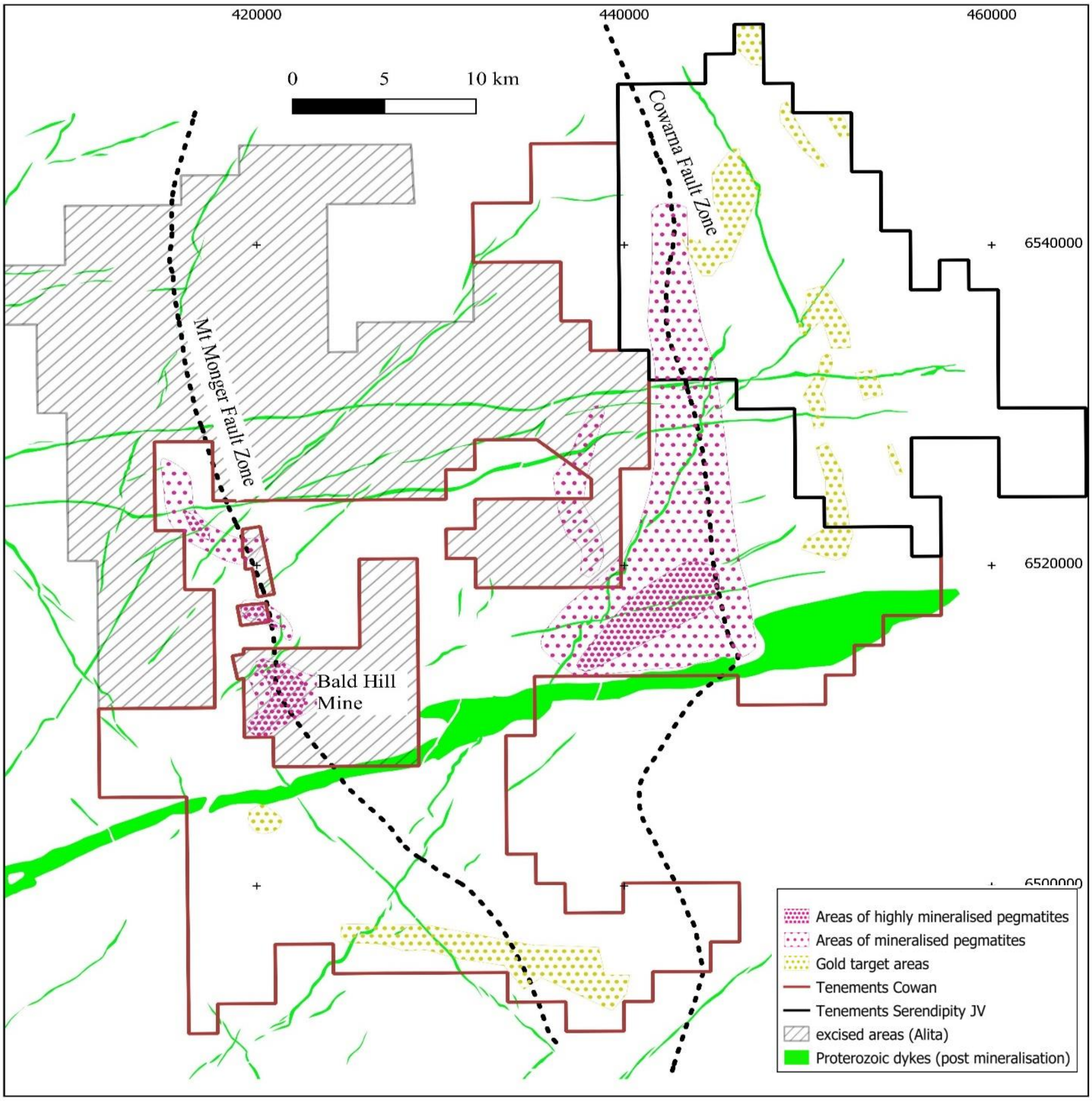

Figure 1 – Cowan & Serendipity JV Project Tenure

The mineralised pegmatites are situated parallel to the Cowarna fault zone which bounds the eastern margin of the Randall Dome (Figures 1 & 2). Alita Resources' Bald Hill lithium and tantalum deposit is located on the western side of the dome, along the Mt Monger-Randall fault zone. These results may indicate that Cowan has discovered a new LCT pegmatite corridor, mirroring the Mount Belches-Bald Hill LCT pegmatite belt. The belt appears to have an open strike of at least 26km and is at least 8.5km wide at its widest know area.

Lithium assay results from rock chip sampling to date have been modest, this is not unexpected given the levels of weathering at surface and the fact most LCT pegmatites located to date are the narrow vertical feeder type not the larger sub-horizontal type which contain most of the lithium at Bald Hill.

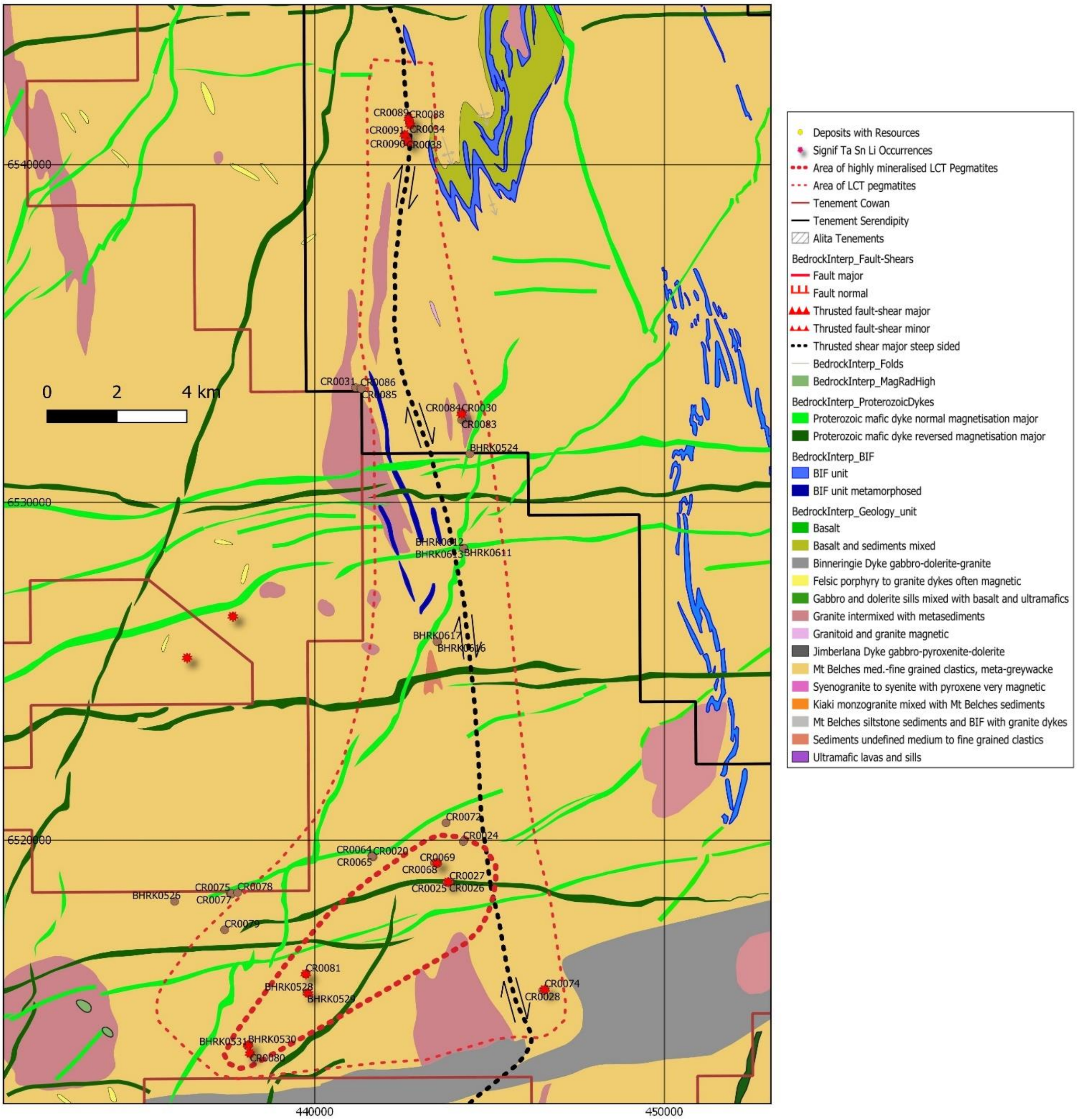

Figure 2 – The Cowarna LCT Belt

Results from the first pass phase of soil sampling at the Lake Cowan East palaeochannel gold target have defined the apparent southern margin of a large east-west gold in soil anomaly greater than 15 ppb gold (Au). The dimensions of the anomaly are approximately 5,200 east-west x 600m north-south, but the anomaly remains open to the north (Figure 3).

Soil sampling was conducted on a wide spaced 200 x 200m grid as part of a dual commodity (lithium and gold) regional greenfields exploration program. Anomalous samples range between 10 and 30 ppb Au, with four highly anomalous samples, peaking at 70 ppb Au. All anomalous results above 15 ppb Au are situated on the four northernmost sample lines, with the anomaly open to the north and extending east and west.

The anomaly is thought to sit above the southern margin of the broad east-west striking Lake Cowan palaeovalley. Historical exploration for gold within Lake Cowan on the Company's ground is extremely limited, however previous explorers have found alluvial gold to the northwest of the anomaly, at the base of a palaeochannel, in limited air core drilling. Soil sampling was successful in locating the Challenge Swordsman paleochannel gold deposits at Higginsville on the west side of Lake Cowan with values as low as 5ppb Au being anomalous.

The next phase of exploration at the Lake Cowan East target is additional soil/auger sampling to the north of the anomaly, to better define the size and distribution of gold across the area. An air core drilling program will likely follow to test the anomaly at depth.

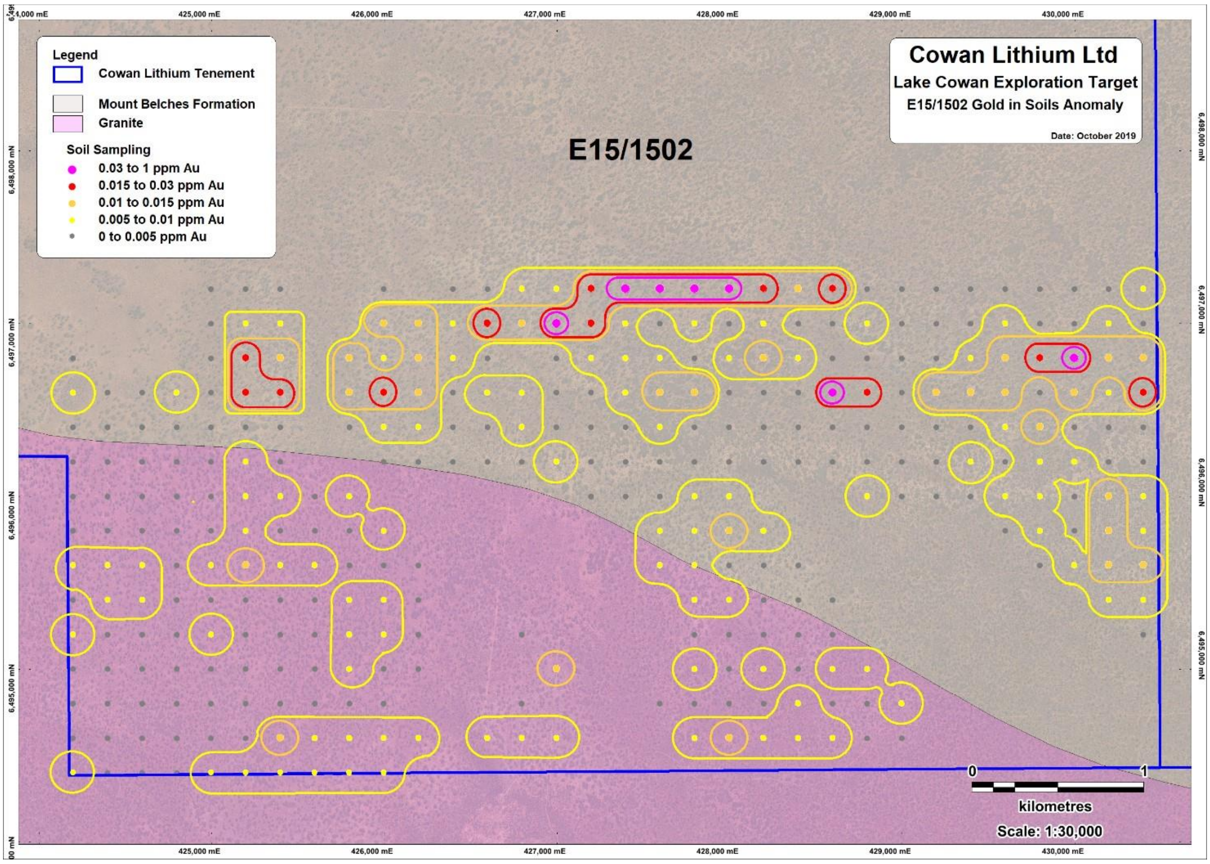

Figure 3 – Lake Cowan gold in soil anomaly on 500k geology

Serendipity Project, Western Australia (Earning 80%)

Subsequent to the discovery of the Cowarna LCT pegmatites on E28/2702, the Company signed an option over the Serendipity Project totalling 551.5 sq km (details below). Limited mapping and sampling was undertaken in November, with a total of 15 pegmatite samples collected of which 8 returned grades in excess of 100 ppm Ta_2O_5. An additional 3 samples were anomalous in lithium and caesium.

The Company signed an option agreement with Serendipity Resources Pty Ltd over four exploration licences totalling 551.5 Sq Km providing a period for due diligence and recognisance sampling during November and December. Due to the successful discovery of LCT pegmatites the option was exercised on the following terms.

1. Option fee of $10,000 was paid;
2. Mount Belches can acquire 51% of the tenements by spending $60,000 on the tenements; refund local rents and rates of up to a maximum $15,000; and issuing 400,000 shares in Cowan Lithium.
3. Mount Belches can earn an aggregate participating interest of 80% (Earn-in Interest) if it directly or indirectly incurs at least $800,000 in expenditure over a 3 year period;
4. Mount Belches will also have the right to purchase the Serendipity's remaining 20% participating interest in the Joint Venture after a positive decision to mine has been made.

The licences are also prospective for gold with several drill ready targets identified.

Significant changes in the state of affairs

There have been no changes in the state of affairs of the Company other than those outlined in the Review of Operations.

CORPORATE

Share Placement

On 30 October 2019 the Company had raised $0.5 million through a placement of 6.6 million fully paid ordinary shares at an issue price of 7.5 cents per share to sophisticated, and professional investors.

Consolidation of capital

In June 2019, the Company undertook a one for three consolidation of its issued capital. This resulted in the share capital being reduced to 20,420,887 shares. In addition, all outstanding options and performance rights were consolidated on the same ratio resulting in 2,053,334 options on issue and 493,333 performance rights on issue.

Admission to the Australian Securities Exchange

Due to prevailing market conditions for funding exploration companies at the time and what is believed to be a short-term downward sentiment in the lithium market, the board decided to continue to defer the ASX listing.

Sale of Mofe Creek

A sale option agreement was exercised in February 2019 for the sale of the Mofe Creek Iron Ore Project in Liberia. The Mofe Creek Iron Ore Project comprises mineral exploration licences MEL 12029 and MEL 1223/14.

Kenema-Man Holdings Liberia Pty Ltd, Tawana Liberia and Al Rawda Resources Limited (ARRL) entered into a Heads of agreement dated 11 May 2018 under which ARRL paid Kenema-Man $20,000 for the acquisition of an option to acquire 100% of the issued shares in Tawana Liberia (Mofe Creek Option).

ARRL exercised the Mofe Creek Option in February 2019 and will pay a total of $480,000 for the transfer of Mofe Creek Shares (of which $230,000 was paid in February 2019) and the balance to be paid on the earlier of:

(i) 18 months' time after the satisfaction of the condition's precedent to completion of the transfer of shares in Tawana Liberia; and

(ii) the date on which Tawana Liberia enters into a Mineral Development Agreement with the government of Liberia.

The agreement required ARRL to reimburse tenement expenditure incurred during the option. ARRL is required to repay loans and a 1.25% royalty on the free on board value of iron ore product shipped from MEL12029 and MEL1223/14.

REVIEW OF FINANCIAL PERFORMANCE

Operating results

The loss of the Company for the year ended 31 December 2019 after providing for income tax amounted to $1,715,217 (2018: $925,130).

Review of financial position

The net assets are $2,190,647 as at 31 December 2019 (2018: $3,408,423).

Significant events after the balance date

Capital Raising

In late March 2020, the Company commenced a share placement of fully paid ordinary shares at $8.0 cents per share to sophisticated, and professional investors.

Covid-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization.

We have not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they may impact on our cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

There have not been any events that have arisen between 31 December 2019 and the date of this report or any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to materially affect the operations of the Company, the results of those operations or the state of affairs of the Company, in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company is committed to realising value from the exploration assets acquired.

Other likely future developments in the activities of the Company are referred to in the review of operations section of this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is aware of its environmental obligations with regard to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. The directors have considered the National Greenhouse and Energy Reporting Act 2007 ('the NGER Act') and at the current stage of development and based on the locations of the Company's operations, the directors have determined that the NGER Act will have no effect on the Entity for the current or subsequent financial year.

The directors will reassess this position as and when the need arises. No environmental breaches have occurred or have been notified by any Government agencies during the year ended 31 December 2019.

SHARE OPTIONS

The Company issued the following options and performance rights as follows:

On 25 May 2019, the Company issued 240,000 options in the Company to an employee of the Company. The options have an exercise price of $0.60 and an expiry date of 30 September 2021, conditional on ASX listing of Cowan.

SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE

During or since the end of the reporting period, the Company did not issue any ordinary shares as a result of no exercise of options occurred during the period.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has entered into an agreement to indemnify all directors and officers against any liability arising from a claim brought by a third party against the company. The company has paid premiums to insure each director and officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director and officer of the company, other than as a result of conduct involving a wilful breach of duty in relation to the company.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial 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 these proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors ensure that:

- Non-audit services are reviewed and approved by the directors to ensure that the provision of such services does not adversely affect the integrity and objectivity of the auditor; and
- Audit services do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The total remuneration for audit and non-audit services provided during the current financial year is set out in notes of the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Group's auditors to provide the Directors of Cowan Lithium Limited with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 13 of this report.

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

Mr Mark Calderwood
Executive Chairman
Perth, Western Australia - 31 March 2020

FORWARD LOOKING STATEMENT

This report may contain certain forward-looking statements and projections regarding estimated, resources and reserves; planned production and operating costs profiles; planned capital requirements; and planned strategies and corporate objectives. Such forward looking statements/ projections are estimates for discussion purposes only and should not be relied upon. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of Cowan Lithium Limited. The forward-looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

Cowan Lithium Limited does not make any representations and provides no warranties concerning the accuracy of the projections and disclaims any obligation to update or revise any forward looking statements/projects based on new information, future events or otherwise except to the extent required by applicable laws. While the information contained in this report has been prepared in good faith, neither Cowan or any of its directors, officers, agents, employees or advisors give any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. Accordingly, to the maximum extent permitted by law, none of Cowan Lithium Limited, its directors, employees or agents, advisers, nor any other person accepts any liability whether direct or indirect, express or limited, contractual, tortuous, statutory or otherwise, in respect of, the accuracy or completeness of the information or for any of the opinions contained in this presentation or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this presentation.

END NOTES

1. Information on historical results, including JORC Code Table 1 information, is contained in the Independent Geologist's Report within the Cowan Lithium Prospectus dated 22 August 2018. Cowan is not aware of any new information or data that materially affects the information included in the Prospectus.
2. Refer ASX announcement on the said date for full details of these exploration results. Cowan is not aware of any new information or data that materially affects the information included in the said announcement.

COMPETENT PERSONS STATEMENT

The information in annual report that relates to Exploration Results is based on and fairly represents information and supporting documentation compiled by Mr Mark Calderwood a Director of Cowan Lithium Limited ("Cowan"). Mr Calderwood is a member of The Australasian Institute of Mining and Metallurgy. Mr Calderwood has sufficient experience relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Calderwood consents to the inclusion in this report of the matters based on their information in the form and context in which it appears. Mr Calderwood is a significant shareholder in Cowan. Mr Calderwood and Cowan do not consider these to constitute a potential conflict of interest to his role as Competent Person. Mr Calderwood is not aware of any other relationship with Cowan which could constitute a potential for a conflict of interest.

AUDITOR'S INDEPENDENCE DECLARATION

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Auditor's Independence Declaration to the Directors of Cowan Lithium Limited

As lead auditor for the audit of the financial report of Cowan Lithium Limited for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Cowan Lithium Limited and the entities it controlled during the financial year.

Ernst & Young

R J Curtin
Partner
31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	31 December 2019 $	23 March 2018 to 31 December 2018 $
Accounting and audit expenses		(39,494)	(94,255)
Consulting and contracting expenses		(42,628)	(115,511)
Employee benefits expense		(157,592)	(81,997)
Exploration expenditure expensed and written off		(59,935)	(4,312)
Impairment exploration and evaluation asset	11	(1,364,378)	-
Impairment loss recognised on the remeasurement to fair value less costs to sell	9	-	(585,688)
Listing and compliance		(15,165)	(18,059)
Loss on disposal of a subsidiary	10	(7,398)	-
Foreign exchange loss		(544)	(66)
Office rental and outgoings		(4,816)	(2,652)
Other expenses		(44,739)	(52,502)
Results from operating activities		(1,736,689)	(955,042)
Finance income	25	21,472	1,462
Other income		-	28,450
Loss before income tax		(1,715,217)	(925,130)
Income tax expense	21	-	-
Loss for the period after tax from continuing operations		(1,715,217)	(925,130)
Other comprehensive income			
Other comprehensive loss for the period, net of tax		-	-
Total comprehensive loss for the period		(1,715,217)	(925,130)
Loss per share (in cents)	22	(4.45)	(1.51)

The above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 $	2018 $
Assets			
Current Assets			
Cash & cash equivalents	5	220,400	205,411
Trade and other receivables	6	245,758	109,864
Prepayments		13,203	14,632
Total current assets		479,361	329,907
Disposal group held for distribution	9	-	431,682
		479,361	761,589
Non-current assets			
Exploration and evaluation assets	11	1,784,582	2,764,802
Total non-current assets		1,784,582	2,764,802
Total assets		2,263,943	3,526,391
Liabilities			
Current liabilities			
Trade and other payables	7	60,592	112,704
Provisions for employee benefits		12,704	5,264
Total current liabilities		73,296	117,968
Total liabilities		73,296	117,968
Net assets		2,190,647	3,408,423
Equity			
Contributed equity	8	4,830,994	4,333,553
Accumulated losses		(2,640,347)	(925,130)
Total equity		2,190,647	3,408,423

The above should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Notes	Contributed equity $	Accumulated losses $	Total equity $
As at 23 March 2018		1	-	1
Loss for the period		-	(925,130)	(925,130)
Other comprehensive loss		-	-	-
Total comprehensive loss		-	(925,130)	(925,130)
Transactions with owners				
Issue of share capital	8	4,367,370	-	4,367,370
Less capital raising costs		(33,818)	-	(33,818)
Balance at 31 December 2018		**4,333,553**	**(925,130)**	**3,408,423**
As at 1 January 2019		4,333,553	(925,130)	3,408,423
Loss for the period		-	(1,715,217)	(1,715,217)
Other comprehensive loss		-	-	-
Total comprehensive loss		-	(1,715,217)	(1,715,217)
Transactions with owners				
Issue of share capital	8	515,000	-	515,000
Less capital raising costs		(17,559)	-	(17,559)
Balance at 31 December 2019		**4,830,994**	**(2,640,347)**	**2,190,647**

The above should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	31 December 2019 $	23 March 2018 to 31 December 2018 $
Cash Flows from operating activities			
Payment to suppliers and employees		(207,988)	(425,744)
Interest received		1,384	1,462
Other income		-	28,450
Mofe Creek expenditure to be reimbursed		-	(22,796)
Net cash used in operating activities	20	(206,604)	(418,628)
Cash Flows from investing activities			
Proceeds from the sale of Mofe Creek		230,000	-
Payments for the sale of Mofe Creek		(22,727)	-
Payments for acquisition tenements		(15,000)	
Payments for the acquisition of Serendipity Project	11	(10,000)	
Payment for exploration and evaluation expenditure		(443,121)	(92,143)
Net cash used in investing activities		(260,848)	(92,143)
Cash Flows from financing activities			
Proceeds from share issuances		500,000	750,000
Share issue transaction costs		(17,559)	(33,818)
Net cash provided by financing activities		482,441	716,182
Net decrease in cash and cash equivalents		14,989	205,411
Cash and cash equivalents as at the date of incorporation		205,411	-
Cash and cash equivalents at the end of the financial year	5	220,400	205,411

The above should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Cowan Lithium Limited's ("Cowan" or "the Company") principal activities consist of exploration and evaluation lithium and base metals deposits in Western Australia. Cowan is a for-profit entity for the purpose of preparing the financial statements. The consolidated financial statements of the Company for the year ended 31 December 2019 comprise the Company and the entities it controlled ("group").

The address of its registered office and its principal place of business is Level 3, 24 Outram Street, West Perth, WA 6005.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The financial statements for the year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 31 March 2020.

2 BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Board (IASB).

The financial report has been prepared on a historical cost basis.

The accounting policies used in the preparation of this financial report, as described below. The financial report is presented in Australian Dollars, being the functional currency of the Company.

2.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standard:

AASB 16 Leases

AASB 16 'Leases' replaces AASB117 'Leases' along with three interpretations (IFRIC 4 'Determining an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Invoicing the Legal Form of a Lease').

AASB 16 removes the distinction between operating and finance leases for lessees. Instead, all leases other than short term and low value asset leases are recognised on the balance sheet as a right of use asset, representing the lessee's entitlement to the benefits of the identified asset over the lease term, and a lease liability representing the lessee's obligation to make the lease payments. For leases recognised as operating leases under AASB 117, the lease expense will be replaced by the amortisation of the right of use asset and interest expense on the lease liability.

The Group has assessed the impact of this standard in the current period. The Group currently maintains no leases, and has an informal agreement in place in relation to its head office. The Group has considered there to be no impact under AASB 16 as this does not fall into the definition of a lease under AASB 16.

3 GOING CONCERN

At 31 December 2019, the Company had cash and cash equivalents of $220,400. The Company incurred a net loss of $1,715,217 and had cash outflows from operating activities of $206,604 during the period ended 31 December 2019.

The directors have prepared the consolidated financial statements on a going concern basis which contemplates the continuation of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

In August 2018, the Company prepared and lodged a Prospectus with the intention of seeking admission on the Australian Securities Exchange (ASX). Due to prevailing market conditions for funding exploration companies and the downward sentiment in the lithium market, the board decided to defer the ASX listing.

The balance of cash and cash equivalents as at 31 December 2019 is not sufficient to meet the Group's planned expenditures to continue to fund working capital for advancing the Cowan Lithium Project and general corporate activities over the next 12 months. The Directors have determined the company will have the required funds to meet its planned expenditures. It is the current intention of the Group to raise required equity capital from strategic investors and/or existing shareholders. In this respect in March 2020, the company commenced a share placement of fully paid ordinary shares at $0.8c per share to sophisticate and professional investors. In addition, the Company anticipates receipt of the deferred consideration of $250,000 from the sale of Mofe Creek Iron Ore Project in the coming months.

However, subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they may have an impact on our cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case we note that the value of certain assets, in particular the carrying value of exploration and evaluation assets recorded in the statement of financial position determined by reference to recoverable amounts at 31 December 2019 may have materially changed by the date of this report.

The financial statements have been prepared based upon conditions existing at December 31, 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the widespread outbreak of COVID-19 occurred after December 31, 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at December 31, 2019 for the impacts of COVID-19.

In the event that the Group is unable to obtain sufficient funding to meet its expenditures and liabilities as required, there is material uncertainty whether it will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities, that may be necessary should the consolidated entity not be able to continue as a going concern.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4.2 Interest Income

Interest revenue is recognised as the interest accrues by applying the effective interest rate, (the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset.) to the net carrying amount of the financial asset.

4.3 Trade and Other Payables

These amounts represent liabilities for amounts owing at end of the reporting period. The amounts are unsecured and are usually paid within 45 days of recognition.

Trade and other payables are initially recognised at fair value less transaction costs and subsequently carried at amortised cost.

4.4 Income taxes

With effect from 18 July 2018, the Company became a tax consolidated group. Cowan is the head entity of the tax consolidated group. The Company has not entered into a tax sharing or funding arrangement with the head entity.

Current tax, deferred tax liabilities and deferred tax assets arising from temporary differences are allocated to members of the tax-consolidated group using the 'stand-alone taxpayer' approach. Deferred taxes on temporary differences are measured in the separate financial statements of each entity in the tax consolidated group using tax bases as determined by the tax consolidated group. Any current tax liabilities or assets and unused tax losses of the member entity are assumed by the head entity of the tax consolidated group and are recognised as an equity contribution from or distribution to the head entity.

The Group was demerged from its previous parent entity, Tawana on 6 July 2018. Effective on 7 July 2018, the Group has applied the following income tax policy.

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and, where applicable, adjustments recognised for prior periods.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint operations, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The Company and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within the group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities within the tax consolidated group.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above.

4.6 Issued capital

Ordinary shares are classified as equity.

Issued capital is recognised at the fair value of the consideration received. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

4.7 Goods and Services Tax (GST)

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

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

4.8 Exploration and evaluation expenditure ("E&E")

E&E activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

E&E activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource

The Group applies the area of interest method when accounting for E&E costs. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, E&E expenditure is carried forward as an asset in the statement of financial position as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

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

4.9 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities

Financial assets and financial liabilities are initially valued at fair value plus/minus directly attributable transaction costs. Except for trade receivables which are measured at their transaction price.

4.10 Equity settled transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. For share options the fair value is estimated using a Black-Scholes option valuation model. The fair value of performance rights that have market based vesting conditions is estimated at the date of grant using a Monte Carlo simulation model, which take into account the probability of the market based vesting condition being achieved.

The fair value determined at the grant date of the equity-settled share- based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. At the end of the reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the option reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

4.11 Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. Liabilities arising in respect of wages and salaries, annual leave and other benefits due to be settled within twelve months of the reporting date are measured at rates which are expected to be paid when the liability is settled.

All other employee entitlement liabilities are measured at the present value of estimated payments to be made in respect of services rendered up to reporting date.

Contributions for pensions and other post-employment benefits are recognised in comprehensive income as incurred during the period in which employees render the related service.

4.12 Trade and other receivables

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

4.13 Significant Estimates and Judgments

The Company has applied the following estimates and judgments pertaining to the financial report:

Share options

Volatility of share price and risk free rate

For the purposes of the Black Scholes models used in Note 8 the Company has estimated the volatility of its proposed Share price on listing. The volatility is estimated to be 78%. The Company has estimated a risk-free rate based on the three-year average bond rates of Australia, 2.14%.

Performance rights

For performance rights, the Company makes a judgment around whether performance conditions, linked to exploration and evaluation activities, are more than probable to be met at which point the value of the rights are recognised either in full or over any service period. This judgment is made based on management's knowledge of the performance condition and how the Company is tracking based on exploration and evaluation activities as at the report date and with reference to subsequent events.

Determination of mineral resources

The Group estimates its mineral resources in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC code'). The information on mineral resources was prepared by or under the supervision of Competent Persons as defined in the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in mineral resources may impact the recoverability and useful lives of the exploration and evaluation, mine development and property, plant and equipment assets as well as the valuation of restoration obligations.

Share-based payment transactions

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date. The Group measures the cost of equity-settled transactions with employees or third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black Scholes model, using the assumptions detailed in note 8.

Impairment of exploration and evaluation assets

Exploration and evaluation assets should be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

One or more of the following facts and circumstances could indicate that an impairment test is required:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

4.14 Functional and presentation currency

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

Rounding of amounts

Cowan Lithium Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial Report) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

4.15 Parent entity financial information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only, and information about the parent entity is disclosed in note 14. The equity investments in the subsidiaries are classified as fair value through profit and loss or fair value through other comprehensive income.

4.16 Foreign currency transactions and balances

Transactions and balances

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

Exchange differences arising on the translation of monetary items are recognised in the profit or loss component of the statement of profit or loss and other comprehensive income, except where they are deferred in equity as a qualifying cash flow or net investment hedge.

Subsidiaries

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the exchange rate prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. Exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

4.17 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

4.18 Disposal group held for distribution

The Group classifies non-current assets and disposal groups as held for distribution if their carrying amounts will be recovered principally through a distribution to shareholders rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable, the asset or disposal group is available for immediate distribution in its present condition and management is committed to the distribution which is expected within one year from the date of classification.

Property, plant and equipment is not depreciated or amortised once classified as held for distribution.

Disposal groups classified as held for distribution are presented separately as current items in the statement of financial position.

4.19 Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4.20 New and amended accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period. These standards and interpretations have not been early adopted.

4.21 Operating Leases as Lessee

The Group has assessed the impact of this standard in the current period. The Group currently maintains no formal agreement in place (relating to the head office). The Group has considered there to be no impact under AASB 16 as this does not fall into the definition of a lease under AASB 16.

5 CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash on hand and at bank	220,400	205,411

6 TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Current Assets		
Trade debtors	-	7,689
Other receivables	8,974	102,175
Deferred consideration receivable[1]	236,784	-
Total	**245,758**	**109,864**

Trade debtors, and other receivables are non-interest bearing. Due to their short term nature, the carrying value is assumed to approximate their fair value. All trade debtors are neither past due nor impaired and are aged between 30 and 60 days. Terms of trade debtors are on 30-60 days.

[1]For terms & conditions refer to notes 9 & 10

6.1 Change to the consideration receivable

The movement in the deferred consideration is as follows:

	Notes	2019 $
Deferred consideration receivable[1]	10	216,696
Interest income from unwind of present value	25	20,088
Total deferred consideration receivable		**236,784**

[1]$250,000 referred to in note 9 for the sale of Mofe Creek, measured at the present value, and discounted at an effective interest rate 10%. This is being unwound from the date the Mofe Creek Option Agreement was exercised on the 4 February 2019 until the date of the expected cash flow.

7 TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables	11,026	80,605
Accruals and other payables	49,566	32,099
Total	**60,592**	**112,704**

Trade creditors are non-interest bearing and are normally settled on 45-day terms.

8 CONTRIBUTED EQUITY

	2019 No. of Shares	2018 No. of Shares	2019 $	2018 $
Fully paid ordinary shares	27,287,556	61,266,466	4,830,994	4,333,553

	No. of Shares	$
Shares issued and fully paid ordinary shares:		
Shares issued at $1 per share	1	1
Shares issued at demerger to acquire projects	61,266,465	4,367,370
Less: Cost to issue	-	(33,818)
Total share capital on issue at 31 December 2018	61,266,466	4,333,553
Share consolidation – one for three	(40,845,579)	-
Shares issued at $0.075	6,666,669	500,000
Shares issued to consultants in lieu of cash at $0.075	200,000	15,000
Less : Cost to issue	-	(17,559)
Total share capital on issue at 31 December 2019	27,287,556	4,830,994

The share capital of the Company consists only of fully paid ordinary shares. The shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

Capital management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of financial covenants. To maintain or adjust the capital structure, the Company may return capital to shareholders and/or issue new shares.

Management consider that the total equity of the Company (contributed equity, reserves and retained earnings) is what it manages as capital.

8.1 Share options

The movements in share options during the year are shown below:

Grant Date	Date of Expiry	Exercise Price[1]	Balance 1/01/2019	Granted	Lapsed	Consolidation[1]	Balance 31/12/2019	Vested 31/12/2019[2]	Value of options granted during the year[2] ($)
26/07/2018	30/09/2021	0.60	4,800,000	-	-	(3,200,000)	1,600,000	-	-
26/07/2018	30/09/2021	0.60	1,600,000		(480,000)	(746,667)	373,333	-	-
29/05/2019	30/09/2021	0.60	-	240,000	-	(160,000)	80,000	-	8,833
Total			6,400,000	240,000	(480,000)	(4,106,667)	2,053,334	-	8,833

[1]In June 2019, the Company undertook a one for three consolidation of its issued capital. The options were consolidated on the same ratio. The original exercise price of these options was $0.20 and immediately after the consolidation the exercise price was $0.60 per option.
[2]Vesting condition is upon successful ASX listing or change of control of Cowan. No amount has been expensed during the period due to the deferral of ASX listing.

The Company has determined the fair value of its options awarded using the Black Scholes pricing model. The following share options were issued during the period ended 30 June 2019, alongside the key inputs utilised in the pricing model, including the Company's risk-free borrowing rate and volatility of the Company's shares.

(i) Volatility of share price and risk-free rate

The fair value is calculated at the date of grant using the Black Scholes methodology, using the assumptions set out in the following tables. The Company has estimated the volatility of its proposed Share price on listing and the volatility is estimated to be 126%. The Company has estimated a risk-free rate based on the two-year average bond rates from the Reserve Bank of Australia, 1.11%.

Employee options

The following options that were granted to an employee and issued on 3 June 2019. Vesting condition is upon successful ASX listing of Cowan or change of control of Cowan. The fair value of the options at grant date, 29 May 2019, was determined using a Black Scholes option pricing model that takes into account the exercise price, term of the Option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the Option.

Awarded during the year[1]	Award date and Vesting date	Expiry date	Fair value of option at award date (cents)	Exercise price (cents)	Risk free rate %	Expected volatility %	Value of options granted during the year ($)	Amount of expense recognised ($)[2]
240,000	29/05/2019	30/09/2021	0.134	0.20	1.11	125.99	8,833	-

[1] These were issued prior to the three for one consolidation. In June 2019, the Company undertook a one for three consolidation of its issued capital. The options were consolidated on the same ratio and therefore immediately after the consolidation there were 80,000 options with an exercise price of $0.60 per option. The original exercise price of these options was $0.20 and immediately after the consolidation the exercise price was $0.60 per option.

[2] No amount has been expensed during the period due to the deferral of ASX listing.

Performance Rights

The movements in performance rights during the year are shown below:

Award Date	Vesting Date	Expiry date	Balance 1/01/19	Granted	Lapsed	Consolidation[1]	Balance 31/12/19	Vested 31/12/19[2]	Value of options granted during the year ($)
26/07/2018	30/09/2021	30/09/2021	1,600,000	-	(120,000)	(453,333)	493,333	-	-

[1] In June 2019, the Company undertook a one for three consolidation of its issued capital. The performance rights were consolidated on the same ratio.

[2] The vesting conditions for the Performance Rights are as follows:

i the successful ASX listing of Cowan; and

ii the Shares trading at $1.20 or greater for 5 consecutive ASX trading days. The shares had to originally trade at a price of $0.40 or above and immediately after the consolidation Cowan shares needed to trade at a price of $1.20 or above.

iii The Performance Rights will also vest on a change of control of Cowan.

Vesting condition is upon successful ASX listing of Cowan. No amount has been expensed during the period due to the deferral of ASX listing.

The table above discloses the number of performance rights granted, vested or lapsed during the year. Each performance rights converts to one ordinary share in the Company upon satisfaction of the performance conditions linked to the rights. The rights do not carry any other privileges. The fair value of the performance rights granted is determined based on the number of rights awarded multiplied by the share price of the Company on the date awarded.

9 DISPOSAL GROUP HELD FOR DISTRIBUTION

On 11 May 2018, the Group has entered into an Option Agreement ("the Mofe Creek Option Agreement") with Al Rawda Resources Limited ("ARRL") to acquire 100% issued shares in Tawana Liberia Inc which included the Mofe Creek Iron Ore Project for a purchase consideration of $480,000, excluding legal fees. The Mofe Creek Option Agreement included that ARRL would reimburse tenement expenditure incurred during the option period. ARRL is required to repay loans and pay a 1.25% royalty on the free on-board value of iron ore product shipped from MEL12029 and MEL1223/14. The net purchase consideration (net of legal cost) is $431,682. Refer Note 10.

ARRL will pay the exercise price of $480,000 as follows:

a. $230,000 upon the transfer of the shares in Tawana Liberia; and

b. $250,000 on the earlier of (i) 18 months after satisfaction of the conditions precedent to completion of the transfer of shares in Tawana Liberia and (ii) the date on which Tawana Liberia enters into a Mineral Development Agreement with the government of Liberia.

The major categories of assets and liabilities within the disposal group held for distribution is summarised, as follows:

	2018 **$**
Property, plant and equipment	-
Property, plant and equipment	24,504
Exploration and evaluation asset	1,000,000
Trade & other receivables	39,790
Cash and short-term deposits	(1,571)
Trade & other payables	(45,353)
Impairment loss recognised on the remeasurement to fair value less costs to sell(1)	(585,688)
Assets held for distribution	**431,682**

The disposal has led the Group to make an assessment of the fair value less costs to distribute ("FVLCD") of the Mofe Creek Iron Ore Project in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. The FVLCD of exploration and evaluation expenditure has been determined based on comparable market transactions. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. In determining the FVLCD, estimates were made in relation to the underlying resources and the valuation multiple. As a result, a write-down of $585,688 was recognised to reduce the carrying amount of the assets to their FVLCD.

Mofe Creek asset comprised of mineral exploration licenses MEL 12029 and MEL 1223/14. Mineral exploration licence MEL 1223/14 (being part of the tenure comprising the Mofe Creek Project) has been the subject of a notice from the Liberian Ministry of Lands, Mines and Energy relating to a failure to satisfy the works and expenditure conditions attaching to the license. Whilst mineral exploration licence MEL 1223/14 could be considered to be in good standing under applicable regulations, it remains at risk of forfeiture pending receipt of written confirmation of good standing from the Liberian government department.

10 DISPOSAL OF SUBSIDIARY DURING THE REPORTING PERIOD

The Mofe Creek Option Agreement was exercised on the 4 February 2019 subject to the terms and conditions as set out in Note 9.

Accordingly, the Group disposed of its 100% equity interest in its subsidiary, Tawana Liberia Inc. The subsidiary was classified as held for sale in the 31 December 2018 financial statements (see Note 9).

Consideration of $230,000 was received on 15 February 2019. At the date of disposal, the carrying amounts of Tawana Liberia's net assets were as follows:

	Notes	31 December 2019 $
Consideration received or receivable		
Cash		230,000
Deferred receivable	6.1	216,696
Total net proceeds on disposal of subsidiary		**446,696**
Carrying amount of net assets sold		454,094
Loss on disposal of subsidiary		**(7,398)**

11 EXPLORATION AND EVALUATION

	2019 $	2018 $
Opening balance at 1 January	2,764,802	-
Fair value of exploration and evaluation assets acquired under Share Exchange Agreement	-	3,600,000
Amount capitalised during the period	406,765	169,114
Acquisition of tenements	15,000	-
Acquisition of Serendipity Project[1]	9,092	-
Write off exploration expenditure assets	(46,699)	(4,312)
Impairment exploration and evaluation assets[2]	(1,364,378)	-
Reclassified to disposal group held for distribution	-	(1,000,000)
Carrying amount at 31 December	**1,784,582**	**2,764,802**

1) Acquisition of Serendipity Project

The Company through its wholly owned subsidiary Mount Belches Pty Ltd (Mount Belches) signed an option agreement with Serendipity Resources Pty Ltd over E28/2581-I, 2582-I, 2583-I and 2650-I totalling 551.5 Sq Km providing a period for due diligence and recognisance sampling during November and December.

Due to the successful discovery of LCT pegmatites the option was exercised on the following terms.

1. Option fee of $10,000 was paid;

2. Mount Belches can acquire 51% of the tenements by:

    a. spending $60,000 on the tenements;

    b. refund local rents and rates of up to a maximum $15,000; and

    c. issuing 400,000 shares in Cowan Lithium.

3. Mount Belches can earn an aggregate participating interest of 80% (Earn-in Interest) if it directly or indirectly incurs at least $800,000 in expenditure over a 3 years period;

4. Mount Belches will also have the right to purchase the Serendipity's remaining 20% participating interest in the Joint Venture after a positive decision to mine has been made for the lesser of:

    a. the fair market value in cash, which shall be determined by an independent valuer to be appointed by agreement between the Parties (the costs of such determination will be shared by the Parties equally); and

    b. $6,000,000 in cash, plus refund any Seller joint venture contributions which are made by the Seller after a decision to mine, and a 1% net smelter return royalty. In the event the Seller's remaining participating interest is less than 20%, the purchase price of $6,000,000 in cash with be reduced on a pro rata basis but the 1% net smelter royalty will remain the same. The licences are also prospective for gold with several drill ready targets identified.

2) Impairment of exploration and evaluation

Impairment testing

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective tenement exploration licence.

Where the expenditure is not expected to be recouped, the recoverable amount of Cowan Lithium's capitalised mineral exploration and evaluation asset is determined using the Fair Value Less Costs to Dispose (FVLCD) method.

Impairment calculations

The FVLCD of the exploration and evaluation assets are determined using the company's most recent indication of its market value, determined by the share price utilised in the most recent capital raise conducted. Reference has also been made to valuations performed by SRK Consulting Australasia Pty Ltd ("SRK") to value the mineral assets of Alita Resources Ltd following it's entry into Receivership.

If the carrying amount of the exploration and evaluation assets exceeds its recoverable amount determined using FVLCD, the exploration and evaluation assets are written down to their recoverable amount and an impairment loss is recognised in the income statement.

For assets previously impaired, if the recoverable amount exceeds the carrying amount, the impairment loss is reversed, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Recognised impairment are as follows:

Valuation: SRK performed a valuation of the Cowan Project based on comparable market transaction analysis and geoscientific methods to determine the following fair value market valuation range:

High valuation $6,500,000

Mid-point valuation $4,000,000

Low valuation $1,400,000

Capital Raised

In late March 2020, Cowan Lithium commenced a share placement of fully paid ordinary shares at $8.0 cents per share. The implies a value of Cowan's Net Assets of $2,183,004 and an impairment of $1,364,378.

The impairment loss of $1,364,378 has been recognised in the Statement of Comprehensive Income.

12 OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The company operates in one segment being Exploration and Evaluation of Minerals in Australia.

13 CONSOLIDATED GROUP INFORMATION

The following list contains the particulars of all of the subsidiaries of the Company:

	Country of incorporation	Equity holding 2019 %	Equity holding 2018 %
The financial statements of the consolidated entity include the following subsidiaries:			
Mount Belches Pty Ltd	Australia	100	100
Kenema-Man Holdings Liberia Pty Ltd	Australia	100	100
Rakana Consolidated Mines Pty Ltd	South Africa	26	26

14 PARENT INFORMATION

Cowan Lithium Limited	2019 $	2018 $
Current assets	1,082,917	930,702
Non-current assets	1,171,377	2,595,688
Total assets	**2,254,294**	**3,526,390**
Current liabilities	63,646	117,967
Total liabilities	**63,646**	**117,967**
Net assets	**2,190,648**	**3,408,423**
Equity		
Contributed equity	4,830,994	4,367,370
Accumulated losses	(2,640,346)	(958,947)
Total equity	**2,190,648**	**3,408,423**
Loss of the parent entity	(1,719,528)	(339,442)
Total comprehensive profit of the parent entity	**(1,719,528)**	**(339,442)**

15 GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

The parent entity did not have any guarantees at 31 December 2019.

16 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2019.

17 EXPENDITURE COMMITMENTS

Mineral tenements

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to outlay rentals and to satisfy minimum expenditure requirements of $384,806 (2018: $402,926) over the next 12 months, in accordance with agreed work programmes submitted over the Company's exploration licences. Financial commitments for subsequent periods are contingent upon future exploration results.

18 RISK MANAGEMENT FRAMEWORK

The Company's principal financial instruments comprise cash and receivables and payables. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also holds other financial instruments such as trade creditors which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate, foreign currency, credit and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

18.1 Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group is exposed to credit risk from its bank deposits and trade and other receivables as disclosed in the statement of financial position. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the end of the reporting period was as follows:

Financial assets	Note	Carrying amount 2019 $	Carrying amount 2018 $
Cash and cash equivalents	5	220,400	205,411
Trade and other receivables	6	245,758	109,864

None of the Company's trade and other receivables are past due as at 31 December 2019.

18.2 Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Company manages liquidity risk by monitoring forecast cash flows, only investing surplus cash with major financial institutions; and comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Board meets on a regular basis to analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Company in managing its cash flows. Financial liabilities are expected to be settled within 12 months.

2019	Note	Carrying amount $	Contractual Cash Flows $	6 Months or less $
Trade payables and accruals	7	60,592	60,592	60,592
2018				
Trade payables and accruals	7	112,704	112,704	112,704

18.3 Market Risk

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

(a) Currency Risk

The Company is exposed to foreign exchange risk as certain transactions are denominated in United States Dollars as a result of operating in Liberia.

(b) Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash. Cash includes funds held in cheque accounts during the year, which earned variable interest at rates ranging between 0.90% and 1.25% (2018: 1.05% and 2.25%) depending on the bank account type and account balances these amounts are not considered material.

The Company has no loans or borrowings.

19 AUDITOR REMUNERATION

	2019 $	2018 $
Audit and review of financial statements		
Auditors – Ernst & Young	39,494	46,353
Non-audit services		
Investigation accountant's report and due diligence services	-	15,450
Tax compliance	-	6,000
Total auditor's remuneration	39,494	67,803

20 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2019 $	2018 $
Cash flows from operating activities		
Loss for the year/ period	(1,715,217)	(925,130)
Written off Exploration and evaluation assets and expenses	59,935	590,000
Loss on disposal of a subsidiary	7,398	-
Impairment of Exploration and evaluation assets	1,364,378	-
Unwinding of interest on other receivables	(20,088)	-
Net changes in working capital:		
Change in trade and other receivables	88,880	(124,495)
Change in employee benefits provisions	7,440	5,264
Change in trade and other payables	670	35,733
Net cash from operating activities	(206,604)	(418,628)

21 INCOME TAX EXPENSE

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Cowan Lithium Ltd at 27.5% (2018: 27.5%) and the reported tax expense in profit or loss are as follows:

	2019 $	2018 $
Accounting profit before tax	(1,715,217)	(925,130)
Income Tax Expense to Accounting Profit		
Domestic tax rate for Cowan Lithium Ltd (27.5%)	(471,685)	(254,411)
Expenditure not allowed for income tax purposes	-	1,417
Impairment of Mofe Creek	-	146,422
Deferred Tax Asset losses not brought to account	471,685	92,161
Difference of effective foreign income tax rates	-	14,411
Income tax expense (benefit)	-	-
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
Unrecognised deferred tax asset losses	242,930	132,439
Unrecognised deferred tax asset other	15,261	15,528
Unrecognised deferred tax liability as a result of other	(167,113)	(46,506)
	91,078	**101,461**

22 LOSS PER SHARE

	2019 $	2018 $
Net loss attributable to ordinary shareholders of the Company	(1,715,217)	(925,130)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	38,528,074	61,266,887
Loss per share (cents per share)	(4.45)	(1.51)

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company as the numerator (ie no adjustments to losses were necessary in 2019).

23 RELATED PARTIES

Transactions between related parties are on standard commercial terms.

Key management personnel

Mark Calderwood and Mark Tuner

Alita Resources Limited received a total of $86k in repayments for the provision of the office licence plus the amount of any outgoings directly attributable to Cowan and for the provision of geological and corporate services during the period January 2019 to August 2019. Mr Calderwood was a Managing Director and Mr Turner was also a Non-Executive Director of Alita up until September 2019.

24 DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Names and positions of key management personnel in office at any time during the financial year:

Mark Calderwood	Executive Chairman
Mark Turner	Non-Executive Director
Michael Naylor	Executive Director

b) Key management personnel remuneration	2019 $	2018 $
Aggregate compensation of key management personnel of the Group	174,031	73,702

25 FINANCE COSTS

		2019 $	2018 $
Interest Income		1,384	1,462
Interest income from unwind of present value	6.1	20,088	-
		21,472	**1,462**

26 EVENTS AFTER BALANCE DATE

Capital Raising

In late March 2020, the Company commenced a share placement of fully paid ordinary shares at $8.0 cents per share to sophisticated, and professional investors.

Covid-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization.

We have not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they may impact on our cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

Other than the above there have been no other events that have arisen between 31 December 2019 and the date of this report or any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to materially affect the operations of the Company, the results of those operations or the state of affairs of the Company, in subsequent financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Cowan Lithium Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company and of the Group for the period ended 31 December 2019 and are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company and the Group's financial position as at 31 December 2019 and of their performance for the period ended on that date; and

   (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

(b) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2 and;

(c) subject to the matters discussed in note 3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 31 December 2019.

On behalf of the Board:

Mr Mark Calderwood
Executive Chairman

Perth, Western Australia

31 March 2020

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report to the Members of Cowan Lithium Limited

Opinion

We have audited the financial report of Cowan Lithium Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern and Subsequent Events – Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 3 and 26 in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. In addition, the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. As set out in Note 3 and 26, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

RC:KW:COWAN:015

INDEPENDENT AUDITOR'S REPORT

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

RC:KW:COWAN:015

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
31 March 2020