LITHIUM AUSTRALIA NL

ACN 126 129 413

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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CORPORATE DIRECTORY

DIRECTORS

Adrian Griffin
Managing Director

George Bauk
Non-Executive Chairman

Bryan Dixon
Non-Executive Director

COMPANY SECRETARY

Barry Woodhouse

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STOCK EXCHANGE LISTING

The Company is listed on Australian Securities Exchange Limited
Home Exchange – Perth
ASX Codes: **LIT** and **LITCE**

CHAIRMAN'S LETTER

Dear Shareholder

It is my pleasure to provide you with Lithium Australia's annual report for the year ended 30 June 2017.

Over the past 12 months, Lithium Australia ('LIT' or 'the Company') has significantly progressed its plan to supply lithium chemicals to the current energy paradigm.

We continued to be supported by our first institutional shareholder, Lanstead Capital L.P. LIT is appreciative of the innovative nature of the funding mechanism which provided monthly working capital to support its plan. LIT is actively seeking more institutional investors who recognise the opportunities in this booming lithium market.

Worldwide, the key industries that utilise lithium continue to do well. Growth rates for electric vehicles ('EVs'), supported by governments around the world, sit at around 53 per cent per annum, while energy storage – which is about to take off – is very close to achieving commercial viability. The consumer electronics sector is also experiencing solid growth, as are the glass and ceramics industries. Indeed, Roskill forecasts a surge in demand for lithium from 184,000 tonnes per annum last year to 535,000 tonnes per annum by 2025 which is the median case.

LIT wrote last year that the key to the future success of the lithium industry is the development of a diverse supply chain, involving multiple countries and miners/processes. The challenges this creates within the lithium supply chain are critical to LIT's continuing success, as one of the Company's main goals is the introduction of technology to produce lithium chemicals for downstream consumption by the battery industry.

Big Australian mining companies have now recognised this opportunity. Recent announcements by BHP Nickel West demonstrate that the Kwinana / Rockingham area 45km's south of Perth may be destined to become the world's battery production centre. Greenbushes miner, Tianqui Lithium Australia Pty Ltd is currently building a 24,000 tpa lithium hydroxide factory with approvals to double its capacity in the short term. Growth in the world market has coaxed BHP to again consider downstream metal processing to produce nickel sulphate at its facilities in Kwinana along with cobalt by-products. Lithium-ion batteries also require graphite. Whilst there are currently no companies the size of Tianqui or BHP with stated intentions to develop a graphite production facility in the region, it would be a logical development.

During 2017, and after an extensive safety review of its Sileach® process by the Australian Nuclear Science and Technology Organisation (ANSTO) LIT completed its continuous pilot plan run and subsequently its engineering study. It is LIT's intention to optimise plant design before it considers a Final Investment Decision to develop the Large-Scale Pilot Plant with a capacity to produce up to 2,500 tpa lithium carbonate equivalent.

LIT drilled at two of its prospects this year. With its joint venture partner in Mexico, LIT drilled its Agua Fria prospect. Whilst there were no big hits, the clays provide an ideal opportunity for entrance into the USA market in the event that LIT unlocks the key to the best beneficiation process. LIT also drilled at its Ravensthorpe prospect. Unfortunately, weather conditions did not allow the full program and results to date have been unfavourable.

LIT has identified that the Tin International AG project in Saxony may provide the required feed for its Large-Scale Pilot Plant and beyond. LIT has committed resources to develop feed-stock and we are confident that this historic tin mine will contribute significantly to future lithium supplies.

LIT has developed a number of alliances with companies such as Pilbara Minerals Ltd, MetalsTech Ltd, Venus Metals Corporation Ltd, Alix Resources Corporation, Tin International and Focus Minerals NL for the reason of securing a diverse supply of lithium resources in the world's major lithium provinces. LIT also has investments in companies including Lepidico Ltd and Venus Metals, which together provide significant exposure to future supply potential.

Meanwhile, the Company continues to develop a strong international exploration portfolio, the aim being not only to develop its own resources but also utilise existing sources of lithium concentrates to feed its planned lithium chemical production hubs. To that end, in June 2016 Lithium Australia entered into a Sileach® joint venture with Pilbara Minerals Limited to establish a carbonate plant that will produce both lithium carbonate and lithium hydroxide from spodumene sourced from Pilbara Minerals' Pilgangoora deposit located in the north-west of Western Australia.

Thus, in the 2017 financial year, the Company's principal aim – that of creating value for shareholders – has been achieved in numerous ways. In addition to the above-mentioned increase in share price, long-term shareholders benefited from the 5-cent partly paid share series, which in 2015-16 peaked at 30 cents with a bonus issue from a previous year, while in August 2016 a further bonus issue of a one-for-two 25-cent partly-paid share was listed and traded at a high of 6.5 cents. Moreover, in May 2016, Lithium Australia announced its proposed spin-out of the Company's graphite assets, for which an IPO in late 2017 is planned.

I would like to thank all of our stakeholders who continue to participate in this lithium boom and the inevitable energy revolution. In no particular order, I would like to thank our shareholders, the Lithium Board, our employees, ANSTO, Murdoch University the Federal Government and the WA State Government. We know that it takes a team effort to achieve extraordinary results, and that is our aim.

Finally, as chairman, I wish to acknowledge the drive and expertise of the Company's Managing Director, Adrian Griffin, whose commitment has been pivotal to LIT's development, and to also applaud the contribution of non-executive Director Bryan Dixon, also an enthusiastic and dedicated member of the board.

George Bauk
Chairman

DIRECTORS' REPORT

The Directors present their report on Lithium Australia NL ("LIT" or the "Company") and its controlled entities (the "Consolidated entity") for the year ended 30 June 2017 (the "year").

BOARD OF DIRECTORS

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

Adrian Griffin	Managing Director
George Bauk	Non-Executive Chairman
Bryan Dixon	Non-Executive Director

INFORMATION ON DIRECTORS

Adrian Griffin (Managing Director)

Qualifications
Bsc(Honours),GSA,MAusIMM

Experience
Mr Griffin has extensive experience in the resources sector accumulated over 40 years. He has held directorships in a number of private and listed resource companies and has been responsible for operating large integrated mining and processing facilities including the Bulong nickel-cobalt operation in the late 1990s. Mr Griffin has substantial experience in the mining industry in South Africa and in particular was founder and technical director of Ferrum Crescent Ltd, a developer of iron ore in that country. Mr Griffin is currently a director of Northern Minerals Limited, Parkway Minerals NL, and Reedy Lagoon Corporation Limited.

Other current directorships in listed entities
Non-executive Director – Northern Minerals Ltd
Chairman – Parkway Minerals NL
Non-executive Director – Reedy Lagoon Corporation Ltd

George Bauk Non-Executive Chairman

Qualifications
MBA, BBus

Experience
Mr Bauk has more than 25 years' mining industry experience including particular expertise in critical metals. Regarded for his strategic management, business planning, establishment of high-performing teams and capital-raising skills, he has held senior operational and corporate positions with WMC Resources, Arafura Resources and Indago Resources (formerly Western Metals). Since 2010, Mr Bauk has also been Managing Director and CEO of Northern Minerals Limited, overseeing that company's heavy rare earth project moving to production in northern Australia.

Other current directorships in listed entities
Managing Director – Northern Minerals Limited

Bryan Dixon Non-Executive Director

Qualifications
BCom, CA, ACIS

Experience
Mr Dixon has over 20 years' experience in the mining sector and is currently Managing Director of Blackham Resources Ltd, a West Australian gold producer. Mr Dixon is a Chartered Accountant and has extensive experience in the management of public and listed companies. Previously, Mr Dixon has been employed by an international accounting firm, Resolute Limited, and Archipelago Resources Plc. He was a joint winner of the Asia-Pacific Mining Executive of the year in 2017. Mr Dixon has held a numerous director and management roles with emerging resource companies. Mr Dixon specializes in project feasibility, development, project acquisition and financing of mining projects.

Other current directorships in listed entities
Managing Director – Blackham Resources
Non-Executive Director – Hodges Resources

COMPANY SECRETARY

Barry Woodhouse

Qualifications
BCom, BLaws, CPA, FCIS, FGIA

Experience

Mr Woodhouse is a CPA and a Fellow of Governance Institute of Australia and has almost 30 years' experience in the junior mineral exploration, mineral production, mining services and manufacturing sectors in both private and public companies in Australian and foreign jurisdictions. Mr Woodhouse has held roles including CFO, Company Secretary, Director and Chairman.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was project acquisition, mineral exploration and process development, primarily for the extraction and recovery of lithium.

There were no significant changes in the nature of the consolidated entity's principal activities during the financial year other than as stated in the Chairman's Report and outlined in the Review of Operations.

RESULTS OF OPERATIONS

The operating loss after income tax of the Consolidated entity for the year ended 30 June 2017 was $4,592,255(2016: loss of $1,774,446).

No dividend has been paid during or is recommended for the financial period ended 30 June 2017.

FINANCIAL POSITION

The Consolidated entity's working capital surplus, being current assets less current liabilities was $2,726,613 at 30 June 2017 (2016: working capital surplus of $8,890,671).

In the Directors' opinion, there are reasonable grounds to believe that the Consolidated entity will be able to pay its debts as and when they become due and payable.

REVIEW OF OPERATIONS

It was an exceptional year for LIT. Having advanced from bench scaling testing of its revolutionary Sileach® lithium extraction process to pilot testing, and subsequent engineering design, and financial modelling. This progression has shown that not only is Sileach® a versatile and efficient process but there is scope for further significant advances in the development of the technology. These advances will be built into subsequent testing evaluation and design in the current year.

LIT believes that the application of Sileach® to the processing of lithium silicates will provide avenues for revenue generation not available by employing conventional lithium processing technology. This advantage places LIT ahead of all of its peers in the hard rock lithium industry. It is the intention of LIT to utilise Sileach® on materials that are considered non-conventional sources of lithium.

These non-conventional sources include low-grade spodumene concentrates, lithium micas and other lithium silicates. Presently, on a global basis, vast quantities of such materials are discharged as waste. This creates the opportunity to procure feed sources for Sileach® which potentially have low or no exposure to mining cost. Indeed, the application of Sileach® to such materials can create sustainability within the lithium industry which is otherwise not available.

Furthermore, the application of such processing technology to previously accumulated waste repositories can provide environmental advantages during clean-up and rehabilitation of sites containing such materials.

While advanced processing technology remains the main focus, LIT has accumulated a lithium exploration portfolio and significant strategic relationships with other parties in the lithium industry. This has been done to ensure that, regardless of location, a Sileach® plant established anywhere in the world will have a secure source of feed.

To retain a very clear focus for the investing public LIT has undertaken to divest of its very substantial graphite assets. This will be accomplished through the float of BlackEarth Minerals NL in the not-too-distant future.

Consistent with LIT's approach to the development of disruptive technology in the lithium industry it has begun to evaluate opportunities in battery re-cycling and production of cathode materials. The successful integration of these technologies creates greater sustainability and progress towards a circular lithium economy.

Company projects

LIT has used it first-mover advantage to secure enviable strategic positions within prospective lithium provinces worldwide. Outlined below are lithium projects currently being cost-effectively evaluated by LIT. All have been the subject of ASX releases since the Company changed its name – and its focus from copper/gold to lithium in September 2014.

Australian Projects

- Ravensthorpe Lithium Project, WA
- Greenbushes, WA
- The Goldfields Lithium Alliance, including the Coolgardie Rare Metals Venture, WA
- Seabrook Rare Metals Venture, WA
- Gascoyne, WA
- Pilbara, WA
- Venus Metals Joint Venture, Pilgangoora, WA
- Cape York, Queensland
- Bynoe, Northern Territory
- Lake Johnston, WA
- Kangaroo Island, South Australia
- Poseidon, WA

Global Projects
- Mexico – Electra Joint Venture
- Germany – Sadisdorf Project

Strategic Relationships
- MetalsTech
- Pilgangoora with Pilbara Minerals, WA
- ANSTO
- Murdoch University

Investments
- Lepidico Ltd 320m shares approximating 15% and second largest shareholder
- Venus Metals Corporation Ltd
- MetalsTech Ltd
- Alix Resources Corporation Inc
- Lefroy Exploration Ltd
- BlackEarth Minerals NL

Intellectual Property
- SiLeach® & Sileach® PCT application
- LieNa® and LieNa® PCT Application
- L-Max® WA Exclusive Licence
- L-Max® International Licence number 1
- L-Max® International Licence number 2

Shareholder Opportunities
- MetalsTech priority entitlement delivered a 30% premium on day 1 of MTC listing to LIT shareholders
- BlackEarth Minerals NL Priority Entitlement for proposed ASX IPO details (to be advised)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the 2017 financial year, there were no significant changes in the state of affairs of the consolidated entity.

SUBSEQUENT EVENTS

(a) On 11 July 2017, BlackEarth Minerals NL cancelled 15,000,000 ordinary shares and 9,000,000 partly paid shares issued to the Company.

(b) On 17 July 2017, the Company received from BlackEarth Minerals NL 1,000,000 ordinary shares as proceeds for the sale of tenements to BlackEarth Minerals NL.

(c) On 31 July 2017, the Company issued 2,473,901 shares under the Director & Senior Management Fee & Remuneration Sacrifice Share Plan.

(d) On 31 July 2017, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. The CPA provides LIT with up to $5 million of standby equity capital over the coming 29 month period. Importantly, LIT retains full control of all aspects the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on LIT to utilise the CPA and LIT may terminate the CPA at any time, without cost or penalty. Acuity Capital and the CPA do not place any restrictions at any time on LIT raising capital through other methods. If LIT does decide to utilise the CPA, LIT is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by LIT and a 10% discount to a Value Weighted Average Price (VWAP) over a period of LIT's choosing (again at the sole discretion of LIT).
As collateral for the CPA, LIT placed 10m shares from its LR7.1 capacity, at nil consideration to Acuity Capital (Collateral Shares) but may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

SUBSEQUENT EVENTS (continued)

(e) Pursuant to a term sheet dated 28 August 2017, the Company is evaluating the acquisition of up to 100% of the issued share capital of the Very Small Particle Company Limited(VSPC). Completion of this acquisition is subject to technical corporate finance due diligence to the Company's satisfaction by 30 September 2017. Subsequent to signing the term sheet, the Company will pay a non-refundable cash payment of up to $45,000 depending on the length of the due diligence period and subject to the successful completion of the due diligence, the Company will issue up to 61,151,326 fully paid ordinary LIT shares and 30,575,663 $0.25 partly paid LIT shares as consideration.

(f) On 13 September 2017, the Company entered into a memorandum of understanding with Poseidon Nickel to evaluate joint exploration and lithium processing opportunities at Lake Johnston and Ravensthorpe in Southern Western Australia.

(g) On 26 September 2017, the increase/(decrease) in share prices had the following effect on the fair value of the investments held:

INVESTMENT	SHARE PRICE AT 30/06/2017	SHARE PRICE AT 26/09/17	INCREASE/ (DECREASE) IN SHARE PRICE	NUMBER OF SHARES HELD AT 30/06/2017	INCREASE/ (DECREASE) IN FAIR VALUE
Lepidico Limited	$0.013	$0.012	($0.001)	322,118,748	($322,119)
Lefroy Exploration Limited	$0.130	$0.150	$0.020	3,000,000	$60,000
Metals Tech	$0.205	$0.120	($0.085)	2,000,000	($170,000)
Alix Resources	$0.050	$0.030	($0.020)	2,000,000	($40,000)
					($472,119)

For further information on these investments, please refer to note 9.

FUTURE DEVELOPMENTS

LIT is the only company actively pursuing the production of battery-grade lithium carbonate from all lithium silicates with a cost competitive processing technique, the halogen based Sileach® process. This gives LIT significant 'first mover' advantage.

Meanwhile, LIT is assessing other projects worldwide and reviewing opportunities in Africa, Europe, the Americas and Australia.

Other than as referred to in this report, further information as to the likely developments in the operations of the consolidated entity and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the consolidated entity and its shareholders.

DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Consolidated entity during the financial year was:

	Board Meetings	
	Number held and entitled to attend	**Number attended**
Adrian Griffin	11	10
George Bauk	11	10
Bryan Dixon	11	11

ENVIRONMENTAL ISSUES

The Consolidated entity's operations are subject to State and Federal laws and regulation concerning the environment. Details of the Consolidated entity's performance in relation to environmental regulation are as follows:

ENVIRONMENTAL ISSUES (continued)

The Consolidated entity's exploration activities are subject to the various state and federal statutes relating to mining and environmental protection. The Board believes that the Consolidated entity has adequate systems in place for the management of its environmental requirements. The Consolidated entity aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Consolidated entity are not aware of any breach of environmental legislation for the financial year under review.

SHARE OPTIONS

At the date of this report, the unissued ordinary shares of Lithium Australia NL under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option	Fair Value
16 October 2015	1 July 2019	$0.15	4,316,666	$0.036
16 October 2015	1 July 2019	$0.20	7,875,000	$0.031
23 December 2015	1 July 2019	$0.30	9,200,000	$0.025
			21,391,666	

No new options have been issued subsequent to 30 June 2017.

PERFORMANCE RIGHTS

Unlisted performance rights on issue as at 30 June 2017 is as follows:

	Issue Date	Cancellation Date	Exercised Date	Number	Fair Value
Tranche 1a	15 July 2015			4,050,000	Nil
Tranche 1b	15 July 2015			2,025,000	Nil
Tranche 1c	15 July 2015			2,025,000	Nil
Tranche 1a	15 October 2015			640,000	Nil
Tranche 1b	15 October 2015			800,000	Nil
Tranche 1c	15 October 2015			800,000	Nil
Tranche 1d	1 December 2015			1,000,000	$105,000
Tranche 1d			01 December 2016	(1,000,000)	($105,000)
Class A	28 November 2016			1,000,000	$74,025
Class B	28 November 2016			2,000,000	$92,532
Class C	28 November 2016			3,000,000	$53,228
Class D	28 November 2016			4,000,000	$6,658
Class A	01 December 2016			500,000	$35,694
Class A		28 June 2017		(125,000)	($8,923)
Class B	01 December 2016			1,000,000	$44,617
Class B		28 June 2017		(250,000)	($11,154)
Class C	01 December 2016			1,500,000	$25,658
Class C	01 December 2016	28 June 2017		(375,000)	($6,414)
Class D	01 December 2016			2,000,000	$3,195
Class D		28 June 2017		(500,000)	($799)
Class A	20 December 2016			125,000	$6,985
Class B	20 December 2016			250,000	$8,732
Class C	20 December 2016			375,000	$5,011
Class D	20 December 2016			500,000	$605
Performance Rights Outstanding as at 30 June 2017				**25,340,000**	**$329,650**

PERFORMANCE RIGHTS (continued)

Performance Hurdles/Restrictions

	Number of Rights	Hurdle
Tranche 1a	4,690,000	A targeted controlled JORC resource containing 1,000,000t LCE.
Tranche 1b	2,825,000	A targeted controlled JORC resource containing 5,000,000t LCE.
Tranche 1c	2,825,000	A targeted controlled JORC resource containing 10,000,000t LCE.
Tranche 1d	1,000,000	12 months service.
Tranche 1d	(1,000,000)	12 months service reached.
Class A	1,500,000	Successful PFS on Sileach® technology.
Class B	3,000,000	Procurement of feed to support 17,000tpa Li Cabrbonate from Sileach® plant.
Class C	4,500,000	Commitment decision to large-scale pilot facility.
Class D	6,000,000	Financial investment decision for full scale commercial plant.
	25,340,000	

No new performance rights have been issued subsequent to 30 June 2017.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated entity or intervened in any proceedings to which the Consolidated entity is a party for the purpose of taking responsibility on behalf of the Consolidated entity for all or any part of those proceedings.

REMUNERATION REPORT (Audited)

The report outlines the remuneration arrangements in place for Directors and Key Management Personnel of Lithium Australia NL in accordance with the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel are defined as those having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any Directors of the consolidated entity.

Remuneration Policy

The board policy is to remunerate Directors, officers and employees at market rates for time, commitment and responsibilities. The Board determines payment to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold securities in the Company.

The consolidated entity's aim is to remunerate at a level that will attract and retain high-calibre Directors, officers and employees. Company officers and Directors are remunerated to a level consistent with the size of the consolidated entity.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.
All equity based remuneration paid to Directors and executives is valued at the cost to the consolidated entity and expensed. Options are valued using the Black-Scholes methodology.

REMUNERATION REPORT (Audited) (Continued)

Performance Based Remuneration

The issue of shares and options to Directors is in accordance with the Company's employee share option plan to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of Directors/executives with that of the business and shareholders. In addition, all Directors and executives are encouraged to hold shares in the Company.

The consolidated entity has not paid bonuses to Directors or executives to date.

Details of Remuneration for Period ended 30 June 2017

The remuneration for each director and of the executive officer of the Consolidated entity during the period was as follows:

Directors and Executive Officers' Emoluments

	Short Term Benefits			Post Employment		Share Based Payments				Total	Options as % of Total Remuneration	Performance Option Rights as % of Total Remuneration	Performance Rights as % of Total Remuneration
	Salary & Fees	Other	Non-Monetary	Super-annuation	Retirement Benefits	Performance Option Rights	Performance Rights	Equity (a)	Options	$	%	%	%
	Adrian Griffin - Managing Director												
2017	287,113	-	1,963	26,869	-	-	161,378	-	-	477,323	0%	0%	34%
2016	220,218	-	-	-	-	242,500	161,000	37,500	-	661,218	0%	37%	24%
	George Bauk - Non Executive Chairman												
2017	69,750	-	-	-	-	-	56,611	-	-	126,361	0%	0%	45%
2016	44,325	-	-	-	-	121,250	-	7,425	-	173,000	0%	70%	0%
	Eduardo Valazuela - Non Executive Chairman[1]												
2017	-	-	-	-	-	-	-	-	-	-	0%	0%	0%
2016	2,292	-	-	-	-	-	-	-	-	2,292	0%	0%	0%
	Bryan Dixon - Non Executive Director												
2017	57,500	-	-	-	-	-	56,611	-	-	114,111	0%	0%	50%
2016	41,250	-	-	-	-	121,250	-	10,000	-	172,500	0%	70%	0%
	Barry Woodhouse - Company Secretary												
2017	123,790	-	1,284	-	-	-	27,291	94,010	-	246,375	0%	0%	11%
2016	91,700	-	-	-	-	57,600	-	91,700	-	241,000	0%	24%	0%
	Total												
2017	**538,153**	**-**	**3,247**	**26,869**	**-**	**-**	**301,891**	**94,010**	**-**	**964,170**	**0%**	**0%**	**31%**
2016	**399,785**	**-**	**-**	**-**	**-**	**542,600**	**161,000**	**146,625**	**-**	**1,250,010**	**0%**	**43%**	**13%**

1 Eduardo Valenzuela was appointed as Non-Executive Chairman 19 August 2013 and resigned on 15 July 2015

Employment Contracts of Directors and Senior Executives

The Managing Director, Mr Adrian Griffin, is employed under contract. This current contract commenced on 1 November 2015 and has a term of 3 years. This contract provides Mr Griffin with a salary of $250,000 per annum and superannuation. From 1 October 2016 following a remuneration committee meeting held on 12 October 2016, Mr Griffin's salary increased from $250,000 to $300,000 per annum. The Company may terminate this employment agreement at any time and without prior notice if serious misconduct has occurred. In this event remuneration is only payable up until the date of the termination. The Company may terminate the employment agreement for any reason by giving no less than 6 months' notice or in lieu of the notice period, paying Mr Griffin an amount equal to the total remuneration Mr Griffin received in the 12-month period prior to the termination.

There are formal contracts finalised for Non-Executive Directors. Non-executive Directors are paid under the terms agreed under contract at rates detailed below:

Director's fees of $57,500 were paid, or were due and payable to Warrior Strategic Pty Ltd. Mr Dixon is a director and shareholder of Warrior Strategic Pty Ltd. From 1 October 2016, following a remuneration committee meeting held on 12 October 2016 Mr Dixon's director fees increased from $50,000 per annum to $60,000 per annum.

Director's fees of $69,750 were paid, or were due and payable to Mr George Bauk. From 1 October 2016, following a remuneration committee meeting held on 12 October 2016 Mr Bauk's director fees increased from $54,000 per annum to $75,000 per annum.

REMUNERATION REPORT (Audited) (Continued)

Directors' interests in shares and options

The number of listed and unlisted options held by each KMP of the entity during the year is as follows:

	Balance 30/06/2016	Granted as Compensation	Options Exercised/ Expired	Balance 30/06/2017	Total Vested 30/06/2017	Total Exercisable 30/06/2017	Total Unexercisable 30/06/2017
A Griffin	5,175,000	-	-	5,175,000	-	5,175,000	-
G Bauk	2,750,000	-	-	2,750,000	-	2,750,000	-
B Dixon	4,000,000	-	-	4,000,000	-	4,000,000	-
B Woodhouse	4,666,666	-	-	4,666,666	-	4,666,666	-
	16,591,666	**-**	**-**	**16,591,666**	**-**	**16,591,666**	**-**

The number of ordinary shares held by each KMP of the entity during the financial period is as follows:

	Balance 30/06/2016	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2017
A Griffin	8,782,980	-	1,000,000	-	9,782,980
G Bauk	920,250	-	-	(300,000)	620,250
B Dixon	2,578,978[1]	-	-	-	2,578,978
B Woodhouse	-	403,146	-	-	403,146
	12,282,208	**403,146**	**1,000,000**	**(300,000)**	**13,385,354**

[1]Included in the opening balance is 923,109 shares indirectly held by a related third party.

The number of 25c partly paid shares held by each KMP of the entity during the financial year is as follows:

	Balance 30/06/2016	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2017
A Griffin	5,935,869				5,935,869
G Bauk	460,125	-	-	-	460,125
B Dixon	2,039,490[2]	-	-	-	2,039,490
B Woodhouse	33,334	-	-	-	33,334
	8,468,818	**-**	**-**	**-**	**8,468,818**

[2]Included in the opening balance is 1,211,555 partly paid shares held by a related third party and 58,999 partly paid shares held by Bryan Dixon.

The number of performance rights held by each KMP of the entity during the financial year is as follows:

	Balance 30/06/2016	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2017
A Griffin	5,050,000	5,000,000	(1,000,000)	-	9,050,000
G Bauk	2,025,000	2,500,000	-	-	4,525,000
B Dixon	2,025,000	2,500,000	-	-	4,525,000
B Woodhouse	1,120,000	1,250,000	-	-	2,370,000
	10,220,000	**11,250,000**	**(1,000,000)**	**-**	**20,470,000**

Options Issued as Part of Remuneration

During the year ended 30 June 2017, the following share based payment options arrangements were in existence with KMP:

Option Series	Number Granted	Grant Date	Grant Date Fair Value	Expiry Date	Exercise Price	Vesting Date
Unlisted Series 1 Table A	2,716,666	15/07/2016	$0.036	01/07/2019	$0.15	01/07/2019
Unlisted Series 2 Table B	6,275,000	15/07/2016	$0.031	01/07/2019	$0.20	01/07/2019
Unlisted Series 3 Table C	7,600,000	15/07/2016	$0.025	01/07/2019	$0.30	01/07/2019
	16,591,666					

REMUNERATION REPORT (Audited) (Continued)

Table A Series 1 - During the year, the following KMP were entitled to options with a fair value of $0.036.

	Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited
B Dixon	1,250,000	-	0%	0%
B Woodhouse	1,466,666	-	0%	0%
	2,716,666			

Table B Series 2 - During the period, the following KMP were entitled to options with a fair value of $0.031 per unit.

	Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited
A Griffin	2,175,000	-	0%	0%
G Bauk	1,250,000	-	0%	0%
B Dixon	1,250,000	-	0%	0%
B Woodhouse	1,600,000	-	0%	0%
	6,275,000			

Table C Series 3 - During the period, the following KMP were entitled to options with a fair value of $0.025 per unit.

	Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited
A Griffin	3,000,000	-	0%	0%
G Bauk	1,500,000	-	0%	0%
B Dixon	1,500,000	-	0%	0%
B Woodhouse	1,600,000	-	0%	0%
	7,600,000			

No new options had been issued or exercised during the year ended 30 June 2017.

Performance Rights Issued as Part of Remuneration

During the year ended 30 June 2017, the following share based payment arrangements were in existence with KMP:

Performance Rights	Number Granted	Grant Date	Grant Date Fair Value	Expiry Date	Vesting Date	Fair Value
Tranche 1a Table A	3,020,000	15/07/2015	$0.075	01/07/2019	01/07/2019	$-
Tranche 1b Table B	3,100,000	15/07/2015	$0.088	01/07/2019	01/07/2019	$-
Tranche 1c Table C	3,100,000	15/07/2015	$0.105	01/07/2019	30/11/2019	$-
Class A Table D	1,000,000	28/11/2016	$0.17		28/12/2017	$74,025
Class B Table E	2,000,000	28/11/2016	$0.17		28/12/2017	$92,532
Class C Table F	3,000,000	28/11/2016	$0.17		14/01/2018	$53,228
Class D Table G	4,000,000	28/11/2016	$0.17		01/12/2019	$6,658
Class A Table D	125,000	28/12/2016	$0.165		28/12/2017	$8,923
Class B Table E	250,000	28/12/2016	$0.165		28/12/2017	$11,154
Class C Table F	375,000	28/12/2016	$0.165		14/01/2018	$6,414
Class D Table G	500,000	28/12/2016	$0.165		01/12/2019	$799
	20,470,000					**$253,733**

REMUNERATION REPORT (Audited) (Continued)

Table A Tranche 1a - During the period, the following KMP were entitled to performance rights with a performance hurdle of a targeted controlled JORC resource containing 1,000,000t LCE.

	Number Granted	Grant Date Fair Value	Number Vested	% of Grant Vested	% of Grant Forfeited
A Griffin	1,350,000	$0.075	-	0%	0%
G Bauk	675,000	$0.075	-	0%	0%
B Dixon	675,000	$0.075	-	0%	0%
B Woodhouse	320,000	$0.075	-	0%	0%
	3,020,000				

Table B Tranche 1b - During the period, the following KMP were entitled to performance rights with a performance hurdle of a targeted controlled JORC resource containing 5,000,000t LCE.

	Number Granted	Grant Date Fair Value	Number Vested	% of Grant Vested	% of Grant Forfeited
A Griffin	1,350,000	$0.088	-	0%	0%
G Bauk	675,000	$0.088	-	0%	0%
B Dixon	675,000	$0.088	-	0%	0%
B Woodhouse	400,000	$0.088	-	0%	0%
	3,100,000				

Table C Tranche 1c - During the period, the following KMP were entitled to performance rights with a performance hurdle of a targeted controlled JORC resource containing 10,000,000t LCE.

	Number Granted	Grant Date Fair Value	Number Vested	% of Grant Vested	% of Grant Forfeited
A Griffin	1,350,000	$0.105	-	0%	0%
G Bauk	675,000	$0.105	-	0%	0%
B Dixon	675,000	$0.105	-	0%	0%
B Woodhouse	400,000	$0.105	-	0%	0%
	3,100,000				

Table D Class A - During the period, the following KMP became entitled to performance rights with a performance hurdle of a successful pre-feasibility study on Sileach™ technology.

	Number Granted	Grant Date Fair Value	Number Vested	% of Grant Vested	% of Grant Forfeited
A Griffin	500,000	$0.17	-	0%	0%
G Bauk	250,000	$0.17	-	0%	0%
B Dixon	250,000	$0.17	-	0%	0%
B Woodhouse	125,000	$0.165	-	0%	0%
	1,125,000				

Table E Class B - During the period, the following KMP became entitled to performance rights with a performance hurdle of the procurement of feed to support 17,000tpa lithium carbonate from Sileach™ plant.

	Number Granted	Grant Date Fair Value	Number Vested	% of Grant Vested	% of Grant Forfeited
A Griffin	1,000,000	$0.17	-	0%	0%
G Bauk	500,000	$0.17	-	0%	0%
B Dixon	500,000	$0.17	-	0%	0%
B Woodhouse	250,000	$0.165	-	0%	0%
	2,250,000				

REMUNERATION REPORT (Audited) (Continued)

Table F Class C - During the period, the following KMP became entitled to performance rights with a performance hurdle of a commitment decision to large-scale pilot facility.

	Number Granted	Grant Date Fair Value	Number Vested	% of Grant Vested	% of Grant Forfeited
A Griffin	1,500,000	$0.17	-	0%	0%
G Bauk	750,000	$0.17	-	0%	0%
B Dixon	750,000	$0.17	-	0%	0%
B Woodhouse	375,000	$0.165	-	0%	0%
	3,375,000				

Table G Class D - During the period, the following KMP became entitled to performance rights with a performance hurdle of a financial investment decision for full-scale development plant.

	Number Granted	Grant Date Fair Value	Number Vested	% of Grant Vested	% of Grant Forfeited
A Griffin	2,000,000	$0.17	-	0%	0%
G Bauk	1,000,000	$0.17	-	0%	0%
B Dixon	1,000,000	$0.17	-	0%	0%
B Woodhouse	500,000	$0.165	-	0%	0%
	4,500,000				

End of Remuneration Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company paid a premium of $ 9,328 to insure Directors and Officers of the Company. The Directors and Officers have indemnities in place with the Company whereby the Company has agreed to indemnify the Directors and Officers in respect of certain liabilities incurred by the Director or Officer while acting as a Director of the Company and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Company.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lithium Australia support and have adhered to the principles of sound corporate governance.

The Board recognises the recent recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Lithium Australia is in compliance with those guidelines. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the consolidated entity. The consolidated entity's corporate governance statement and disclosures are contained in the annual report.

NON-AUDIT SERVICES

No non-audit services were provided to the consolidated entity in the year ended June 2017.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Bentley's Audit & Corporate (WA) Pty Ltd, to provide the directors of the Consolidated entity with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 17 and forms part of this directors' report for the period ended 30 June 2017.

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

Adrian Griffin
Managing Director

Dated at Perth this 26th day of September 2017

Competent Persons Statement:

The information contained in the report that relates to Exploration Results of projects owned by Lithium Australia NL and is based on information compiled or reviewed by Mr. Adrian Griffin, who is an employee of the Company and is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Griffin has given consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Bentleys
THINKING AHEAD

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To The Board of Directors

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

As lead audit director for the audit of the financial statements of Lithium Australia NL for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 26th day of September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 30 June 2017

	Note	30 June 2017 $	30 June 2016 $
Continuing Operations			
Revenue	2	42,855	28,628
Other Revenue	3	1,753,195	-
Occupancy costs		(78,050)	(78,927)
Professional fees		(468,976)	(119,587)
Corporate fees		(604,957)	(326,632)
Employee benefits expense	5(a)	(2,248,393)	(1,829,401)
Administration costs		(370,787)	(166,382)
Fair value of investments adjustment		(76,763)	27,005
Realised gains on financial assets		(257,502)	560,952
Unrealised gains on financial assets		(1,045,714)	1,045,714
Depreciation and amortisation	5(b)	(39,094)	(15,948)
Loss on disposal of subsidiary		-	(90,191)
Exploration and evaluation costs written off	5(b)	(1,198,070)	(809,677)
Loss before income tax		(4,592,255)	(1,774,446)
Income tax expense	6	-	-
Loss from continuing operations		(4,592,255)	(1,774,446)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operation		-	91,890
Net fair value gain on available for sale financial assets		998,796	125,980
Total comprehensive income for the year		**(3,603,459)**	**(1,556,576)**
Loss for the year attributable to:			
Members of the controlling entity		(4,592,255)	(1,774,446)
Non controlling interest		-	-
		(4,592,255)	(1,774,446)
Total comprehensive income attributable to:			
Members of the controlling entity		(3,603,459)	(1,556,576)
Non controlling interest		-	-
		(3,603,459)	(1,556,576)
Basic loss per share (cents per share)	18	1.81	1.03

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	30 June 2017 $	30 June 2016 $
Current Assets			
Cash and cash equivalents	7	2,586,506	5,756,645
Trade and other receivables	8	1,038,137	317,221
Financial assets	9	-	3,385,822
Total Current Assets		3,624,643	9,459,688
Non Current Assets			
Financial assets	9	5,631,545	288,496
Exploration Expenditure	10	2,977,849	147,050
Intangible assets	11	3,699,945	703,118
Property, plant and equipment	12	92,542	23,292
Total Non Current Assets		12,401,881	1,161,956
TOTAL ASSETS		16,026,524	10,621,644
Current Liabilities			
Trade and other payables	13	898,030	569,017
Total Current Liabilities		898,030	569,017
TOTAL LIABILITIES		898,030	569,017
NET ASSETS		**15,128,494**	**10,052,627**
Equity			
Issued capital	14	29,221,087	20,936,454
Reserves	16	2,198,280	814,791
Accumulated losses		(16,290,873)	(11,698,618)
Controlling entity interest		15,128,494	10,052,627
TOTAL EQUITY		**15,128,494**	**10,052,627**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2017

	Issued Capital $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Investment Revaluation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2015	10,565,467	129,887	(94,304)	-	(10,044,510)	556,540
Loss for the year	-	-	-	-	(1,774,446)	(1,774,446)
Other comprehensive income						
Exchange differences on translation of foreign subsidiary	-	-	91,890	-	-	91,890
Net fair value gain on available for sale financial assets	-	-	-	125,980	-	125,980
Total comprehensive loss for the year	-	-	91,890	125,980	(1,774,446)	(1,556,576)
Transaction with owner, directly recorded in equity:						
Issue of shares	10,647,843	-	-	-	-	10,647,843
Capital raising costs	(435,423)	-	-	-	-	(435,423)
Issue of share based payments	-	840,243	-	-	-	840,243
Transfer from share based payment reserve	158,567	(158,567)	-	-	-	-
Options expired	-	(120,338)	-	-	120,338	-
Balance at 30 June 2016	**20,936,454**	**691,225**	**(2,414)**	**125,980**	**(11,698,618)**	**10,052,627**

	Issued Capital $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Investment Revaluation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2016	20,936,454	691,225	(2,414)	125,980	(11,698,618)	10,052,627
Loss for the year	-	-	-	-	(4,592,255)	(4,592,255)
Other comprehensive income						
Net fair value gain on available for sale financial assets	-	-	-	988,796	-	988,796
Total comprehensive loss for the year	-	-	-	988,796	(4,592,255)	(3,603,459)
Transaction with owner, directly recorded in equity:						
Issue of shares	8,206,269	-	-	-	-	8,206,269
Capital raising costs	(26,636)	-	-	-	-	(26,636)
Issue of share based payments	-	499,693	-	-	-	499,693
Transfer from share based payment reserve	105,000	(105,000)	-	-	-	-
Balance at 30 June 2017	**29,221,087**	**1,085,918**	**(2,414)**	**1,114,776**	**(16,290,873)**	**15,128,494**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2017

	Note	30 June 2017 $	30 June 2016 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(3,034,316)	(1,774,902)
Payments for exploration and evaluation		(1,193,667)	(806,083)
Interest received		41,919	28,628
Net cash used in operating activities	19	(4,186,064)	(2,552,357)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(106,468)	(31,675)
Payment for intangible assets		(3,055,962)	(573,975)
Proceeds from sale of financial assets		12,527	-
Acquisition of exploration and evaluation		(281,329)	-
Payments for other financial assets		(246,737)	(104,640)
Net cash used in investing activities		(3,677,969)	(710,290)
Cash Flows from Financing Activities			
Proceeds from issue of shares		4,720,530	8,402,029
Payment for capital raising costs		(26,636)	(235,422)
Net cash generated by financing activities		4,693,894	8,166,607
Net increase in cash held		(3,170,139)	4,903,960
Cash and cash equivalents at the beginning of the period		5,756,645	852,685
Cash and cash equivalents at the end of the period	**7**	2,586,506	5,756,645

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

These consolidated financial statements and notes represent those of Lithium Australia NL and its controlled entity (the "Consolidated entity"). Australia NL is a no liability company, incorporated and domiciled in Australia.

The Consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements for the year ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 26 September 2017.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial report has been prepared on an accruals basis and is based on historical cost and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(i) Going Concern

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a loss for the year ended 30 June 2017 of $4,592,255 (2016: $1,774,446) and cash outflows from operating and investing activities of $7,864,033 (2016: $3,262,647). As at 30 June 2017, the Company has a cash at bank balance of $2,586,506 (2016: $5,756,645) and a positive working capital position of $2,726,613 (2016: $8,890,671).

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to below, the directors are satisfied that the going concern basis of preparation is appropriate because:

- the Directors have an appropriate plan to raise additional funds as and when it is required.
- the Group is anticipating receiving an R&D claim for the 2017 financial year within the next two months;
- subsequent to year end, the Group entered in to a Controlled Placement Arrangement with Acuity Capital to raise up to $5,000,000 in capital; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Should the Company not achieve the matters set out above, there is material uncertainty whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

(ii) New Accounting Standards for Application in Future Periods

Application of new and revised Accounting Standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

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

Early adoption of new Accounting Standards not yet mandatory

The Group has early adopted AASB 9: Financial Instruments and prospectively applied all the measurement and recognition requirements of AASB 9: Financial Instruments (December 2014), including consequential amendments to other standards, on 1 July 2016. The adoption of AASB 9 results in no material changes to the Group's treatment of its financial instruments, as the Group's financial assets, comprising of investments in listed equity securities, have been designated as financial assets at fair value through other comprehensive income. This treatment is consistent in nature to the previous recognition and measurement requirements of AASB 139.

New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are set out below:

AASB 15 - Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:
- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108 : Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16 - Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117 : Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:
- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less
- than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116 : Property, Plant and Equipment in
- profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement
- of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease
- components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(b) Principles of Consolidation

The consolidated financial statements comprise the finance statements of Lithium Australia NL and its subsidiaries (“the Group”). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.
Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exploration, Evaluation and Development Expenditure

Exploration and evaluation costs are expensed in the period they are incurred apart from mineral acquisition costs, which are capitalised and carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated mineral acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and capitalised costs written off to the extent it is deemed that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(d) Financial Instruments

Initial Recognition and Measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instruments. For Financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).
Financial instruments are initially measured at fair value plus transaction costs, except where the instruments is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement
Financial instruments are subsequently measure at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.
Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measure at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortization of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.
The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliability predicted, the contractual term) of the financial instrument to the net carry amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss. The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

(i) Financial assets at fair value through profit and loss or through other comprehensive Income
Financial assets are classified at 'fair value through profit or loss' or Fair value through Other comprehensive Income' when they are either held for trading for purposes of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'Fair Value through other comprehensive income'.

(ii) Financial Liabilities
The Group's financial liabilities include trade and other payables, loan and borrowings, provisions for cash bonus and other liabilities which include deferred cash consideration and deferred equity consideration for acquisition of subsidiaries & associates.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition
Financial assets are derecognised where the contractual rights to receipts of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risk and benefits associated with the asset. Financial Liabilities are recognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(e) Cash and Cash Equivalents

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

(f) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(g) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.
All revenue is stated net of the amount of goods and services tax (GST).

(h) Impairment of Assets

At each reporting date, the Consolidated entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

(i) Intangible Assets

(i) Intangible assets acquired separately
Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The useful life of the intangible asset acquired – Licence fee is 25 years.

(ii) Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(j) Property, plant and equipment

IT equipment and other equipment
IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Consolidated entity's management. IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a diminishing value basis to write down the cost less estimated residual value of IT equipment and other equipment.

The following useful lives are applied:

- IT equipment: 2-5 years
- Other equipment: 3-12 years
- Vehicles: 5-8 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). 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.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Taxation

The Consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(m) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Consolidated entity prior to the end of the financial year that are unpaid and arise when the Consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Share Based Payments

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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 consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(o) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for a bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated entity.

Key Estimates - Impairment

The Consolidated entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Estimates – Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Consolidated entity as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors' understanding thereof. At the current stage of the Consolidated entity's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

(r) Fair Value of Assets and Liabilities

The Consolidated entity measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Consolidated entity would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques
In the absence of an active market for an identical asset or liability, the Consolidated entity selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Consolidated entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the Consolidated entity are consistent with one or more of the following valuation approaches:

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Consolidated entity gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy
AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Measurements based on unobservable inputs for the asset or liability.
The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Consolidated entity would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Consolidated entity recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

2. REVENUE

	2017	2016
	$	$
Interest revenue from financial institutes	42,855	28,628
	42,855	**28,628**

3. OTHER REVENUE

	2017	2016
	$	$
Licence Fee	270,000	-
Sale of Tenements	720,000	-
R&D Rebate	752,932	-
Administration Fee	10,263	-
	1,753,195	**-**

4. REMUNERATION OF AUDITORS

	2017	2016
	$	$
Remuneration of the auditor for:		
Auditing or reviewing the financial report	49,000	37,200
	49,000	**37,200**

5. LOSS FROM ORDINARY ACTIVITIES

		2017	2016
		$	$
(a)	**Employee benefits expense**		
	Share based payments	377,805	1,012,402
	Defined contribution fund payments	68,950	7,591
	Other employee benefits expense	1,801,638	809,408
	Total Employee benefits expense from ordinary activities	**2,248,393**	**1,829,401**
(b)	**Other expense**		
	Depreciation and amortisation	39,094	15,948
	Exploration and evaluation costs written off	1,198,070	809,677
	Total other expense from ordinary activities	**1,237,164**	**825,625**

6. INCOME TAX EXPENSE

		2017	2016
		$	*$*
	Current tax	-	-
	Deferred tax	-	-
(a)	The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
	Loss before tax	(4,592,255)	(1,774,446)
	Prima facie tax (benefit) on loss from ordinary activities before income tax at 27.5% (2016 : 30%)	(1,262,870)	(532,334)
	Add/(Less) tax effect of:		
	Non-deductible expenses	432,424	318,580
	Deferred tax asset not brought to account	830,446	213,754
	Income tax attributable to entity	-	-

No income tax is payable by the Consolidated entity. The Directors have considered it prudent not to bring to account the deferred tax asset of income tax losses and exploration deductions until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised.

The consolidated entity has deferred tax assets not brought to account and available for offset of deferred tax liabilities amounting to $2,550,802 (2016: $1,720,356), the benefits of which will only be realised if the conditions for deductibility set out in Note1(l) occur.

7. CASH AND CASH EQUIVALENTS

Cash at bank (AA rated institutions)	2,583,506	5,756,645
Petty Cash	3,000	-
	2,586,506	5,756,645

8. TRADE AND OTHER RECEIVABLES

Other Debtors	1,020,779	188,900
GST receivable	17,358	128,321
	1,038,137	317,331

9. FINANCIAL ASSETS

Current		
Warrants at fair value (i)	-	73,440
Equity swap at fair value (ii)	-	3,312,382
	-	3,385,882
Non-current		
Available for sale Australian listed shares – Level 1 fair value	5,531,545	60,290
Available for sale Canadian listed shares – Level 1 fair value	100,000	228,206
	5,631,545	288,496

(i) The warrant has been analysed and classified using a fair value hierarchy reflecting the significance of the input used in making the measurement. Financial assets are classified as level 2. The warrants expired unexercised on 4 April 2017.

(ii) Reconciliation of Equity Swap on 14 January 2016, the Company issued 30,000,000 at $0.14 to Lanstead Capital L.P.(Lanstead). Lanstead subscribed to 28,571,429 Shares (the Subscription Shares) for an aggregate consideration of $4m and 1,428,571 shares as a fee. In addition, the Company entered into an Equity Swap Agreement with Lanstead which allows the Company to retain the economic interest in the Lanstead Subscription Shares. The consideration of $4m is repaid with an initial $600,000 followed by 18 expected settlements based on the 5 day VWAP for the five days preceding the end valuation date measured against the benchmark price of $0.1867 per share (Benchmark Price).

Reconciliation of the fair values at the end of the current financial year are set out below:

	2017 $	2016 $
Opening fair value	3,312,382	-
Additions	-	4,000,000
Fair value revaluation	(1,303,217)	1,606,668
Settlements	(2,009,165)	(2,294,286)
Closing fair value	-	3,312,382

Financial instruments classified under the equity swap arrangement are measured at fair value using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. These financial assets are classified as level 1.

10. CAPITALISED EXPLORATION EXPENDITURE

	2017 $	2016 $
Opening balance	147,050	22,000
Additions:		
Interest in Tin International	372,792	-
Greenbushes Acquisition	102,090	-
Lithium Rights at Lake Johnston	1,743,750	-
Interest in Rights of Buckland	111,991	-
Interest in Electra	306,009	125,050
Lithophile	194,167	-
Closing balance	2,977,849	147,050

11. INTANGIBLE ASSETS

	2017			2016		
	Patents	Development Costs	Total	Patents	Development Costs	Total
	$	$	$	$	$	$
Opening balance	100,800	602,318	703,118	-	-	-
Transfer from other assets	-	-	-	-	5,000	5,000
Expenditure during the period (i)	-	3,001,027	3,001,027	105,000	597,318	702,318
Less: Amortisation of intangible asset	(4,200)	-	(4,200)	(4,200)	-	(4,200)
Closing balance	96,600	3,603,345	3,699,945	100,800	602,318	703,118

(i) During the period, the company spent $3,001,027 on development costs relating to the new lithium technology.

(ii) LIT has focused on the development of process technology that may have the ability to transform previously under developed lithium mineral occurrences into valuable ore. The Company has assessed a number of process flow sheets at a laboratory bench scale level and selected the Sileach® technology for pilot plant testing. The Sileach® process is effective on a broad range of silicate minerals that formerly required roasting to extract Lithium. Sileach® is a hydrometallurgical process which eliminates the requirement to roast. The current project development phase is titled Sileach® large scale pilot plant and is at a preliminary prefeasibility study(PFS) of definition. Construction and operation of a large scale pilot plant(LSPP) is considered a necessary step in the commercialisation of Sileach®. The LSPP is intended to produce 2,500tpa of lithium carbonate from the appropriate feed. This output is approximately 1/10 scale of the output of a full-scale lithium carbonate facility,

12. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Total
2017	$	$	$	$	$
Gross carrying amount					
Balance at 30 June 2016	20,455	2,615	13,015	-	36,085
Additions	-	60,895	32,467	10,782	104,144
Disposals	-	-	-	-	-
Balance at 30 June 2017	20,455	63,510	45,482	10,782	140,229
Accumulated Depreciation					
Balance at 30 June 2016	5,114	1,046	6,633	-	12,793
Depreciation expense	3,825	17,888	11,944	1,237	34,894
Balance at 30 June 2017	8,939	18,934	18,577	1,237	47,687
Net book value as at 30 June 2017	**11,516**	**44,576**	**26,905**	**9,545**	**92,542**

	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Total
2016	$	$	$	$	$
Gross carrying amount					
Balance at 30 June 2015	-	-	9,105	-	9,105
Additions	20,455	2,615	3,910	-	26,980
Disposals	-	-	-	-	-
Balance at 30 June 2016	20,455	2,615	13,015	-	36,085
				-	
Accumulated Depreciation				-	
Balance at 30 June 2015	-	-	5,739	-	5,739
Depreciation expense	5,114	1,046	894	-	7,054
Balance at 30 June 2016	5,114	1,046	6,633	-	12,793
				-	
Net book value as at 30 June 2016	**15,341**	**1,569**	**6,382**	**-**	**23,292**

13. TRADE AND OTHER PAYABLES

	2017 $	2016 $
Current - unsecured		
Trade payables	283,114	356,370
Employees annual leave provisions	41,685	-
Other creditors and accrued expenses	573,231	212,647
	898,030	569,017

14. ISSUED CAPITAL

	2017		2016	
	Number	$	Number	$
Fully Paid Ordinary Shares				
Opening Balance	231,573,560	20,934,934	129,855,715	10,564,297
Issue of shares to directors and staff (i)	2,300,779	440,076	4,012,163	307,636
Issue of shares on conversion of performance/option rights	1,000,000	105,000	12,117,310	1,366,428
Issue of shares on $0.05 and $0.25 partly paid share call	1,375,576	278,784	36,004,266	1,321,989
Issue of shares in lieu of payment (ii)	13,038,816	2,378,732	1,409,531	288,579
Issue of shares to Lepidico shareholders (iii)	24,268,732	3,149,893	-	-
Conversion of CXBCA to LITCB/LITCC	-	-	-	776,987
Issue of shares (iv)	10,899,875	1,958,684	48,174,575	6,744,441
Transaction Costs	-	(26,636)	-	(435,423)
Closing Balance	**284,457,338**	**29,219,467**	**231,573,560**	**20,934,934**

(i) 403,146 shares were issued to key management personnel

(ii) Shares based payments are determined with reference to the fair value of goods or services provided by consultants and settled based on the preceding 5 day VWAP.

(iii) 24,268,732 shares were issued to Lepidico Limited(LPD) Shareholders in relation to the offer dated 16 March 2017 by Lithium Australia(LIT) to acquire all ordinary shares in Lepidico Limited(LPD). The consideration offered was 1 LIT share for every 13.25 LPD shares.

(iv) On 18 November 2016, the Company issued total 10,899,875fully paid ordinary shares at $0.18 each following completion of the Share Purchase Plan.

	2017		2016	
	Number	$	Number	$
Partly-paid contributing shares - 5 cents				
Opening Balance	26,676	-	37,928,001	-
Issue of shares on $0.05 partly paid share call	(26,676)	-	(37,901,325)	
Closing Balance	**-**	**-**	**26,676**	**-**

	2017		2016	
	Number	$	Number	$
Partly-paid contributing shares -25 cents				
Opening Balance	133,199,048	1,520	11,700,000	1,170
Issue of shares on $0.25 partly paid share call	(1,348,900)	-	(1,546,448)	
Issue of shares to shareholders (i)	-	-	119,545,496	-
Issue of shares in lieu of payment	1,000,000	100	3,500,000	350
Closing Balance	**132,850,148**	**1,620**	**133,199,048**	**1,520**

(i) On 11 May 2016, a total of 119,545,496 LITCEs were issued as a bonus to shareholders at nil consideration but a deemed value of $0.0001 per share.

15. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and by share issues.

16. RESERVES

	2017 $	2016 $
Option reserve	756,270	634,382
Investment revaluation reserve	1,114,776	125,980
Foreign currency translation reserve	(2,414)	(2,414)
Performance rights reserve	329,648	56,843
	2,198,280	814,791

Option Reserve		
Opening Balance	634,382	129,887
Transfer options to issued capital on exercise of options	-	(158,567)
Conversion of performance option rights	-	779,400
Transfer from performance option rights achieved	-	4,000
Valuation of options – partly paid shares	121,888	-
Options expired	-	(120,338)
Closing Balance	756,270	634,382
Investment Revaluation Reserve		
Opening Balance	125,980	-
Net gain arising on revaluation of available for sale financial assets	988,796	125,980
Closing Balance	1,114,776	125,980
Foreign Currency Translation Reserve		
Opening Balance	(2,414)	(94,304)
Exchange differences arising on translating foreign subsidiary	-	91,890
Closing Balance	(2,414)	(2,414)
Performance Rights Reserve		
Opening Balance	56,843	-
Issue of performance rights	377,805	60,843
Performance option rights achieved	(105,000)	(4,000)
Closing Balance	329,648	56,843

17. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The consolidated entity's financial instruments consist solely of deposits with banks. No financial derivatives are held.

(i) Financial Risk Exposures and Management

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

Interest rate risk

Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market by the major Australian Financial Institutions.

Credit risk

The maximum exposure to credit risk, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The consolidated entity does not have any material credit risk exposure to any single receivable or Company of receivables under financial instruments entered into by the consolidated entity.

Liquidity Risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows. The consolidated entity does not have any significant liquidity risk as the consolidated entity does not have any collateral debts.

(i) Fair Values

The fair values of financial assets and financial liabilities are presented below and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(ii) *Sensitivity Analysis*

Interest Rate Risk

The consolidated entity has performed sensitivity analysis relating to its exposure to interest rate risk at balance date.

17. FINANCIAL INSTRUMENTS (continued)

This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis
At 30 June 2017, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	$	$
Change in loss		
- Increase in interest rate by 100 basis points	25,865	57,566
- Decrease in interest rate by 100 basis points	(25,865)	(57,566)
Change in equity		
- Increase in interest rate by 100 basis points	25,865	57,566
- Decrease in interest rate by 100 basis points	(25,865)	(57,566)

2017	Floating Interest Rate	Fixed Interest Rate Maturing in 1 year or less	Non-interest bearing	Total
	$	$	$	$
Financial assets				
Cash and cash equivalents	2,586,506	-	-	2,586,506
Held for trading financial assets	-	-	5,631,545	5,631,545
Trade and other receivables	-	-	1,038,137	1,038,137
Total financial assets	2,586,506	-	6,669,682	9,256,188
Financial liabilities				
Trade and other payables (i)	-	-	898,030	898,030
Total financial liabilities	-	-	898,030	898,030

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurement.

All financial instruments held are level 1. Interest rate 2% per annum.

(i) The trade and other payables are due within 12 months.

2016	Floating Interest Rate	Fixed Interest Rate Maturing in 1 year or less	Non-interest bearing	Total
	$	$	$	$
Financial assets				
Cash and cash equivalents	5,756,645	-	-	5,756,645
Held for trading financial assets	-	-	3,674,318	3,674,318
Trade and other receivables	-	-	317,221	317,221
Total financial assets	5,756,645	-	3,991,539	9,748,184
Financial liabilities				
Trade and other payables (i)	-	-	569,017	569,017
Total financial liabilities	-	-	569,017	569,017

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurement. All financial instruments held are level 1. Interest rate 2% per annum.

18. LOSS PER SHARE

	2017	2016
	$	**$**
Loss used in calculation of basic EPS	(4,592,255)	(1,774,446)
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	253,417,191	171,569,173

19. CASH FLOW INFORMATION

	2017	2016
Reconciliation of cash flows from operating activities with loss after income tax	**$**	**$**
Loss after income tax	(4,592,255)	(1,774,446)
Adjustments for non-cash income and expense items:		
Depreciation	39,094	15,948
(Profit)/Loss on disposal of subsidiaries	-	90,191
Share based payment expense	980,403	1,012,416
Unrealised/realised gain on equity swap	1,303,216	(1,606,666)
Changes in assets and liabilities:		
(Increase)/decrease in receivables & prepayments	(932,387)	(36,993)
(Decrease)/increase in accounts payable, accruals & employee entitlements	282,769	(129,189)
(Increase)/decrease in other assets	-	4,375
(Increase)/decrease in financial assets	(1,266,904)	(127,993)
Net cash outflows from Operating Activities	**(4,186,064)**	**(2,552,357)**

20. SEGMENT INFORMATION

(a) Segment performance

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

Lithium Australia is managed primarily on the basis of mining exploration and as a subset of mining, processing technology. Operating segments are considered to have similar economic characteristics.

Types of reportable segments:

(i) Tenement exploration and evaluation
The exploration of current projects and the evaluation of new ones are reported in this segment. Segment assets, including acquisition costs of exploration licences and all expenses related to the tenements are reported in this segment.

(ii) Processing technology
The development of processing technology for lithium extraction is reported in this segment.

(b) Basis of accounting for purposes of reporting by operating segments

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in Lithium Australia's annual financial report.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment asset notes, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated.

20. SEGMENT INFORMATION (continued)

Unallocated items

The following items of revenue, expense assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- Net gains on disposal of available-for-sale investments;
- Impairment of assets excluding exploration assets and other non-recurring items of revenue or expense;
- Income tax expense;
- Deferred tax assets and liabilities;
- Trade payable and other payables;
- Intangible assets.

21. OPERATING SEGMENTS

(i) Segment revenues and results

30 June 2017

	Processing Technology	Exploration	Total
	$	$	$
Revenue	-	-	-
Loss	(4,200)	(1,198,070)	(1,202,270)
Total segment loss	**(4,200)**	**(1,198,070)**	**(1,202,270)**

Reconciliation of segment result to Consolidated entity net loss

Unallocated items	
- Interest revenue	42,855
- Other revenue	1,753,195
- Fair value of investments adjustment	(76,763)
- Realised losses on financial assets	(257,502)
- Unrealised losses on financial assets	(1,045,714)
- Occupancy	(78,050)
- Professional	(468,976)
- Compliance & Regulatory	(604,957)
- Personnel	(2,248,393)
- Administration	(370,786)
- Depreciation	(34,894)
Net loss from continuing operations	**(4,592,255)**

30 June 2016

	Processing Technology	Exploration	Total
	$	**$**	**$**
Revenue			
Expenses	-	(809,677)	(809,677)
Total segment loss	**-**	**(809,677)**	**(809,677)**

Reconciliation of segment result to consolidated entity net loss

Unallocated items	
- Interest revenue	28,628
- Other income	1,634,671
- Fair value of investment adjustment	-
- Occupancy	(78,927)
- Professional	(119,587)
- Compliance & Regulatory	(326,632)
- Personnel	(1,829,401)
- Administration	(166,382)
- Loss on disposal of subsidiary	(91,191)
- Depreciation	(15,948)
Net loss from continuing operations	**(1,774,446)**

(ii) Segment Assets

30 June 2017	Processing Technology	Exploration	Total
	$	$	$
Segment Assets	3,699,945	2,977,849	6,677,794
Unallocated assets			
- Cash and cash equivalents			2,586,506
- Trade and other receivables			1,038,137
- Other			5,724,087
Total company assets			**16,026,524**

30 June 2016	Processing Technology	Exploration	Total
	$	$	$
Segment Assets	703,118	147,050	850,168
Unallocated assets			
- Cash and cash equivalents			5,756,645
- Trade and other receivables			317,221
- Other			3,697,610
Total company assets			**10,621,644**

(iii) Segment Liabilities

30 June 2017	Processing Technology	Exploration	Total
	$	$	$
Segment Liabilities	112,114	49,311	161,425
Unallocated liabilities			
- Trade and other payables			736,605
Total company liabilities			**898,030**

30 June 2016	Processing Technology	Exploration	Total
	$	$	$
Unallocated liabilities	-	-	-
- Trade and other payables			569,017
Total company liabilities			**569,017**

22. SUBSEQUENT EVENTS

(a) On 11 July 2017, BlackEarth Minerals NL cancelled 15,000,000 ordinary shares and 9,000,000 partly paid shares issued to the Company.

(b) On 17 July 2017, the Company received from BlackEarth Minerals NL 1,000,000 ordinary shares as proceeds for the sale of tenements to BlackEarth Minerals NL.

(c) On 31 July 2017, the Company issued 2,473,901 shares under the Director & Senior Management Fee & Remuneration Sacrifice Share Plan.

(d) On 31 July 2017, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. The CPA provides LIT with up to $5 million of standby equity capital over the coming 29 month period. Importantly, LIT retains full control of all aspects the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on LIT to utilise the CPA and LIT may terminate the CPA at any time, without cost or penalty. Acuity Capital and the CPA do not place any restrictions at any time on LIT raising capital through other methods. If LIT does decide to utilise the CPA, LIT is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by LIT and a 10% discount to a Value Weighted Average Price (VWAP) over a period of LIT's choosing (again at the sole discretion of LIT).

22. SUBSEQUENT EVENTS (continued)

(e) Pursuant to a term sheet dated 28 August 2017, the Company is evaluating the acquisition of up to 100% of the issued share capital of the Very Small Particle Company Limited(VSPC). Completion of this acquisition is subject to technical corporate finance due diligence to the Company's satisfaction by 30 September 2017. Subsequent to signing the term sheet, the Company will pay a non-refundable cash payment of up to $45,000 depending on the length of the due diligence period and subject to the successful completion of the due diligence, the Company will issue up to 61,151,326 fully paid ordinary LIT shares and 30,575,663 $0.25 partly paid LIT shares as consideration.

(f) On 13 September 2017, the Company entered into a memorandum of understanding with Poseidon Nickel to evaluate joint exploration and lithium processing opportunities at Lake Johnston and Ravensthorpe in Southern Western Australia.

(g) On 26 September 2017, the increase/(decrease) in share prices had the following effect on the fair value of the significant investments held:

INVESTMENT	SHARE PRICE AT 30/06/2017	SHARE PRICE AT 26/09/17	INCREASE/ (DECREASE) IN SHARE PRICE	NUMBER OF SHARES HELD AT 30/06/2017	INCREASE/ (DECREASE) IN FAIR VALUE
Lepidico Limited	$0.013	$0.012	($0.001)	322,118,748	($322,119)
Lefroy Exploration Limited	$0.130	$0.150	$0.020	3,000,000	$60,000
Metals Tech	$0.205	$0.120	($0.085)	2,000,000	($170,000)
Alix Resources	$0.050	$0.030	($0.020)	2,000,000	($40,000)
					($472,119)

For further information on these investments, refer to note 9.

23. RELATED PARTY TRANSACTIONS

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated. There were no other related party transactions other than transactions disclosed in Note 23.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of the Consolidated entity key management personnel in office at any time during the financial period are:

Key Management Person	Position
George Bauk	Non-Executive Chairman
Adrian Griffin	Managing Director
Bryan Dixon	Non-Executive Director
Barry Woodhouse	CFO & Company Secretary

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. The totals of remuneration paid to Key Management Personnel of the Consolidated entity during the year is as follows:

	2017 $	2016 $
Short-term benefits	541,401	399,785
Share based payments	395,901	850,225
Post-employment benefits	26,869	-
	964,171	1,250,010

25. CONTINGENT ASSETS

On the 11 October 2016, the Company entered into a binding letter agreement with MetalsTech. The Company will grant MetalsTech the licence to use Sileach™, LieNA™ or other Lithium Australia owned processing technologies. The licence will grant MetalsTech the exclusive right to use the licensed technology for any project in the province of Quebec, Canada, owned by MetalsTech or for any ore originating from a project within Quebec.

Lithium Australia will be entitled to receive a royalty of 2% of gross revenue derived by MetalsTech from selling all products that were beneficiated using the technology. In addition to royalty payments, MetalsTech will be required to issue Lithium Australia up to 5,000,000 Shares in the Company and 3,000,000 Options, subject to performance millstones as follows:

25. CONTINGENT ASSETS (continued)

(a) Proof of Concept: MetalsTech will issue LIT 500,000 Shares upon LIT achieving representative >90% Li extraction from bench scale testing using spodumene sourced from a MetalsTech projects.

(b) Quality Tests: MetalsTech will issue LIT 500,000 Shares upon LIT achieving representative >95% Li2CO3 purity ppt from leach liquors, using spodumene sourced from a MetalsTech project.

(c) Pilot Tests: MetalsTech will issue LIT 1,000,000 Shares and 500,000 Options upon LIT achieving representative extraction >90% Li recovery and >85% from leach liquor, in a continuous plant operation, using spodumene sourced from a MetalsTech projects.

(d) Scoping Study: MetalsTech will issue LIT 1,000,000 Shares and 500,000 Options upon MetalsTech delivering of a scoping study on one of the MetalsTech projects demonstrating that using the Technology, MetalsTech can produce a lithium carbonate product or lithium hydroxide product on cost competitive terms.

(e) Definitive Feasibility Study: MetalsTech will issue LIT 1,000,000 Shares and 500,000 Options upon MetalsTech delivering of a definitive feasibility study on one of the MetalsTech projects demonstrating that using the Technology, MetalsTech can produce a lithium carbonate product or lithium hydroxide product on cost competitive terms.

(f) Offtake: MetalsTech will issue LIT 500,000 Options upon MetalsTech executing a binding offtake agreement(s) for the supply of >5,000 tpa of lithium carbonate and/or lithium hydroxide from a processing plant using the Technology.

(g) Commencement of Plant Construction: MetalsTech will issue LIT 500,000 Options upon MetalsTech commission construction of a full-scale processing plant using the Technology (excluding pilot plant construction).

(h) First Commercial Production: MetalsTech will issue LIT 500,000 Options upon MetalsTech achieving first commercial production and sales of lithium carbonate and/or lithium hydroxide from a full-scale processing plant using the Technology.

26. CONTINGENT LIABILITIES

The Consolidated Entity has the following contingent liabilities as at 30 June 2017 (30 June 2016: Nil).
Acquisition of Lithophile Pty Ltd
On the 1st July 2016, Lithium Australia NL acquired 100% shareholding in Lithophile Pty Ltd for the consideration of $26,726 cash payment, 500,000 Shares, 500,000 Partly Paid Shares as well as Deferred Consideration Shares as listed below. The deferred consideration is not probable, and therefore the Group has not provided for such amounts in this financial report.

(a) First deferred consideration shares of 500,000 fully paid ordinary share and 500,000 partly paid shares (payable on completion of a prefeasibility study).
(b) Second deferred consideration shares of 1,500,000 fully paid ordinary share (payable on completion of study which indicated resources of no less than 1m tonne grading 1% lithium).

27. COMMITMENTS

(a) Exploration Expenditure

The Consolidated entity has certain obligations with respect to tenements and minimum expenditure requirements in Australia, as follows:

	2017 $	2016 $
Within 12 months	2,306,040	668,382
12 Months or longer and not longer than 5 years	2,306,040	668,382
Longer than 5 years	-	-
Total	**4,612,080**	**1,336,764**

(b) Other

Lithium Australia NL and Tin International AG, (subsidiary of German listed Deutsche Rohstoff AG), have entered into the Saxon Farm-In, Incorporated Joint Venture and Shareholders Agreement(“Agreement”). The Agreement considers the Sadisdorf deposit, located in Saxony, Germany as a key asset of the Joint Venture. LIT has the right to earn 15% of the to be established company by spending a total of EUR 750,000 on exploration of Sadisdorf until 30 June 2018. Alternatively, the company can elect to pay the outstanding amount in cash to Tin International by year-end. By investment of a further EUR 1.25 million over a 3-year period Lithium Australia has the right to further increase its interest in the Joint Venture Company to 50%. After the completion of this “earn-in” period, the partners equally bear the project development costs or are diluted accordingly. Tin International received a one-off payment of EUR 200,000 in LIT shares and EUR 50,000 in cash.

28. CONTROLLED ENTITY

Lithium Australia NL is the ultimate parent entity of the consolidated group.

The following was a controlled entity at the balance date and has been included in the consolidated financial statements. All shares held are ordinary shares.

Subsidiaries of Lithium Australia NL

Name		Country of Incorporation	Percentage Interest Held % 2017	Percentage Interest Held % 2016	Date Acquired/ Incorporated	Date of Deregistered/ Deconsolidated
(i)	Greater African Resources	Mauritius	100%	100%	26 January 2012	-
(ii)	Tyler Ray (Pty) Ltd	South Africa	74%	74%	26 January 2012	-
(iii)	Lithophile Pty Ltd	Australia	100%	0%	01 July 2016	-
(iv)	Resource Conservation and Recycling Corporation Pty Ltd	Australia	100%	0%	10 December 2016	-
(v)	Trilithium Erzgebirge GmbH	Germany	100%	0%	07 February 2017	-

(i) On 26 January 2012, the Company registered Greater African Resources, a company incorporated in Mauritius. Greater African Resources had no assets or liabilities at the date of acquisition.

(ii) Greater African Resources owns 74% of issued ordinary shares of Tyler Ray (Pty) Ltd.

(iii) On 01 July 2016, the Company acquired Lithophile Pty Ltd, a company incorporated in Australia. Lithophile had assets of $33,964 and liabilities of $34,012 at the date of acquisition.

(iv) On 10 December 2016, the Company registered Resource Conservation and Recycling Corporation Pty Ltd, a company incorporated in Australia. Resource Conservation and Recycling Corporation has no assets or liabilities at the date of incorporation.

(v) On 07 February 2017, the Company registered Trilithium Erzgebirge GmbH, a company incorporated in Germany. Trilithium Erzgebirge had no assets or liabilities at the date of incorporation. Greater African Resources owns 100% of issued ordinary shares of Trilithium Erzgebirge GmbH.

29. PARENT ENTITY INFORMATION

	Parent 2017 $	Parent 2016 $
Assets		
Current assets	3,624,543	9,619,465
Non-current assets	12,401,981	873,460
Total Assets	**16,026,524**	**10,492,925**
Liabilities		
Current liabilities	898,030	440,696
Total Liabilities	**898,030**	**440,696**
Equity		
Issued capital	29,221,087	20,936,454
Reserves	2,198,280	814,791
Accumulated losses	(16,290,873)	(11,699.016)
Total Equity	**15,128,494**	**10,052,229**
Loss for the period	(4,591,857)	(1,559,616)
Total comprehensive loss for the period	**(4,591,857)**	**(1,559,616)**

30. SHARE BASED PAYMENTS

The following share-based payment arrangements were in existence during the current reporting periods:

OPTIONS

Series	Grant Date	Date of Expiry	Exercise Price	Number under Option	Fair Value
Series 1	16 October 2015	1 July 2019	$0.15	4,316,666	$0.036
Series 2	16 October 2015	1 July 2019	$0.20	7,875,000	$0.031
Series 3	23 December 2015	1 July 2019	$0.30	9,200,000	$0.025
				21,391,666	

The weighted average remaining contractual life of options outstanding at year end was 2 years (2016: 3 years).

The weighted average exercise price of outstanding options at reporting date was $0.22 (2016: $0.23).

PERFORMANCE RIGHTS

Tranche 1	Issue Date	Date of Expiry	Number Issued	Fair Value
Tranche 1a	15 July 2015	01 July 2019	4,050,000	$-
Tranche 1b	15 July 2015	01 July 2019	2,025,000	$-
Tranche 1c	15 July 2015	01 July 2019	2,025,000	$-
			8,100,000	**$-**

Tranche 1	Issue Date	Date of Expiry	Number Issued	Fair Value
Tranche 1a	15 October 2015	01 July 2019	640,000	$-
Tranche 1b	15 October 2015	01 July 2019	800,000	$-
Tranche 1c	15 October 2015	01 July 2019	800,000	$-
			2,240,000	**$-**

Class 1	Issue Date	Date of Expiry	Number Issued	Fair Value
Class A	28 November 2016	01 July 2021	1,000,000	$74,025
Class B	28 November 2016	01 July 2021	2,000,000	$92,532
Class C	28 November 2016	01 July 2021	3,000,000	$53,228
Class D	28 November 2016	01 July 2021	4,000,000	$6,658
			10,000,000	**$226,443**

Class 2	Issue Date	Date of Expiry	Number Issued	Fair Value
Class A	01 December 2016	01 July 2021	375,000	$26,771
Class B	01 December 2016	01 July 2021	750,000	$33,463
Class C	01 December 2016	01 July 2021	1,125,000	$19,243
Class D	01 December 2016	01 July 2021	1,500,000	$2,396
			3,750,000	**$81,873**

Class 3	Issue Date	Date of Expiry	Number Issued	Fair Value
Class A	20 December 2016	01 July 2021	125,000	$6,985
Class B	20 December 2016	01 July 2021	250,000	$8,732
Class C	20 December 2016	01 July 2021	375,000	$5,011
Class D	20 December 2016	01 July 2021	500,000	$605
			1,250,000	**$21,333**

30. SHARE BASED PAYMENTS (continued)

Fair value of equity instruments granted in the year

The weighted average fair value of the equity instruments granted during the financial year is $0.0471 (2016: $0.0471). Equity instruments were priced using a modified Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 3 years. To allow for effects of early exercise, it was assumed that executives would exercise the options after vesting date when the share price is/was at a premium to the exercise price.

The inputs to the model are listed below.

	Option Series		
	Series 1	**Series 2**	**Series 3**
Exercise price	$0.15	$0.20	$0.30
Expected volatility	85%	85%	85%
Option life	4 years	4 years	4 years
Dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	2.1%	2.1%	2.1%

	Performance Rights			
	Tranche 1	**Class1**	**Class 2**	**Class 3**
Grant date share price	$0.075	$0.17	$0.165	$0.135
Exercise price	$-	$-	$-	$-
Expected volatility	N/A	N/A	N/A	N/A
Performance Right life	4 years	4.5 years	4.5 years	4.5 years
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	N/A	N/A	N/A	N/A

DIRECTORS' DECLARATION

The directors of Lithium Australia NL declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including compliance with accounting standards and:

    (a) comply with International Financial Reporting Standards as disclosed in note1(a); and
    (b) give a true and fair view of the Consolidated entity's financial position as at 30 June 2017 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the period ended on that date; and

2. At the date of this statement there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to S.295(5) of the Corporations Act 2001.

Adrian Griffin
Managing Director

Dated at Perth this 26th day of September 2017

Independent Auditor's Report

To the Members of Lithium Australia NL

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THINKING AHEAD

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lithium Australia NL ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(ai) in the financial report, which indicates that the Group incurred a net loss of $4,592,255 during the year ended 30 June 2017. As stated in Note 1(ai), these events or conditions, along with other matters as set forth in Note 1(ai), indicate that a material uncertainty exists that may cast significant doubt on the Groups ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Intangible Asset – Development Expenditure - $3,699,945 (refer to Note 11) The capitalized development costs of $3,699,945 as disclosed in Note 11 in the consolidated financial statements is considered to be a key audit matter due to the significance to the consolidated statement of financial position and the specific criteria that are required to be met for capitalization. This involves significant management judgement with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably.	Our procedures amongst others included: Assessing the recognition criteria for development costs; - Evaluating the key assumptions used for estimates made in capitalizing development costs related to the development of the various lithium extraction technologies and the generation of probable future economic benefits; - We tested additions to capitalised development expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records and the capitalisation requirements of the Group's accounting policy and the requirements of AASB 138; - We considered whether there were any impairment triggers and whether the technical feasibility to date has been successful, through discussions with management and review of feasibility reports undertaken during the period. We also obtained corroborative information that supports management's assessment that future economic benefits were attainable; and - We assessed the adequacy of the disclosures in Notes 11.

Key audit matter	How our audit addressed the key audit matter
Share based payments (Refer to Notes 14 and 30) As disclosed in Notes 14 and 30, the Group has performance rights on issue to related parties which are subject to various performance and service conditions and other equity settled transactions. Furthermore the Group has had several asset acquisitions whereby the consideration transferred was by way of Lithium Australia NL ordinary shares and partly paid shares. These are subject to the measurement and recognition criteria of *AASB 2 "Share-based payments".* We have identified this as a key audit matter as it involves significant assumptions made by Management in determining the probability of certain performance conditions being met.	Our procedures included amongst others: - Reconciliation of Performance Rights obtained; - Reviewing the underlying terms and conditions of Performance Rights on issue; - Ascertain whether Performance Rights have been valued correctly in accordance with *AASB 2* based on the terms and conditions of the Performance Rights; - Reviewed Management's assumptions made on the probabilities of the performance conditions being satisfied to ensure that they are reasonable; and - For new Performance Rights issued and all equity-settled transactions, we assessed the inputs used in the valuation to ascertain whether they are reasonable and in accordance with AASB 2. - For asset acquisitions we reviewed management's assumptions for determining the grant date and fair value of the shares issued. - We assessed the adequacy of the disclosures in Notes 14 and 30.
Exploration and Evaluation Expenditure – $2,977,849 (Refer to Note 10) Exploration and evaluation is a key audit matter due to: - The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset; and - The assessment of impairment of exploration and evaluation expenditure being inherently difficult.	Our procedures included, amongst others: - Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the company holds an interest and the exploration programmes planned for those tenements. - We agreed to the terms within the acquisition agreements and on a sample basis corroborated rights to tenure to government registries; - We tested the additions to capitalised expenditure for the year to underlying records and assessed the capitalisation requirements of the Company's accounting policy and the requirements of AASB 6; - We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest.

Key audit matter	How our audit addressed the key audit matter

	- We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure:
	  - the licenses for the right to explore expiring in the near future or are not expected to be renewed;
	  - substantive expenditure for further exploration in the specific area is neither budgeted or planned
	  - decision or intent by the Company to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and
	  - data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.
	- We assessed the appropriateness of the related disclosures in Note 10 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, 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 Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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 related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 judgement 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.

- 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Lithium Australia NL, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 26th day of September 2017

ADDITIONAL ASX INFORMATION

1. CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement can be found at www.lithium-au.com/corporate-governance/

2. SUBSTANTIAL SHAREHOLDERS

There are no substantial holders as at 20 September 2017.

3. ISSUED CAPITAL

The issued capital of the company as at 20 September 2017 consists of :

Quoted/Unquoted	Class	Number of Units	Number of Holders
Quoted	Fully Paid Ordinary Shares	296,931,239	5,307
Quoted	Partly Paid Contributing Shares	132,850,148	3,197
Unquoted	$0.15 Options	4,316,666	3
Unquoted	$0.20 Options	7,875,000	5
Unquoted	$0.30 Options	9,200,000	5
Unquoted	Performance Rights	10,340,000	5
Unquoted	Performance Rights	15,000,000	7

4. VOTING RIGHTS

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Partly-paid ordinary shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has a pro rata vote for every equivalent fully paid ordinary share held.

5. HOLDERS HOLDING LESS THAN A MARKETABLE PARCEL

The number of holders holding less than a marketable parcel of the entity's main class of securities as at 20 September 2017 are as follows:

Number of Holders	Number of units
851	1,767,735

6. DISTRIBUTION OF SHAREHOLDERS

The distribution of shareholders as at 20 September 2017 are as follows:

Distribution of equity securities	Fully Paid Ordinary Shares	Partly Paid Ordinary Shares	$0.15 Options	$0.20 Options	$0.30 Options	Performance Rights	Performance Rights
0-1,000	168	160					
1,001 - 5,000	1,312	1,198					
5,001 – 10,000	1,114	587					
10,001 - 100,000	2,304	1,092					
100,001 and over	412	171	3	5	5	5	7
TOTALS	**5,307**	**3,197**	**3**	**5**	**5**	**5**	**7**

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ADDITIONAL ASX INFORMATION (continued)

7. 20 LARGEST SHAREHOLDERS

The names of the 20 largest holders of each class of quoted security as at 20 September 2017 are as follows:

Fully Paid Ordinary Shares		**Number Held**	**% Held**
1.	JP Morgan Nominees Australia Limited	14,567,624	4.906
2.	Citicorp Nominees Pty Ltd	9,295,541	3.131
3.	Acuity Capital Investment Management Pty Ltd	9,249,024	3.115
4.	Mr Adrian Griffin	8,562,842	2.884
5.	Parkway Minerals NL	7,319,044	2.465
6.	Horn Resources Pty Ltd	5,597,679	1.885
7.	BNP Paribas Nominees Pty Ltd	4,512,599	1.520
8.	Alan Jenks	3,750,000	1.263
9.	Apollinax Inc	3,275,000	1.103
10.	TA Securities Holdings Berhad	3,128,598	1.054
11.	Gasmere Pty Ltd	3,008,888	1.013
12.	BNP Paribas Noms Pty Ltd	3,000,000	1.010
13.	Buzz Monty Pty Ltd	2,982,150	1.004
14.	Mr Basil Catsipordas	2,900,000	0.977
15.	HSBC Custody Nominees	2,769,568	0.933
16.	Buzz Monty Pty Ltd	2,357,150	0.794
17.	Lastrane Pty Ltd	2,125,000	0.716
18.	Wilderange Corporation Pty Ltd	1,851,351	0.623
19.	M&K Korkidas Pty Ltd	1,681,333	0.566
20.	Warrior Strategic Pty Ltd	1,616,886	0.545
		93,450,277	**31.472**

Partly Paid Ordinary Shares		**Number Held**	**% Held**
1.	Citicorp Nominees Pty Ltd	7,128,907	5.366
2.	Mr Adrian Griffin	5,291,718	3.983
3.	Mr Dennis Bell	4,392,633	3.306
4.	BNP Paribas Nominees Pty Ltd	4,183,659	3.149
5.	TR Nominees Pty Ltd	4,000,000	3.011
6.	BNP Paribas Nominees Pty Ltd	3,229,933	2.431
7.	Wilderange Corporation Pty Ltd	2,736,663	2.060
8.	Gasmere Pty Ltd	2,375,576	1.788
9.	Mr Robert Van Der Laan	2,273,523	1.711
10.	Alan Jenks	1,875,000	1.411
11.	Kingsreef Pty Ltd	1,794,550	1.351
12.	Davsms Investments Pty Ltd	1,667,924	1.255
13.	Apollinax Inc	1,637,500	1.233
14.	Kingsreef Pty Ltd	1,403,346	1.056
15.	Mrs Georgina Isla Pyle	1,403,143	1.056
16.	Horn Resources Pty Ltd	1,402,900	1.056
17.	Ms Jodie Marwick<Dixon Investments A/C>	1,143,750	0.861
18.	Alix Resources Corp	1,000,000	0.753
19.	Pershing Australia Nominees Pty Ltd<Accum A/C>	984,995	0.741
20.	Mr Lang Xu	830,321	0.625
		50,756,041	***38.205***

8. COMPANY SECRETARY

The Company's Secretary is Barry Woodhouse

9. REGISTERED OFFICE AND PRINCIPLE ADMINISTRATIVE OFFICE

Level 1, 675 Murray Street, West Perth, WA, 6005. Telephone number: 08 6145 0288

10. REGISTER OF SECURITIES

Register of securities is kept at Advanced Share Registry, 150 Stirling Highway, Nedlands, WA, 6009. Telephone number :08 9389 8033.

ADDITIONAL ASX INFORMATION (continued)

11. OTHER STOCK EXCHANGES

To the best of its knowledge, the Company's securities are not quoted on any other recognisable stock exchange.

12. RESTRICTED SECURITIES OR SECURITIES SUBJECT TO VOLUNTARY ESCROW

The number and class of restricted securities is nil. The number and class of securities subject to voluntary escrow is nil.

13. UNQUOTED SECURITIES

The following persons hold 20% or more of the equity securities in an unquoted class:

Class	Holder	Number of units	% Held
$0.15 Options	Bryan Dixon	1,250,000	29%
$0.15 Options	Barry Woodhouse	1,466,666	34%
$0.15 Options	Peter Nesveda	1,600,000	37%
$0.20 Options	Adrian Griffin	2,175,000	28%
$0.20 Options	Barry Woodhouse	1,600,000	20%
$0.20 Options	Peter Nesveda	1,600,000	20%
$0.30 Options	Adrian Griffin	3,000,000	33%
Performance Rights	Adrian Griffin	4,050,000	39%
Performance Rights	Adrian Griffin	5,000,000	33%

14. REVIEW OF OPERATIONS

A review of operations and activities for the reporting period that complies with Sections 299 and 299A are outlined in the Directors' report.

15. ON MARKET BUY BACKS

There is no current on market by back of Lithium Australia shares.

16. SCHEDULE OF MINERAL TENEMENTS

TENEMENT	PROJECT	HOLDER	GRANT DATE
E09/2168	YINNIETHARRA	LITHIUM AUSTRALIA NL	22/02/2017
E09/2191	THOMAS RIVER	LITHOPHILE PTY LTD	29/11/2016
E09/2200	MOUNT JAMES 2	LITHOPHILE PTY LTD	8/03/2017
E09/2201	MOUNT JAMES 1	LITHOPHILE PTY LTD	8/03/2017
E09/2203	MOUNT JAMES 3	LITHOPHILE PTY LTD	17/03/2017
M15/1809	COOLGARDIE	FOCUS MINERALS	4/02/2013
P15/5519	COOLGARDIE	FOCUS MINERALS	3/02/2011
P15/5574	COOLGARDIE	FOCUS MINERALS	10/08/2011
P15/5575	COOLGARDIE	FOCUS MINERALS	10/08/2011
P15/5625	COOLGARDIE	FOCUS MINERALS	9/08/2013
P15/5626	COOLGARDIE	FOCUS MINERALS	14/12/2011
P15/5629	COOLGARDIE	FOCUS MINERALS	9/08/2013
P15/5739	COOLGARDIE	FOCUS MINERALS	17/01/2013
P15/5740	COOLGARDIE	FOCUS MINERALS	17/01/2013
P15/5741	COOLGARDIE	FOCUS MINERALS	17/01/2013
P15/5742	COOLGARDIE	FOCUS MINERALS	17/01/2013

ADDITIONAL ASX INFORMATION (continued)

P15/5743	**COOLGARDIE**	**FOCUS MINERALS**	**17/01/2013**
P15/5749	**COOLGARDIE**	**FOCUS MINERALS**	**3/04/2013**
E45/4654	**HILLSIDE 1**	**LITHIUM AUSTRALIA NL**	**4/07/2017**
E45/4655	**HILLSIDE 2**	**LITHIUM AUSTRALIA NL**	**4/07/2017**
E45/4660	**HILLSIDE 3**	**LITHIUM AUSTRALIA NL**	PENDING
E45/4668	**HILLSIDE 4**	**LITHIUM AUSTRALIA NL**	**3/07/2017**
E45/4627	**KANGAN**	**VENUS METALS**	**11/10/2016**
E45/4630	**MUNGALEENA**	**VENUS METALS**	**6/02/2017**
E45/4684	**STRELLEY**	**VENUS METALS**	**2/02/2017**
P45/3004	**KAGAN**	**VENUS METALS**	**4/11/2016**
E51/1795	COBALARK 1	LITHIUM AUSTRALIA NL	PENDING
E51/1796	COBALARK 2	LITHIUM AUSTRALIA NL	PENDING
E63/1777	**MT DAY**	**LITHIUM AUSTRALIA NL**	**7/10/2016**
E63/1805	**MT DAY A**	**LITHIUM AUSTRALIA NL**	**28/02/2017**
E63/1806	**MT DAY B**	**LITHIUM AUSTRALIA NL**	**28/02/2017**
E63/1807	MT DAY C	LITHIUM AUSTRALIA NL	PENDING
E63/1808	MT DAY D	LITHIUM AUSTRALIA NL	PENDING
E63/1809	LAKE JOHNSON SOUTH	LITHIUM AUSTRALIA NL	PENDING
E63/1866	LAKE JOHNSON	LITHIUM AUSTRALIA NL	PENDING
P63/2059	MT DEANS	LITHIUM AUSTRALIA NL	PENDING
P63/2060	MT DEANS	LITHIUM AUSTRALIA NL	PENDING
P63/2061	MT DEANS	LITHIUM AUSTRALIA NL	PENDING
E70/4690	GREENBUSHES SF 52%	LITHIUM AUSTRALIA NL	PENDING
E70/4777	GREENBUSHES SF 100%	LITHIUM AUSTRALIA NL	PENDING
E70/4778	**GREENBUSHES**	**LITHIUM AUSTRALIA NL**	**19/04/2016**
E70/4788	**GREENBUSHES KANGAROO**	**LITHIUM AUSTRALIA NL**	**1/07/2016**
E70/4789	**GREENBUSHES KOALA**	**LITHIUM AUSTRALIA NL**	**1/07/2016**
E70/4790	**GREENBUSHES SOUTH**	**LITHIUM AUSTRALIA NL**	**1/07/2016**
E70/4888	**GREENBUSHES A SF17%**	**LITHIUM AUSTRALIA NL**	**3/04/2017**
E70/4889	GREENBUSHES B SF 98%	LITHIUM AUSTRALIA NL	PENDING
E70/4890	**GREENBUSHES C SF 48%**	**LITHIUM AUSTRALIA NL**	**13/04/2017**
P70/1698	GREENBUSHES SF 100%	LITHIUM AUSTRALIA NL	PENDING
P70/1699	GREENBUSHES SF 100%	LITHIUM AUSTRALIA NL	PENDING
P70/1700	GREENBUSHES SF 100%	LITHIUM AUSTRALIA NL	PENDING
P70/1701	GREENBUSHES SF 95%	LITHIUM AUSTRALIA NL	PENDING

ADDITIONAL ASX INFORMATION (continued)

P70/1702	GREENBUSHES SF 100%	LITHIUM AUSTRALIA NL	PENDING
P70/1703	GREENBUSHES SF 100%	LITHIUM AUSTRALIA NL	PENDING
P70/1704	GREENBUSHES SF 100%	LITHIUM AUSTRALIA NL	PENDING
E74/0543	**RAVENSTHORPE**	**LITHIUM AUSTRALIA NL**	**24/01/2014**
E77/2279	**LAKE SEABROOK**	**LITHIUM AUSTRALIA NL**	**27/07/2015**
E77/2437	LAKE SEABROOK	GAZZARD INVESTMENTS PL	PENDING
E77/2465	LAKE SEABROOK	GAZZARD INVESTMENTS PL	PENDING
E80/5002	**OSMOND RANGE GRAPHITE**	**LITHIUM AUSTRALIA NL**	**PENDING**
EL 30897	**ANGERS/BYNOE NT**	**LITHIUM AUSTRALIA NL**	**22/03/2016**
EPM 26252	**CAPE YORK PROJECT 1**	**LITHIUM AUSTRALIA NL**	**19/01/2017**
EPM 26253*	CAPE YORK PROJECT 6	LITHIUM AUSTRALIA NL	PENDING
EPM 26254*	CAPE YORK PROJECT 5	LITHIUM AUSTRALIA NL	PENDING
EPM 26255	**CAPE YORK PROJECT 2**	**LITHIUM AUSTRALIA NL**	**13/02/2017**
EPM 26257*	CAPE YORK PROJECT 7	LITHIUM AUSTRALIA NL	PENDING
EPM 26339	**CAPE YORK AMBER 1**	**LITHIUM AUSTRALIA NL**	**13/04/2017**
EPM 26353	CAPE YORK COBREE	LITHIUM AUSTRALIA NL	PENDING
EPM 26394	**CAPE YORK AMBER 2**	**LITHIUM AUSTRALIA NL**	**13/04/2017**
EPM 26395	**CAPE YORK AMBER 3**	**LITHIUM AUSTRALIA NL**	**13/04/2017**
EPM 26396	CAPE YORK AMBER 4	LITHIUM AUSTRALIA NL	PENDING
EPM 26544	CAPE YORK AMBER 5	LITHIUM AUSTRALIA NL	PENDING
EPM 26583	CAPE YORK AMBER 6	LITHIUM AUSTRALIA NL	PENDING
EPM 26584	CAPE YORK AMBER 7	LITHIUM AUSTRALIA NL	PENDING
EPM 26585	CAPE YORK AMBER 8	LITHIUM AUSTRALIA NL	PENDING
ELA 2017/0005	DUDLEY SA	LITHIUM AUSTRALIA NL	PENDING
EL 5960	**VIVONNE SA**	**LITHIUM AUSTRALIA NL**	**9/05/2017**
ERA 1041	POIMENA TAS	LITHIUM AUSTRALIA NL	PENDING