



## **LITHIUM AUSTRALIA NL**

ACN 126 129 413

## **FINANCIAL REPORT**

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**FOR THE HALF- YEAR ENDED 31 DECEMBER 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**

### **REGISTERED OFFICE**

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### **AUDITORS**

Bentley's Audit & Corporate (WA) Pty Ltd  
Level 3  
216 St Georges Terrace  
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### **SHARE REGISTRY**

Advanced Share Registry  
110 Stirling Highway  
Nedlands WA 6009

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### **STOCK EXCHANGE LISTING**

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

## 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 half-year ended 31 December 2017.

## 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 |

## COMPANY SECRETARY

Barry Woodhouse

## RESULTS OF OPERATIONS

The operating loss after income tax of the Consolidated entity for the half-year ended 31 December 2017 was \$1,869,954 (31 December 2016: loss of \$2,649,977).

No dividend has been paid during or is recommended for the financial period ended 31 December 2017.

## FINANCIAL POSITION

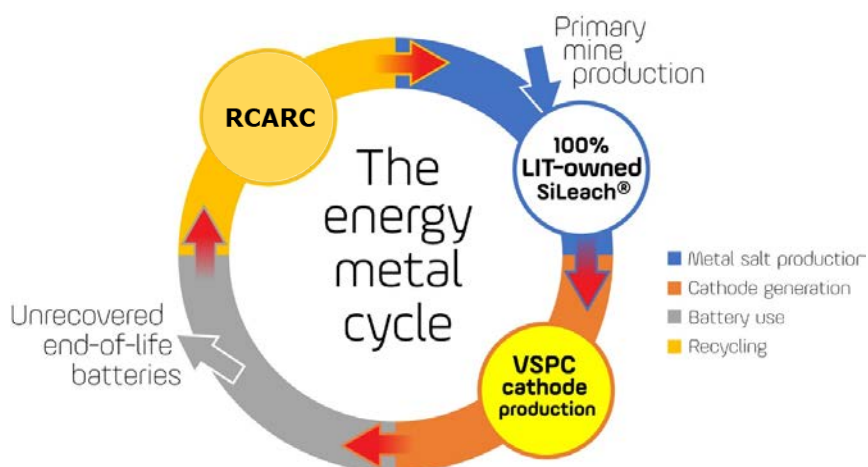
The Consolidated entity's working capital surplus, being current assets less current liabilities was \$15,166,707 at 31 December 2017 (30 June 2017: working capital surplus of \$2,726,613).

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

### DEVELOPMENT STRATEGY

Lithium Australia NL (ASX: LIT) has advanced its goal of developing an integrated lithium company with the capability of capitalising on all major sectors of the lithium supply chain, and in so doing closing the loop on the lithium production cycle.



Key elements of LIT's strategy include the following.

- 100% owned SiLeach® technology is capable of converting mine waste to lithium chemicals;
- VSPC technology can convert lithium chemicals to superior lithium-ion battery cathode materials; and
- Recycling technology will recover valuable metals from spent batteries, closing the loop on the energy metal cycle.

LIT's technology development is supported by a growing resource base, which – coupled with its SiLeach® process – can breathe new life into otherwise stranded assets. A prime example is the association of tin with lithium mineralisation, as exemplified by the Sadisdorf deposit in Germany (see below).

Patent authorities have confirmed that SiLeach® is novel, inventive and has industry application. LIT has supported a significant research and development programme to achieve this goal and is now packaging the funding necessary to implement a large-scale pilot plant ('LSPP'). The latter, which is likely to be the world's first hydrometallurgical facility for the production of lithium chemicals from silicates, will be fed by mine waste to achieve the desired outcome.

### **LARGE-SCALE SILEACH® PILOT PLANT**

Engineering design studies and financial modelling have shown that LIT's proposed SiLeach® LSPP can produce lithium chemicals from waste in the form of lithium micas on a competitive basis. Further, the studies have identified multiple avenues for more substantial capital and operating-cost reductions – key findings released during the quarter by LIT and CPC Project Design Pty Ltd. Design studies for the LSPP were based on annual production of 2,500 tonnes of lithium carbonate equivalent (~1/10th the scale of a full-scale production plant).

At present, LIT's preferred supply model is that of obtaining lithium mica from the waste streams (historical dumps and tailings) of currently operating mines; that said, other supply opportunities are also being evaluated.

### **CATHODE MATERIALS FROM VSPC**

LIT has acquired a controlling interest in the Very Small Particle Company Ltd ("VSPC").

VSPC owns the following assets:

- Proprietary processes for the production of lithium-ion battery cathode materials;
- A comprehensive pilot plant; and
- Advanced laboratory and testing facilities.

The VSPC technology, which can be adapted to the production of a wide range of cathode materials, is a simple and cost-effective means of producing such materials within an environment of superior quality control.

VSPC technology begins with cathode metals in a solution from which the cathode nanoparticles are precipitated. The VSPC process is compatible with solutions produced during the processing of hard-rock minerals to recover lithium carbonate or lithium hydroxide. Potentially, production of cathode materials direct from such solutions removes two steps involved in the manufacture of cathode materials, resulting in a revolutionary process that capitalises on the value-add generated by progressing from lithium chemicals to cathode materials. LIT is currently investigating the seamless production of cathode materials from hard-rock minerals using hydrometallurgical front-end processes, including both its own 100%-owned SiLeach® process and the LMax® process of Lepidico Ltd, for which LIT has exclusive rights in Western Australia.

### **EXPLORATION ACTIVITIES**

#### **SADISDORF – GERMANY**

Last year, LIT farmed into a joint venture ('JV') with Tin International AG (see [ASX announcement](#) 25 March 2017). The style of mineralisation at Sadisdorf – an historic tin mine in Saxony, Germany, close to the border with the Czech Republic – is a greisen (altered granite). The tin mineralisation is enveloped by a pervasive lithium-mica alteration. Application of LIT's SiLeach® technology provides an opportunity to combine the value of the tin with that of the lithium, the latter contained within minerals otherwise considered waste.

### Maiden lithium resource estimate completed

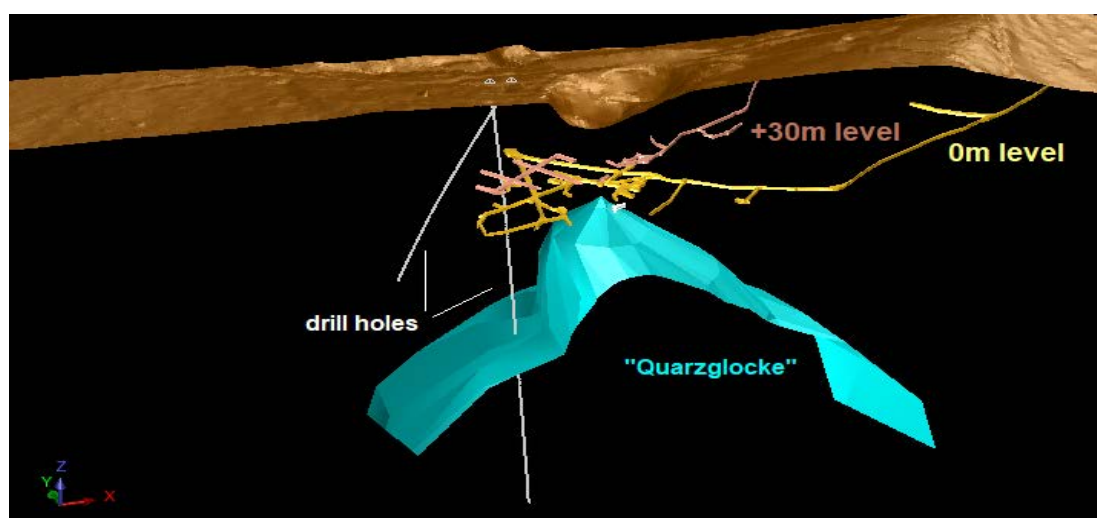
CSA Global, a leading international mining consultancy, has estimated an Inferred Mineral Resource at Sadisdorf of 25 million tonnes grading 0.45% Li<sub>2</sub>O (see Table 1 below), based on re-analysis and re-interpretation of historical drilling and underground sampling there. Reporting was in accordance with JORC 2012 ([ASX announcement](#) 7 December 2017).

| Classification   | Domain        | Tonnes (Mt) | Li (%)      | Li <sub>2</sub> O (%) |
|--|---------------|-------------|-------------|-----------------------|
| Inferred   | Inner greisen | 17          | 0.22        | 0.47                  |
| Inferred   | Outer greisen | 8           | 0.20        | 0.43                  |
| <b>Inferred</b>  | <b>Total</b>  | <b>25</b>   | <b>0.21</b> | <b>0.45</b>           |
| <i>Note: the Mineral Resource was estimated within constraining wireframe solids defined above (with a nominal 0.15% Li cut-off). The Mineral Resource is reported from all blocks within these wireframe solids. Differences may occur due to rounding.</i> |               |             |             |                       |

**Table 1. Inferred Mineral Resource estimate for Sadisdorf.**

Resource modelling has confirmed that the dormant tin mine, which contains significant lithium mineralisation, can be considered a polymetallic deposit with value contributions from lithium, tin and tungsten. Moreover, application of SiLeach® has the potential to provide significant by-product credits (e.g. potassium sulphate fertiliser, sodium silicate).

LIT has begun drilling at Sadisdorf to improve resource definition and progress to a resource upgrade. A total of 460 m from two diamond core holes will duplicate selected historic drill holes, with large-diameter core (101 mm, SK6L) facilitating collection of samples for future metallurgical testwork. A 3D view of the planned drilling is shown below.



**3D view of holes planned for the JV's maiden drilling programme.**

LIT's Sadisdorf JV partner Tin International AG previously defined a JORC (2012) tin Inferred Mineral Resource of 3.36 Mt grading 0.44% Sn (at a cutoff of 0.25% Sn). Further exploration tenure has been granted to both Tin International, and Lithium Australia subsequent to the end of the half year.

### ELECTRA PROJECT – SONORA, MEXICO

LIT earned a 54% interest in the Electra lithium clay project (a JV with Infinite Lithium Corporation [previously Alix Resources Corporation], AIX-TSX: V) during the December 2017 quarter.

A drilling programme at the Agua Fria prospect completed in the September 2017 quarter, identified a prospective sedimentary sequence known as the 'West Flank' (see diagram below). This will be further investigated, in order to identify the controls of higher-grade lithium values close to surface, where open-pit mining can be undertaken with minimal waste stripping.

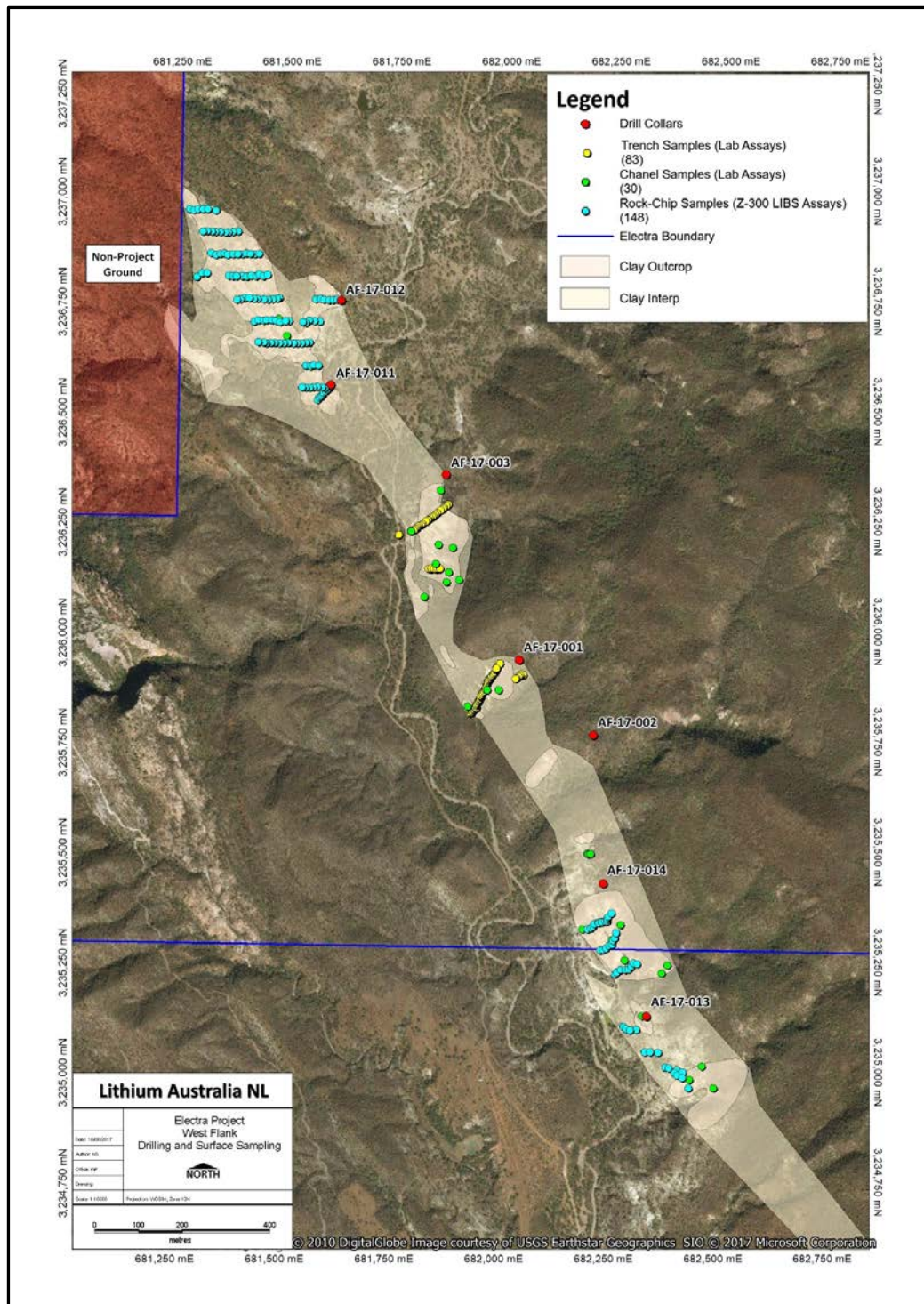


Metallurgical testing of material from the Agua Fria drilling has established the following.

- Acid leaching at 50° C achieves 99% extraction of lithium in only four hours;
- No roasting is required; and
- No expensive reagents are required.

A large sample from Agua Fria has been delivered to Curtin University for further evaluation, with preliminary results to be reported during the March 2018 quarter.

In addition to their significant lithium values, the clay horizons at Agua Fria are anomalous in potassium, which may be recoverable as potassium sulphate, a major component of NPK fertilisers. There is, therefore, potential for a valuable by-product credit to the project's economics.



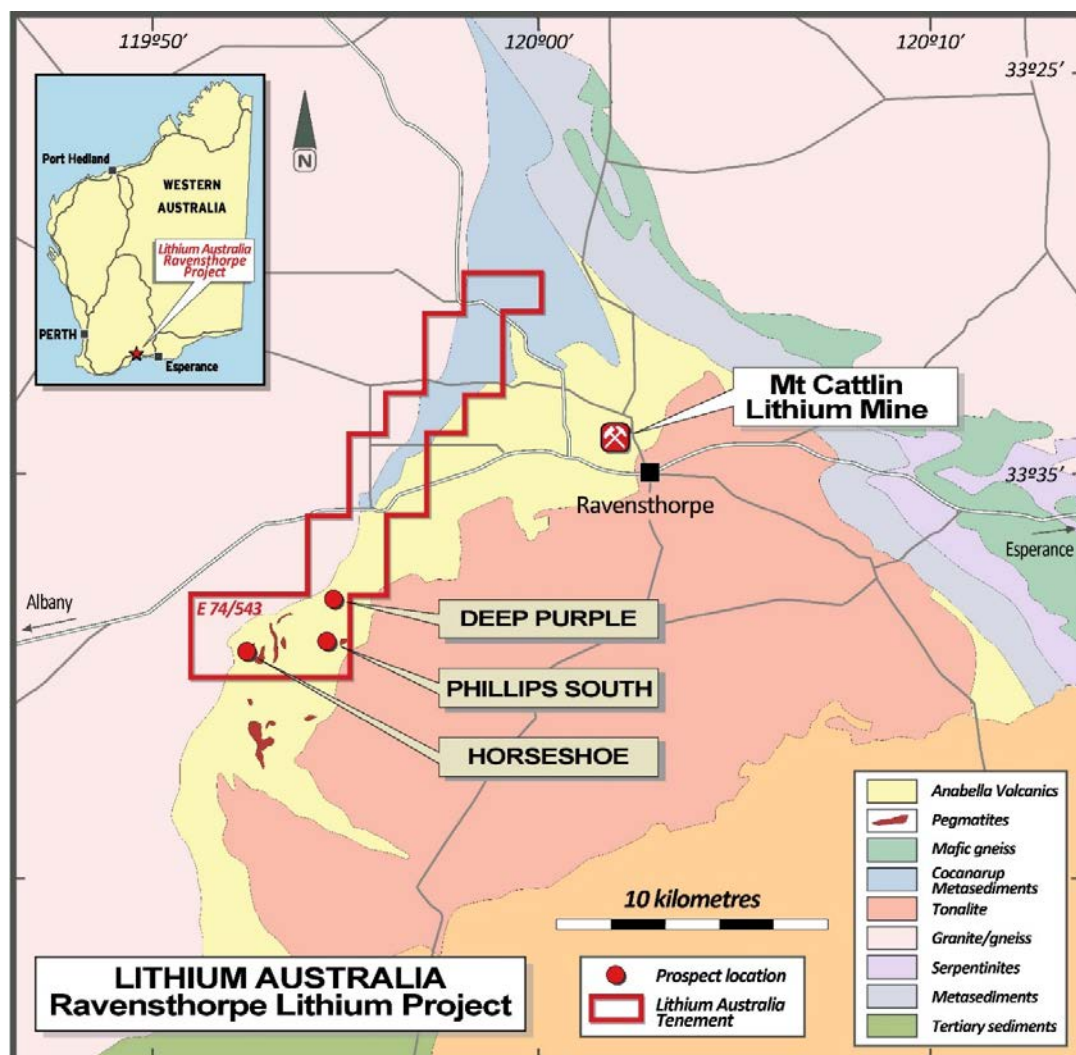
Electra Project – West Flank: drilling and surface sampling location map.

## PILGANGOORA – WESTERN AUSTRALIA

LIT has a strategic alliance with Venus Metals Corporation (ASX: VMC). A field crew was despatched to undertake ground reconnaissance, mapping and sampling on VMC's Pilgangoora project in the Pilbara region of Western Australia.

## RAVENSTHORPE – WESTERN AUSTRALIA

Drilling of the Horseshoe Pegmatite within LIT's 100%-owned Ravensthorpe project, located 420 km east of Perth (see below), failed to define any economic lithium mineralisation. Costeaming completed on that pegmatite ([ASX release 26 May 2017](#)) showed that both lepidolite and spodumene mineralisation were irregular, forming discrete veins and pods. Further costeams are planned before any further drilling is undertaken at the Horseshoe Pegmatite, in order to better quantify the nature of the mineralisation.



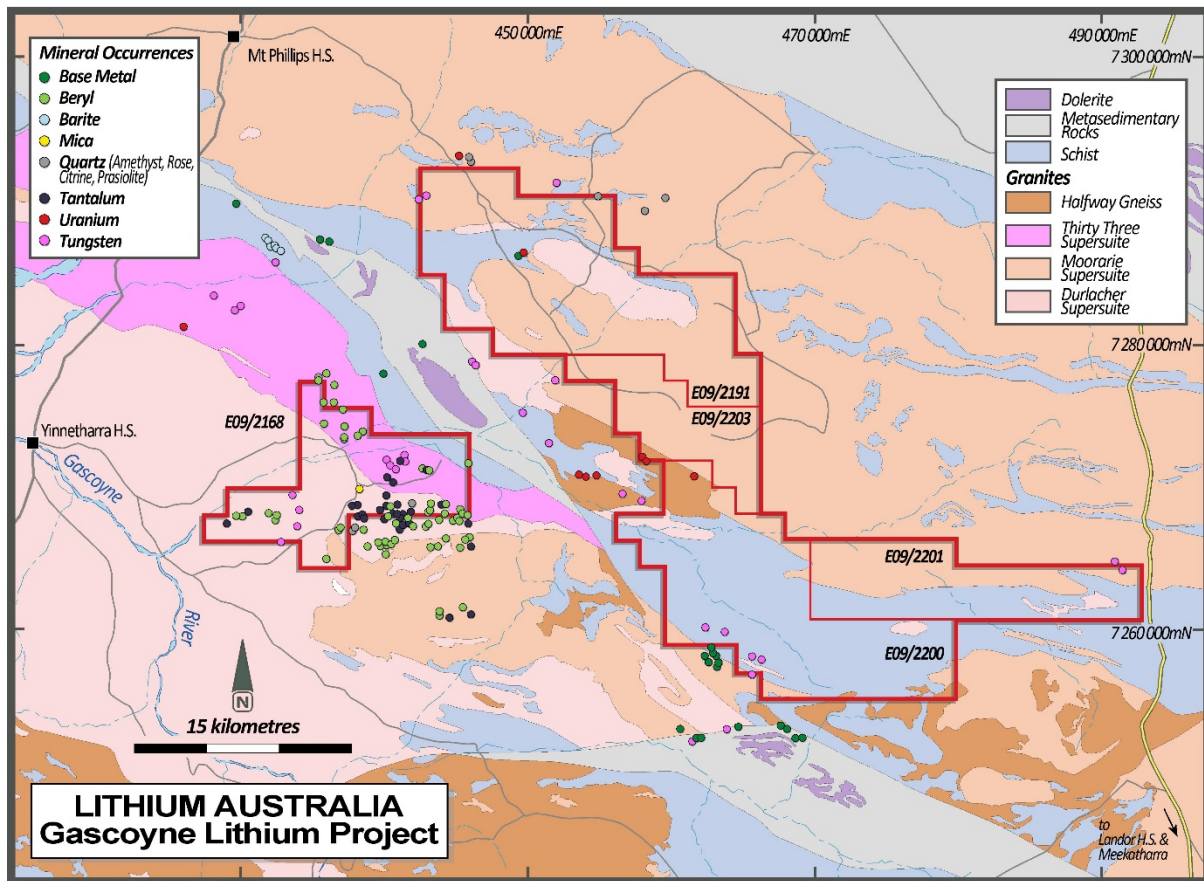
Location of LIT's Ravensthorpe lithium project.

Wet weather adversely affected drill-rig access and terminated the drilling campaign prematurely. Subsequent heavy rains also delayed drilling planned for Deep Purple, a lepidolite pegmatite east of the Horseshoe Pegmatite.

## GASCOYNE – WESTERN AUSTRALIA

Geological reconnaissance and sampling has begun at LIT's 100%-owned Gascoyne project (see map below), 800 km north-northeast of Perth. The project, which lies along strike and adjacent to the Nardoo Pegmatite District, is spatially associated with peraluminous S-type granites of the Thirty Three and Durlacher Supersuites. These granites are interpreted to be the source of the pegmatites, as well as known lithium, rubidium, niobium, tantalum, tungsten and tin occurrences in the region.

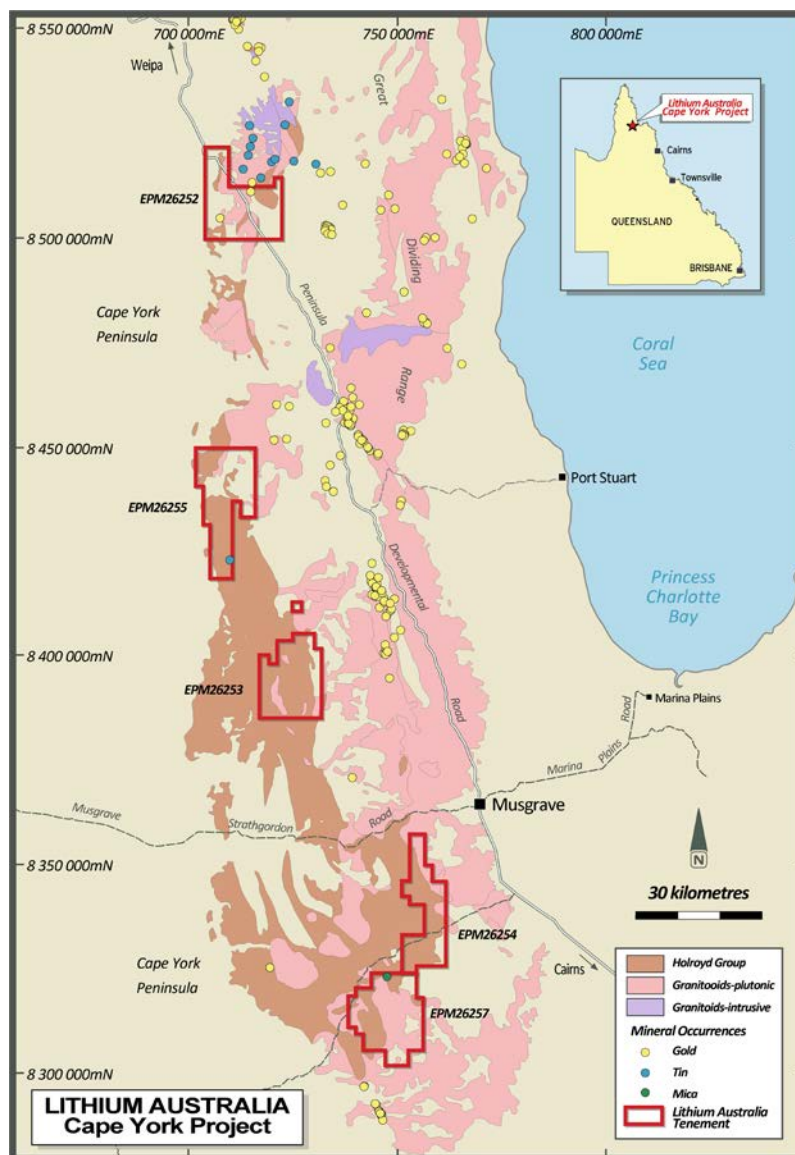




Location of LIT's Gascoyne lithium project.

## CAPE YORK – QUEENSLAND

LIT's 100%-owned Cape York project lies on the Cape York Peninsula in Queensland, 1,700 km northwest of Brisbane (ASX release [26 July 2016](#)). On 20 December 2016 Notice to Progress EPM26252 was received, with the tenement granted on 19 January 2017.



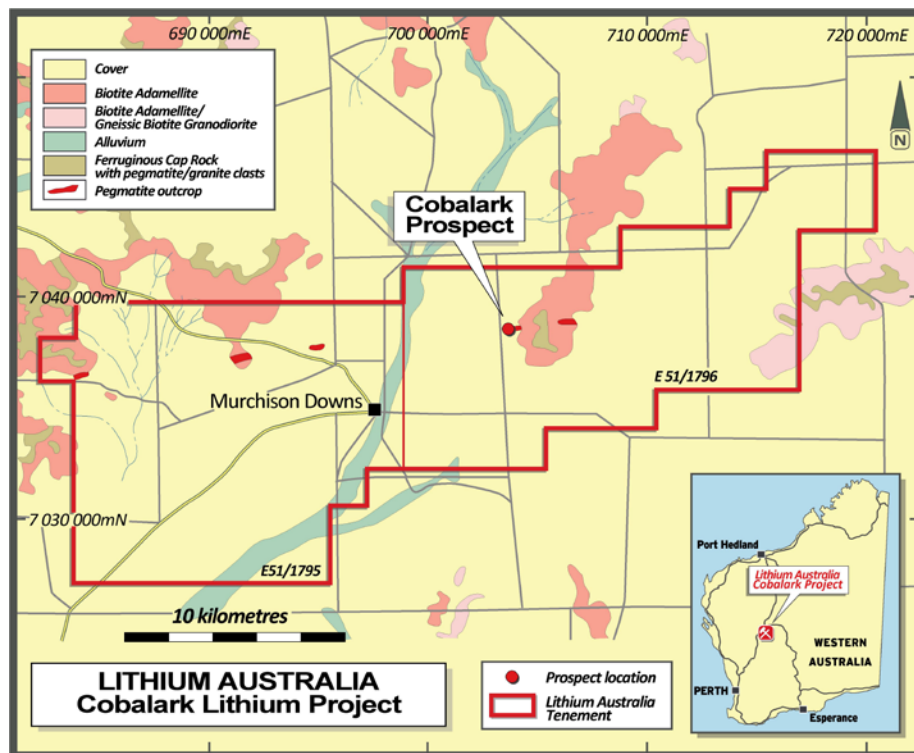
Location of LIT's Cape York project on the contact between the Holroyd Group and fertile granites.

### COBALARK – WESTERN AUSTRALIA

LIT has applied for two exploration licences covering 355 km<sup>2</sup> at its 100%-owned Cobalark project 670 km northeast of Perth.

The tenements cover the Cobalark tantalum prospect and pegmatite outcrops along the Cobalark structural trend (see below). Previous exploration recorded more pegmatite outcrops than those mapped by the Geological Survey of Western Australia. Contact metamorphic effects within the host biotite adamellite suggest that greisens have developed along some of the contacts. Tantalum occurs as fine, disseminated grains in both the pegmatite and ferruginous capping rocks.

To date, no lithium exploration has occurred over any of the pegmatites in the project area.



Location of LIT's Cobalark project.

## OTHER OPPORTUNITIES

LIT is also exploring other opportunities in tantalum, tungsten, cobalt-manganese, graphite and rare-earth metals, with a view to directing further exploration efforts on currently held ground and via potential acquisition of quality Australian and overseas properties.

## SUBSEQUENT EVENTS

- (a) On 1 February 2018, the Company committed to the development of a Sileach® large-scale pilot plant. The Company has approved the front-end engineering and design (FEED) and will procure long-lead equipment in an effort to reduce the time frame through to commissioning and production, currently scheduled for early 2021.
- (b) On 13 February 2018 pursuant to the Controlled Placement Agreement, the Company issued 3,250,000 fully paid ordinary shares at \$0.20 per share.
- (c) On 13 February 2018, the Company issued 606,874 fully paid ordinary shares to suppliers and 1,091,365 fully paid ordinary shares under the Director & Senior Management Fee & Remuneration Sacrifice Share Plan.
- (d) On 27 February 2018, the Company executed a binding Share Sale and Purchase Agreement, including lodgement of a transaction-specific prospectus with ASIC to facilitate the consideration payable for the acquisition of 100% of the issued share capital of the Very Small Particle Company Ltd.
- (e) On 28 February 2018, the Company issued 61,133,540 fully paid ordinary shares at \$0.16 per share and 30,566,770 partly paid shares at \$0.028 per share, as consideration for the purchase of the Very Small Particle Company Ltd. This constitutes a business combination under AASB 3. Given the timing of the transaction, the identifiable fair value of the net assets acquired was unable to be determined.

## **SUBSEQUENT EVENTS (continued)**

- (f) On 1 March 2018, the Company secured \$18,270,000 (face value \$21,000,000) convertible note facility with a leading institutional investor, Arena Investors LP. The notes are unsecured and will be drawn-down in six separate tranches, each with a 12 month maturity, as follows:
- \$3,045,000 (face value \$3,500,000) to be received upon signing of the Convertible Note Deed and issued under the Company's existing placement capacity;
  - \$4,350,000 (face value \$5,000,000) (subject to shareholder approval) for the Second Tranche which may be drawn after shareholder approval which must be obtained within 45 days of the date of signing the Convertible Note Deed; and
  - \$2,720,000 (face value \$3,125,000) (subject to shareholder approval) for each of the remaining four tranches, with a minimum of 4 months between drawdowns or such other time as permitted by the ASX Listing Rules.

Other than as listed above, there have not been any other material events subsequent to the end of the reporting date and the date of this report that have not been included in this financial report.

## **AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, Bentleys, to provide the directors of the Consolidated Entity with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 11 and forms part of this directors' report for the half-year ended 31 December 2017.

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



**Adrian Griffin**  
**Managing Director**

Dated at Perth this 14<sup>th</sup> day of March 2018

### **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 Audit & Corporate  
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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 review of the financial statements of Lithium Australia NL for the period ended 31 December 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**DOUG BELL CA**  
**Director**

Dated at Perth this 14<sup>th</sup> day of March 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2017

|  |      | 31 December<br>2017 | 31 December<br>2016 |
|--|------|---------------------|---------------------|
|  | Note | \$                  | \$                  |
| <b>Continuing Operations</b>                                   |      |                     |                     |
| Revenue  |      | 31,464              | 22,064              |
| Other Revenue  | 2    | 2,006,221           | 879,161             |
| Occupancy costs  |      | (36,726)            | (44,726)            |
| Professional fees  |      | (437,588)           | (155,120)           |
| Corporate fees   |      | (336,802)           | (387,180)           |
| Employee benefits expense                                      |      | (1,530,643)         | (883,674)           |
| Administration costs   |      | (394,587)           | (180,285)           |
| Fair value of investments adjustment                           |      | -                   | (40,040)            |
| Realised gains on financial assets                             |      | -                   | 96,905              |
| Unrealised gains/(losses) on financial assets                  |      | -                   | (1,395,714)         |
| Depreciation and amortisation                                  |      | (21,013)            | (12,432)            |
| Exploration and evaluation costs written off                   |      | (1,150,280)         | (548,936)           |
| <b>Profit/(Loss) before income tax</b>                         |      | (1,869,954)         | (2,649,977)         |
| Income tax expense   |      | -                   | -                   |
| <b>Profit/(Loss) from continuing operations</b>                |      | (1,869,954)         | (2,649,977)         |
| <b>Other comprehensive income</b>                              |      |                     |                     |
| Items that may be reclassified subsequently to profit or loss: |      |                     |                     |
| Translation of foreign currency                                |      | 3,602               | -                   |
| Net fair value gain on available for sale financial assets     |      | 4,876,472           | (321,319)           |
| <b>Total comprehensive income for the year</b>                 |      | <b>3,010,120</b>    | <b>(2,971,296)</b>  |
| <b>Profit/(Loss) for the year attributable to:</b>             |      |                     |                     |
| Members of the controlling entity                              |      | (1,869,954)         | (2,550,967)         |
| Non controlling interest                                       |      | -                   | (99,010)            |
|  |      | (1,869,954)         | (2,649,977)         |
| <b>Total comprehensive income attributable to:</b>             |      |                     |                     |
| Members of the controlling entity                              |      | 3,010,120           | (2,872,286)         |
| Non controlling interest                                       |      | -                   | (99,010)            |
|  |      | 3,010,120           | (2,971,296)         |
| Basic Loss per share (cents per share)                         |      | (0.60)              | (1.06)              |

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 31 December 2017**

|                                  |             | <b>31 December<br/>2017</b> | <b>30 June<br/>2017</b> |
|----------------------------------|-------------|-----------------------------|-------------------------|
|                                  | <b>Note</b> | <b>\$</b>                   | <b>\$</b>               |
| <b>Current Assets</b>            |             |                             |                         |
| Cash and cash equivalents        |             | 15,664,937                  | 2,586,506               |
| Trade and other receivables      |             | 461,413                     | 1,038,137               |
| Financial assets                 |             | 751                         | -                       |
| <b>Total Current Assets</b>      |             | <b>16,127,101</b>           | <b>3,624,643</b>        |
| <b>Non Current Assets</b>        |             |                             |                         |
| Financial assets                 | 3           | 3,554,883                   | 5,631,545               |
| Exploration Expenditure          | 4           | 2,865,858                   | 2,977,849               |
| Intangible assets                | 5           | 4,317,105                   | 3,699,945               |
| Property, plant and equipment    |             | 93,824                      | 92,542                  |
| <b>Total Non Current Assets</b>  |             | <b>10,831,570</b>           | <b>12,401,881</b>       |
| <b>TOTAL ASSETS</b>              |             | <b>26,958,771</b>           | <b>16,026,524</b>       |
| <b>Current Liabilities</b>       |             |                             |                         |
| Trade and other payables         |             | 960,394                     | 898,030                 |
| <b>Total Current Liabilities</b> |             | <b>960,394</b>              | <b>898,030</b>          |
| <b>TOTAL LIABILITIES</b>         |             | <b>960,394</b>              | <b>898,030</b>          |
| <b>NET ASSETS</b>                |             | <b>25,998,377</b>           | <b>15,128,494</b>       |
| <b>Equity</b>                    |             |                             |                         |
| Issued capital                   | 6           | 36,610,974                  | 29,221,087              |
| Reserves                         | 7           | 3,625,280                   | 2,198,280               |
| Accumulated losses               |             | (14,237,877)                | (16,290,873)            |
| <b>TOTAL EQUITY</b>              |             | <b>25,998,377</b>           | <b>15,128,494</b>       |

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

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** **For the Half-Year Ended 31 December 2017**

|   | Issued<br>Capital | Share Based<br>Payment<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Investment<br>Revaluation<br>Reserve | Accumulated<br>Losses | Non-<br>Controlling<br>Interest | Total             |
|---|-------------------|-----------------------------------|---|--------------------------------------|-----------------------|---------------------------------|-------------------|
|   | \$                | \$                                | \$  | \$                                   | \$                    | \$                              | \$                |
| Balance at 1 July 2016  | 20,936,454        | 691,225                           | (2,414)                                       | 125,980                              | (11,698,618)          | -                               | 10,052,627        |
| Loss for the period   | -                 | -                                 | -   | -                                    | (2,550,967)           | (99,010)                        | (2,649,977)       |
| <b>Other comprehensive income</b>   |                   |                                   |   |                                      |                       |                                 |                   |
| Net fair value loss on available<br>for sale financial assets             | -                 | -                                 | -   | (321,319)                            | -                     | -                               | (321,319)         |
| Total comprehensive loss for<br>the period                                | -                 | -                                 | -   | (321,319)                            | (2,550,967)           | (99,010)                        | (2,971,296)       |
| Transaction with owner, directly recorded in equity:                      |                   |                                   |   |                                      |                       |                                 |                   |
| Issue of shares   | 4,449,799         | -                                 | -   | -                                    | -                     | -                               | 4,449,799         |
| Non-controlling interest<br>arising on the incorporation of<br>subsidiary | -                 | -                                 | -   | -                                    | -                     | 4,150                           | 4,150             |
| Capital raising costs   | (20,153)          | -                                 | -   | -                                    | -                     | -                               | (20,153)          |
| Transfer from share-based<br>payments reserve                             | 105,000           | (105,000)                         | -   | -                                    | -                     | -                               | -                 |
| Issue of performance rights<br>and performance option rights              | -                 | 262,433                           | -   | -                                    | -                     | -                               | 262,433           |
| <b>Balance at 31 December 2016</b>  | <b>25,471,100</b> | <b>848,658</b>                    | <b>(2,414)</b>                                | <b>(195,339)</b>                     | <b>(14,249,585)</b>   | <b>(94,860)</b>                 | <b>11,777,560</b> |
|   | Issued<br>Capital | Share Based<br>Payment<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Investment<br>Revaluation<br>Reserve | Accumulated<br>Losses | Non-<br>Controlling<br>Interest | Total             |
|   | \$                | \$                                | \$  | \$                                   | \$                    | \$                              | \$                |
| Balance at 1 July 2017  | 29,221,087        | 1,085,918                         | (2,414)                                       | 1,114,776                            | (16,290,873)          | -                               | 15,128,494        |
| Profit for the period   | -                 | -                                 | -   | -                                    | (1,869,954)           | -                               | (1,869,954)       |
| <b>Other comprehensive income</b>   |                   |                                   |   |                                      |                       |                                 |                   |
| Translation of foreign currency   | -                 | -                                 | 3,602   | -                                    | -                     | -                               | 3,602             |
| Net fair value loss on available<br>for sale financial assets             | -                 | -                                 | -   | 4,876,472                            | -                     | -                               | 4,876,472         |
| Total comprehensive loss for<br>the period                                | -                 | -                                 | 3,602   | 4,876,472                            | (1,869,954)           | -                               | 3,010,120         |
| Transaction with owner,<br>directly recorded in equity:                   |                   |                                   |   |                                      |                       |                                 |                   |
| Issue of shares   | 8,163,837         | -                                 | -   | -                                    | -                     | -                               | 8,163,837         |
| Capital raising costs   | (773,950)         | -                                 | -   | -                                    | -                     | -                               | (773,950)         |
| Movement in performance<br>rights   | -                 | 469,876                           | -   | -                                    | -                     | -                               | 469,876           |
| Transfer from investment<br>revaluation reserve on<br>disposal            | -                 | -                                 | -   | (3,922,950)                          | 3,922,950             | -                               | -                 |
| Translation of foreign currency   | -                 | -                                 | -   | -                                    | -                     | -                               | -                 |
| <b>Balance at 31 December 2017</b>  | <b>36,610,974</b> | <b>1,555,794</b>                  | <b>1,188</b>                                  | <b>2,068,298</b>                     | <b>(14,237,877)</b>   | <b>-</b>                        | <b>25,998,377</b> |

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

# **CONSOLIDATED STATEMENT OF CASH FLOWS** **For the Half-Year Ended 31 December 2017**

|   | 31 December 2017  | 31 December 2016 |
|---|-------------------|------------------|
| Note  | \$                | \$               |
| <b>Cash Flows from Operating Activities</b>               |                   |                  |
| Payments to suppliers and employees                       | (1,802,789)       | (1,418,485)      |
| Payments for exploration and evaluation                   | (1,010,251)       | (598,633)        |
| Proceeds from R&D tax rebate                              | 2,391,036         | 159,161          |
| Interest received   | 31,464            | 22,064           |
| Net cash used in operating activities                     | (390,540)         | (1,835,893)      |
| <b>Cash Flows from Investing Activities</b>               |                   |                  |
| Purchase of property, plant and equipment                 | (32,500)          | (66,281)         |
| Payment for intangible assets                             | (536,757)         | (1,227,376)      |
| Proceeds from the sale of other financial assets          | 7,190,236         | -                |
| Payment for other financial assets                        | (101,418)         | (161,306)        |
| Payments for investment assets                            | -                 | (480)            |
| Net cash used in investing activities                     | 6,519,561         | (1,455,443)      |
| <b>Cash Flows from Financing Activities</b>               |                   |                  |
| Proceeds from issue of shares                             | 6,949,410         | 3,625,211        |
| Payment for capital raising costs                         | -                 | (13,903)         |
| Net cash generated by financing activities                | 6,949,410         | 3,611,308        |
| Net increase in cash held                                 | 13,078,431        | 319,972          |
| Cash and cash equivalents at the beginning of the period  | 2,586,506         | 5,756,645        |
| <b>Cash and cash equivalents at the end of the period</b> | <b>15,664,937</b> | <b>6,076,617</b> |

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the half-year ended 31 December 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 period ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 14 March 2018.

#### 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.

##### *Basis of Preparation*

The half-year financial report is a general-purpose financial statement, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The half-year financial report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report of Lithium Australia NL as at 30 June 2017 and any public announcements made by the Consolidated Entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The half-year financial statements have been prepared in accordance with the accounting policies adopted in the consolidated entity’s last annual financial statements for the year ended 30 June 2017.

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year.

#### 2. OTHER REVENUE

|                    | 2017             | 2016           |
|--------------------|------------------|----------------|
|                    | \$               | \$             |
| Sale of Tenements  | 200,000          | 720,000        |
| R&D Rebate         | 1,790,380        | 159,161        |
| Administration Fee | 15,841           | -              |
|                    | <b>2,006,221</b> | <b>879,161</b> |

#### 3. FINANCIAL ASSETS

|  | 31-Dec-17        | 30-June-17       |
|--|------------------|------------------|
|  | \$               | \$               |
| Non-current  |                  |                  |
| Available for sale Australian listed shares – Level 1 fair value | 2,994,883        | 5,531,545        |
| Available for sale Canadian listed shares – Level 1 fair value   | 560,000          | 100,000          |
|  | <b>3,554,883</b> | <b>5,631,545</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the half-year ended 31 December 2017 (continued)

### 3. FINANCIAL ASSETS (continued)

| Reconciliation of financial assets:                             | 31-Dec-17   | 30-June-17 |
|---|-------------|------------|
|   | \$          | \$         |
| Opening balance   | 5,631,545   | 288,496    |
| Purchases   | 298,000     | 4,370,842  |
| Disposals (written down value) (i)                              | (4,377,879) | (26,589)   |
| Revaluation increase/(decrease) through financial asset reserve | 2,003,217   | 998,796    |
| Closing balance   | 3,554,883   | 5,631,545  |

- (i) The Group received proceeds of \$7,253,800 from the disposal of shares in listed entities, resulting in a realised gain of \$2,873,255 recognised in other comprehensive income in accordance with the Group's accounting policy.

### 4. CAPITALISED EXPLORATION EXPENDITURE

|                                 | 31-Dec-17 | 30-June-17 |
|---------------------------------|-----------|------------|
|                                 | \$        | \$         |
| Opening balance                 | 2,977,849 | 147,050    |
| 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    |
| Lithophile                      | -         | 194,167    |
| Impairment of Buckland          | (111,991) | -          |
| Closing balance                 | 2,865,858 | 2,977,849  |

### 5. INTANGIBLE ASSETS

|  | 31-Dec-17 |                   |           | 30-Jun-17 |                   |           |
|--|-----------|-------------------|-----------|-----------|-------------------|-----------|
|  | Patents   | Development Costs | Total     | Patents   | Development Costs | Total     |
|  | \$        | \$                | \$        | \$        | \$                | \$        |
| Opening balance                        | 96,600    | 3,603,345         | 3,699,945 | 100,800   | 602,318           | 703,118   |
| Transfer from other assets             | -         | -                 | -         | -         | -                 | -         |
| Expenditure during the period (i)      | -         | 619,260           | 619,260   | -         | 3,001,027         | 3,001,027 |
| Less: Amortisation of intangible asset | (2,100)   | -                 | (2,100)   | (4,200)   | -                 | (4,200)   |
| Closing balance                        | 94,500    | 4,222,605         | 4,317,105 | 96,600    | 3,603,345         | 3,699,945 |

- (i) During the period, the company spent \$619,260 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,

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the half-year ended 31 December 2017 (continued)

### 6. ISSUED CAPITAL

|   | 31-Dec-17          |                   | 30-Jun-17          |                   |
|---|--------------------|-------------------|--------------------|-------------------|
|   | Number             | \$                | Number             | \$                |
| <b>Fully Paid Ordinary Shares</b>                           |                    |                   |                    |                   |
| Opening Balance   | 284,457,338        | 29,219,467        | 231,573,560        | 20,934,934        |
| Issue of shares to directors and staff (i)                  | 1,261,017          | 156,351           | 2,300,779          | 440,076           |
| Issue of shares on conversion of performance/option rights  | -                  | -                 | 1,000,000          | 105,000           |
| Issue of shares on \$0.05 and \$0.25 partly paid share call | -                  | -                 | 1,375,576          | 278,784           |
| Issue of shares in lieu of payment (ii)                     | 2,852,183          | 353,536           | 13,038,816         | 2,378,732         |
| Issue of shares to Lepidico shareholders                    | -                  | -                 | 24,268,732         | 3,149,893         |
| Issue of shares (iii)                                       | 55,000,000         | 7,653,950         | 10,899,875         | 1,958,684         |
| Transaction Costs   | -                  | (773,950)         | -                  | (26,636)          |
| Closing Balance   | <b>343,570,358</b> | <b>36,609,354</b> | <b>284,457,338</b> | <b>29,219,467</b> |

- (i) 591,200 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) On 28 July 2017, the Company entered into a Controlled Placement Agreement with Acuity Capital Investment Management Pty Ltd. Pursuant to the Controlled Placement Agreement the Company issued the following shares:
- 31 July 2017 10,000,000 fully paid ordinary shares were issued as collateral<sup>1</sup> for \$nil consideration;
  - 17 October 2017 5,000,000 fully paid ordinary shares were issued as collateral<sup>1</sup> for \$nil consideration;
  - 17 October 2017 10,000,000 fully paid ordinary shares at net \$0.14 per share;
  - 31 October 2017 15,000,000 fully paid ordinary shares at net \$0.1653 per share; and
  - 14 November 2017 15,000,000 fully paid ordinary shares at net \$0.20 per share.

<sup>1</sup> As collateral for the Controlled Placement Agreement, the Company agreed to place 15,000,000 shares from its LR7.1 capacity, at nil consideration to Acuity Capital (collateral shares) but may, at any time, cancel the Controlled Placement Agreement and buy back the collateral shares for no consideration (subject to shareholder approval).

|  | 31-Dec-17 |    | 30-Jun-17 |    |
|--|-----------|----|-----------|----|
|  | Number    | \$ | Number    | \$ |
| <b>Partly-paid contributing shares - 5 cents</b> |           |    |           |    |
| Opening Balance                                  | -         | -  | 26,676    | -  |
| Issue of shares on \$0.05 partly paid share call | -         | -  | (26,676)  | -  |
| Closing Balance                                  | -         | -  | -         | -  |

|  | 31-Dec-17          |              | 30-Jun-17          |              |
|--|--------------------|--------------|--------------------|--------------|
|  | Number             | \$           | Number             | \$           |
| <b>Partly-paid contributing shares -25 cents</b> |                    |              |                    |              |
| Opening Balance                                  | 132,850,148        | 1,620        | 133,199,048        | 1,520        |
| Issue of shares on \$0.25 partly paid share call | -                  | -            | (1,348,900)        | -            |
| Issue of shares to shareholders                  | -                  | -            | -                  | -            |
| Issue of shares in lieu of payment               | -                  | -            | 1,000,000          | 100          |
| Closing Balance                                  | <b>132,850,148</b> | <b>1,620</b> | <b>132,850,148</b> | <b>1,620</b> |

### 7. RESERVES

|                                      | 31-Dec-17        | 30-Jun-17        |
|--------------------------------------|------------------|------------------|
|                                      | \$               | \$               |
| Option reserve                       | 756,270          | 756,270          |
| Investment revaluation reserve       | 2,068,298        | 1,114,776        |
| Foreign currency translation reserve | 1,188            | (2,414)          |
| Performance rights reserve           | 799,524          | 329,648          |
|                                      | <b>3,625,280</b> | <b>2,198,280</b> |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the half-year ended 31 December 2017 (continued)

### 7. RESERVES (continued)

#### Option Reserve

|   |                |                |
|---|----------------|----------------|
| Opening Balance                           | 756,270        | 634,382        |
| Valuation of options – partly paid shares | -              | 121,888        |
| Options expired                           | -              | -              |
| Closing Balance                           | <u>756,270</u> | <u>756,270</u> |

#### Investment Revaluation Reserve

|  |                  |                  |
|--|------------------|------------------|
| Opening Balance  | 1,114,776        | 125,980          |
| Net gain arising on revaluation of available for sale financial assets (OCI)     | 2,003,217        | 988,796          |
| Realised gain on disposal of financial assets (OCI)                              | 2,873,255        | -                |
| Transfer from reserve to retained earnings upon disposal of financial assets (i) | (3,922,950)      | -                |
| Closing Balance  | <u>2,068,298</u> | <u>1,114,776</u> |

- (i) Upon disposal of financial assets, the Group transfers all accumulated gains or losses in the financial asset reserve pertaining to the financial asset to retained earnings.

#### Foreign Currency Translation Reserve

|  |              |                |
|--|--------------|----------------|
| Opening Balance  | (2,414)      | (2,414)        |
| Exchange differences arising on translating foreign subsidiary | 3,602        | -              |
| Closing Balance  | <u>1,188</u> | <u>(2,414)</u> |

#### Performance Rights Reserve

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Opening Balance                    | 329,648        | 56,843         |
| Issue of performance rights        | 469,876        | 377,805        |
| Performance option rights achieved | -              | (105,000)      |
| Closing Balance                    | <u>799,524</u> | <u>329,648</u> |

### 8. SEGMENT INFORMATION

#### 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.

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the half-year ended 31 December 2017 (continued)

### 8. SEGMENTS INFORMATION (continued)

#### 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.

#### 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.

#### (i) Segment revenues and results 31 December 2017

|                           | Processing<br>Technology | Exploration        | Total              |
|---------------------------|--------------------------|--------------------|--------------------|
|                           | \$                       | \$                 | \$                 |
| Revenue                   | -                        | -                  | -                  |
| Loss                      | (2,100)                  | (1,150,280)        | (1,152,380)        |
| <b>Total segment loss</b> | <b>(2,100)</b>           | <b>(1,150,280)</b> | <b>(1,152,380)</b> |

Reconciliation of segment result to Consolidated entity net loss

#### Unallocated items

|                    |             |
|--------------------|-------------|
| - Interest revenue | 31,464      |
| - Other revenue    | 2,006,221   |
| - Other expenses   | (2,755,259) |

**Net loss from continuing operations** **(1,869,954)**

#### 31 December 2016

|                           | Processing<br>Technology | Exploration      | Total            |
|---------------------------|--------------------------|------------------|------------------|
|                           | \$                       | \$               | \$               |
| Revenue                   | -                        | -                | -                |
| Expenses                  | (2,100)                  | (548,936)        | (551,036)        |
| <b>Total segment loss</b> | <b>(2,100)</b>           | <b>(548,936)</b> | <b>(551,036)</b> |

Reconciliation of segment result to consolidated entity net loss

#### Unallocated items

|                    |             |
|--------------------|-------------|
| - Interest revenue | 22,064      |
| - Other expenses   | (2,121,005) |

**Net loss from continuing operations** **(2,649,977)**

#### (ii) Segment Assets

##### 31 December 2017

|                               | Processing<br>Technology | Exploration      | Total             |
|-------------------------------|--------------------------|------------------|-------------------|
|                               | \$                       | \$               | \$                |
| <b>Segment Assets</b>         | <b>4,317,105</b>         | <b>2,865,858</b> | <b>7,182,963</b>  |
| Unallocated assets            |                          |                  |                   |
| - Cash and cash equivalents   |                          |                  | 15,664,937        |
| - Trade and other receivables |                          |                  | 461,413           |
| - Other                       |                          |                  | 3,649,458         |
| <b>Total company assets</b>   |                          |                  | <b>26,958,771</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the half-year ended 31 December 2017 (continued)

### 8. SEGMENTS INFORMATION (continued)

|                                  | Processing<br>Technology | Exploration | Total             |
|----------------------------------|--------------------------|-------------|-------------------|
| <b>30 June 2017</b>              | \$                       | \$          | \$                |
| <b>Segment Assets</b>            | 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         |
| <b>Total company assets</b>      |                          |             | <b>16,026,524</b> |
| <b>(iii) Segment Liabilities</b> |                          |             |                   |
| <b>31 December 2017</b>          | Processing<br>Technology | Exploration | Total             |
|                                  | \$                       | \$          | \$                |
| <b>Segment Liabilities</b>       | 160,407                  | 157,046     | 317,453           |
| Unallocated liabilities          |                          |             |                   |
| - Trade and other payables       |                          |             | 642,941           |
| <b>Total company liabilities</b> |                          |             | <b>960,394</b>    |
| <b>30 June 2017</b>              | Processing<br>Technology | Exploration | Total             |
|                                  | \$                       | \$          | \$                |
| Unallocated liabilities          | 112,114                  | 49,311      | 161,425           |
| - Trade and other payables       |                          |             | 736,605           |
| <b>Total company liabilities</b> |                          |             | <b>898,030</b>    |

### 9. SUBSEQUENT EVENTS

- (a) On 1 February 2018, the Company committed to the development of a Sileach® large-scale pilot plant. The Company has approved the front-end engineering and design (FEED) and will procure long-lead equipment in an effort to reduce the time frame through to commissioning and production, currently scheduled for early 2021.
- (b) On 13 February 2018 pursuant to the Controlled Placement Agreement, the Company issued 3,250,000 fully paid ordinary shares at net \$0.20 per share.
- (c) On 13 February 2018, the Company issued 606,874 fully paid ordinary shares to suppliers and 1,091,365 fully paid ordinary shares under the Director & Senior Management Fee & Remuneration Sacrifice Share Plan.
- (d) On 27 February 2018, the Company executed a binding Share Sale and Purchase Agreement, including lodgement of a transaction-specific prospectus with ASIC to facilitate the consideration payable for the acquisition of 100% of the issued share capital of the Very Small Particle Company Ltd.
- (e) On 28 February 2018, the Company issued 61,133,540 fully paid ordinary shares at \$0.16 per share and 30,566,770 partly paid shares at \$0.028 per share, as consideration for the purchase of the Very Small Particle Company Ltd. This constitutes a business combination under AASB 3. Given the timing of the transaction, the identifiable fair value of the net assets acquired was unable to be determined.
- (f) On 01 March 2018, the Company secured \$18,270,000 (face value \$21,000,000) convertible note facility with a leading institutional investor, Arena Investors LP. The notes are unsecured and will be drawn-down in six separate tranches, each with a 12 month maturity, as follows:
- \$3,045,000 (face value \$3,500,000) to be received upon signing of the Convertible Note Deed and issued under the Company's existing placement capacity;
  - \$4,350,000 (face value \$5,000,000) (subject to shareholder approval) for the Second Tranche which may be drawn after shareholder approval which must be obtained within 45 days of the date of signing the Convertible Note Deed; and
  - \$2,720,000 (face value \$3,125,000) (subject to shareholder approval) for each of the remaining four tranches, with a minimum of 4 months between drawdowns or such other time as permitted by the ASX Listing Rules.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the half-year ended 31 December 2017 (continued)

#### 10. COMMITMENTS

##### (a) Exploration Expenditure

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

|   | 2017<br>\$       | 2016<br>\$       |
|---|------------------|------------------|
| Within 12 months                                | 1,833,520        | 2,306,040        |
| 12 Months or longer and not longer than 5 years | 1,833,520        | 2,306,040        |
| Longer than 5 years                             | -                | -                |
| Total   | <b>3,667,040</b> | <b>4,612,080</b> |

##### (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. As at 31 December 2017, it is estimated that the Company had already spent EUR 325,000 of the required EUR750,000.

#### 11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There has been no significant change in contingent assets and/or contingent liabilities since the last annual report. Please refer to the 30 June 2017 annual financial report.

#### 12. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade and other receivable and trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

##### Financial assets

The Group's Held for trading financial assets are level-1 financial instruments and valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

## DIRECTORS' DECLARATION

The directors of Lithium Australia NL declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards AASB 134: *Interim Financial Reporting*; and
  - (b) give a true and fair view of the Consolidated entity's financial position as at 31 December 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.

A handwritten signature in black ink, appearing to read 'Adrian Griffin', with a stylized flourish at the end.

**Adrian Griffin**  
**Managing Director**

Dated at Perth this 14<sup>th</sup> day of March 2018

## Independent Auditor's Review Report

### To the Members of Lithium Australia NL

We have reviewed the accompanying financial report of Lithium Australia NL ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

### Directors Responsibility 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 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.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



# Independent Auditor's Review Report

To the Members of Lithium Australia NL (Continued)

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## Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Lithium Australia NL and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

**BENTLEYS**  
Chartered Accountants

**DOUG BELL CA**  
Director

Dated at Perth this 14<sup>th</sup> day of March 2018