LITHIUM AUSTRALIA NL

ACN 126 129 413

FINANCIAL REPORT

FOR THE HALF- YEAR ENDED 31 DECEMBER 2019

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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**

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 2019.

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 2019 was \$3,079,217. (31 December 2018: loss of \$5,396,786).

No dividend has been paid during or is recommended for the financial period ended 31 December 2019.

FINANCIAL POSITION

The Consolidated entity's working capital surplus, being current assets less current liabilities was \$4,464,196 at 31 December 2019 (30 June 2019: working capital surplus of \$2,471,696).

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

The Battery Circular Economy
LIT plans to establish integrated processing operations for battery materials within Australia, paving the way for a cost-effective and genuinely renewable circular battery economy.

The LIT Group's production cycle (i.e. lithium from recycled batteries → lithium phosphate ('LP') → lithium-ferro-phosphate ('LFP') cathode material → new lithium-ion batteries ('LIBs')) reveals the potential to improve efficiency and reduce manufacturing costs in the battery industry, and in so doing meet the ethical, social and governance standards the community has come to expect. Indeed, these technologies could enhance global efforts to deal with climate change by improving resource sustainability and reducing the environmental footprint of portable power.

Battery Recycling
Envirostream Australia Pty Ltd (‘EVS’)
LIT increased its equity in EVS, a national leader in battery recycling, to a 90% interest. Based in Victoria, Australia, EVS operates the only facility nationally to shred spent batteries – including LIBs – and from them produce a mixed-metal dust ('MMD') containing critical battery materials including cobalt, nickel, lithium and manganese. The MMD is currently exported to South Korea for refining.

The Envirostream enterprise generates revenue through the sale of MMD, but also through its battery collection services. Additional revenue streams result from the sale of steel, aluminium, copper and plastics that are recovered as clean streams during the recycling process. Typically, over 90% of the LIB mass is recycled from the EVS plant, a significant improvement on the performance achieved by overseas competitors that generally achieve yields of around 60-65%.

During the period, EVS relocated is plant from New Gisborne to Campbellfield (Victoria, Australia) providing improved cost efficiencies. EVS produced its first shipment of MMD from the newly located and upgraded plant. EVS also completed an offtake deal with South Korean battery recycler SungEel HiTech Co., Ltd (‘SungEel’) which is one of the world’s largest refiners of MMD. Under the terms of the agreement EVS will have exclusivity of MMD supply from Australia to SungEel. The first shipment of MMD from the relocated and upgraded plant was dispatched to SungEel in the same period. Production from the plant continues.

VSPC Ltd (‘VSPC’) Cathode Powders
VSPC, LIT's wholly owned nanotechnology subsidiary, is located in Brisbane, Australia. It comprises a comprehensive pilot plant and advanced R&D laboratory and testing facilities. As announced to the ASX on 3 October 2019, LIT applied its proprietary technology to the recovery of lithium as lithium phosphate from feed material supplied by EVS. VSPC then used that LP as direct feed in the production of cathode powder for LFP coin-cell batteries. When subsequently electrochemically tested by VSPC, the coin-cell batteries exceeded in-house test standards.

Lithium Chemicals
LIT has developed a number of lithium extraction processes that, combined with its patented nanotechnology developed at VSPC, permit the production of battery cathode powders directly from LP, without the requirement of an intermediate step to produce lithium hydroxide or carbonate. This potentially reduces the processing steps required to produce cathode materials for LIBs.

There is potential for application of LIT’s LieNA® process for the recovery of lithium from fine-spodumene tailings and off specification concentrates, discharged by concentrate producers. These materials cannot be used for the production of lithium in conventional “converters” and account for most of the lithium recovery losses during the production of commercial spodumene concentrates. The LieNA® process thrives on fine and contaminated spodumene providing an avenue to increase reserves, and improve resource utlisation without increasing mining costs.

LIT is discussing the potential for commercialization of the process with a number of lithium concentrate producers. Successful commercialisation will improve the utilization and recovery of existing spodumene processing operations.

LIT has also demonstrated its ability to recycle mine waste (lepidolite) or fine spodumene for battery production, by virtue of its SiLeach® and LieNA® processes. Two international patent applications were published by the World Intellectual Property Organisation (‘WIPO’), who administer the filing of international patent applications, for various aspects of the Company's LP precipitation and refining process. As they are now in the public domain, the technical details of the patent applications are considered as “prior art” and affords some protection until they have been granted.

Patent application PCT/AU2019/050540 details LIT’s process for recovering lithium phosphate and lithium sulfate from a lithium-bearing solution such as brine or pregnant process liquor. This patent protects an innovation developed during test-work prior to completion of the SiLeach® pilot programme in August/September 2018. This unit process also has direct application to LieNA®.

Patent application PCT/AU2019/050541, which incorporates developments from PCT/AU2019/050540 above, is an enhancement of Lithium Australia's SiLeach® technology, a process for recovering lithium phosphate and lithium sulfate from lithium-bearing silicates following the application of a fluoride-accelerated acid leach.

Batteries – VSPC

The assets of LIT's wholly-owned subsidiary VSPC comprise a comprehensive R&D facility in Brisbane, Queensland, including pilot plant and advanced laboratory and battery testing capabilities. VSPC uses proprietary nanotechnology to create advanced cathode materials – a lucrative component in the battery production cycle – and produce LIBs of superior quality.

The VSPC process begins with the cathode metals in solution. From that solution, cathode material nanoparticles are precipitated to produce the nano-powders used in the manufacture of LFP cells. The process can use LP from recycling or LP produced via LIT's proprietary SiLeach® or LieNA® processes from hard-rock sources. Creating LFP cathode material in this way eliminates the need to produce the lithium carbonate or hydroxide conventionally used in LIB production. Indeed, there is the potential to remove a number of steps in the battery manufacturing process and in so doing reduce costs.

During the period, VSPC's production of cathode materials continued, with international battery manufacturers in China, and Japan continuing to evaluating samples of those materials.

Evaluation of VSPC's Gen 4 LFP cathode material commenced in March 2019 at DLG Energy (Shanghai) CO.,Ltd's ('DLG') R&D facility in Shanghai, China. The materials – assessed in a commercial 18650 battery-cell format – were tested under a range of electrochemical and temperature conditions and subjected to long-term cycle testing. VSPC's LFP material met DLG's stringent specifications for use in lithium-ion battery ('LIB') cells for both power and energy applications. Meeting DLG's specifications is an important precursor to DLG agreeing to purchase VSPC LFP battery cathode product for use in its batteries.

VSPC is now establishing a supply chain for delivery, in 2021, of LFP to various LIB cell makers in China, including DLG. Target applications include LIB cells for energy storage and large transport vehicles.

VSPC has also received positive feedback from Japanese battery-cell producers, which are evaluating its LFP products at laboratory scale. To date, the electrochemical performance of VSPC's LFP material has met the Japanese requirements and VSPC is working to refine its product properties for specific applications and prepare for larger-scale testing in 2020.

The market for LFP is expected to grow strongly in the next 10 years, due to its particular suitability for energy storage and certain types of transportation; this includes as a replacement for lead-acid batteries in various automotive applications and as back-up for power supplies. Commercial sales of VSPC LFP into the Japanese market are anticipated in 2022.

While potential customers are testing the cathode product no formal binding offtake agreements are currently in place and shareholders should be aware that there is no certainty binding offtake agreements will be reached. Once any offtake agreement becomes binding the Company will disclose this to the market.

With the aim of commercialising VSPC cathode powders in China with a number of partners, VSPC and Beijing Saideli Technology Incorporated Company Ltd ('SDL') have signed a Memorandum of Understanding where both parties will collaborate on a staged commercialisation plan for VSPC's LFP cathode material. This includes the establishment of a supply chain for VSPC customers in China, as well as a joint feasibility study for LFP production and supply outside China using VSPC proprietary process technology. SDL has considerable expertise in the design and manufacture of process equipment and extensive experience in the construction, commissioning and operation of chemical process plants, including those for the production of LIB cathode powders.

VSPC's MoU with SDL provides LIT with a low-capital pathway to the commercialisation of VSPC cathode powders, in order to meet targets, set by LIT's other partners in China, with a specific focus on the anticipated growth of LFP cathode materials for transport and energy-storage applications.

Soluna Australia Battery Alliance
During the reporting period, the Company formalized the agreement with DLG, a major Chinese battery manufacturer, with the aim of developing a battery distribution business within Australia.

During the reporting period, Soluna Australia Pty Ltd ('Soluna') appointed its first two employees, Mr Kieron D'Arcy (General Manager) and Ms Raegan Jubb (Sales Manager), both with more than 10 years' experience in the renewable energy sector. Soluna also took delivery of energy storage products in Australia.

Exploration
At present, LIT's preferred supply model is to obtain lithium minerals, firstly from spent batteries (urban mining), then mining waste streams (historical dumps and tailings) or as discharge from currently operating mines; however, other supply opportunities continue to be evaluated. Lithium micas, often associated with tin, tantalum and tungsten, as well as certain types of clay minerals, are prime targets. So too is the fine spodumene discharged
as waste during the production of lithium concentrates.

LIT has completed its review of the Company's tenement holdings during the period and made several recommendations to rationalize its project holdings. Summaries of all projects are available to interested parties.

Medcalf lithium prospect, Lake Johnston project – Western Australia
The Company believes drilling to test this target is warranted and is seeking approvals from the appropriate authorities. The Program of Works has been submitted, pending a Targeted Flora Survey and Environmental Exploration Management Plan.

Ravensthorpe rehabilitation – Western Australia
Rehabilitation at Ravensthorpe continues. The Company is pleased with progress at Deep Purple and monitoring continues. Rehabilitation work on Horseshoe has been completed recently.

Youanmi lithium project, Western Australia
In October 2018, LIT announced it had an option to acquire full rights and title to three exploration licences at Youanmi containing lithium, cesium and tantalum ('LCT') pegmatites, as well as vanadium mineralisation in a nearby layered mafic complex.

During the period, LIT announced the results of exploration drilling at Youanmi (ASX release dated 19 August 2019). While drilling confirmed mineralisation over 2.5 kilometres of strike, with assays reporting significant widths of high-grade lepidolite mineralisation hosted in LCT pegmatites, LIT considered further drill testing necessary to determine the extent of the mineralised system, a task it was not possible to undertake within the term of the option. On 27 September 2019 LIT announced that its option over the Youanmi project had expired.

SUBSEQUENT EVENTS

(a) On 17 January 2020, the Company issued 2,941,507 fully paid ordinary shares under Lithium Australia Fee and Remuneration Sacrifice Share Plan approved by shareholders.

(b) On 17 January 2020, the Company issued 1,769,912 fully paid ordinary shares pursuant to the agreement with Lind Global Macro Fund, LP. For further detail, refer to note 10, Financial Liabilities.

(c) On 4 February 2020, formalities were completed in regard to Lithium Australia's acquisition of 90% of Envirostream Australia Pty Ltd.

(d) On 12 February 2020, Lithium Australia announced that its subsidiary VSPC would receive a grant totalling \$1.6m to support a battery development program as part of the Australian federal government' s Co-operative Research Centre Projects ('CRC-P') initiative.

(e) On 13 February 2020, Lithium Australia announced that it would receive a grant totalling \$1.3m to support the next stage of its LieNA® programme for the recovery of lithium from fine spodumene.

(f) On 18 February 2020, the Company issued 4,444,445 fully paid ordinary shares pursuant to the agreement with Lind Global Macro Fund, LP. For further detail, refer to note 10, Financial Liabilities.

(g) On 18 February 2020, the Company issued 9,191,777 fully paid ordinary shares pursuant to the agreement with Lind Global Macro Fund, LP for the conversion of \$500,000 convertible notes. For further detail, refer to note 10, Financial Liabilities.

(h) On 18 February 2020, the Company accepted the voluntary forfeiture of 12,375,000 performance rights which had an expiry date of June 2021.

(i) On 24 February 2020, Shareholders approved the funding package and the Convertible Note was replaced with the Replacement Convertible Note with all terms and conditions consistent with the original Convertible Note as listed in Note 10.

(j) On 4 March 2020, the Company issued a total of 3,421,020 fully paid ordinary shares under Lithium Australia Fee and Remuneration Sacrifice Share Plan and to various suppliers as approved by shareholders.

(k) On 6 March 2020, Lithium Australia notified its partly paid shareholders of a one cent call on the LITCE partly paid shares. Lithium Australia is seeking to raise \$1.72m by way of the call.

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 7 and forms part of this directors' report for the half-year ended 31 December 2019.

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

Adrian Griffin
Managing Director

Dated at Perth this 13th day of March 2020

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 partner for the review of the financial statements of Lithium Australia NL for the period ended 31 December 2019, 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	**DOUG BELL CA**
Chartered Accountants	**Partner**

Dated at Perth this 13th day of March 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Continuing Operations			
Sales		32,464	-
Cost of Sales		(9,963)	-
Gross Profit		22,501	-
Revenue		7,250	114,284
Other Revenue	2	2,375,590	1,577,062
Unrealised gain/(loss) on embedded derivative at fair value		130,373	-
Occupancy costs		(138,851)	(137,871)
Professional fees		(535,705)	(554,977)
Corporate fees		(171,055)	(373,078)
Laboratory/Plant expenses		(153,389)	(126,659)
Warehouse expenses		(39,492)	-
Employee benefits expense		(1,965,074)	(1,875,204)
Administration costs		(514,924)	(302,796)
Depreciation and amortisation		(1,022,323)	(986,591)
Exploration and evaluation costs		(1,042,450)	(1,203,796)
Finance Costs		(31,668)	(1,527,160)
Profit/(Loss) before income tax		(3,079,217)	(5,396,786)
Income tax expense		-	-
Profit/(Loss) from continuing operations		(3,079,217)	(5,396,786)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign currency		299	115,058
Net fair value loss on available for sale financial assets		(767,534)	(219,705)
Total comprehensive income for the year		**(3,846,452)**	**(5,501,433)**
Profit/(Loss) for the year attributable to:			
Members of the controlling entity		(3,041,422)	(5,383,666)
Non controlling interest		(37,795)	(13,120)
		(3,079,217)	(5,396,786)
Total comprehensive income attributable to:			
Members of the controlling entity		(3,808,657)	(5,488,313)
Non controlling interest		(37,795)	(13,120)
		(3,846,452)	(5,501,433)
Basic Loss per share (cents per share)		(0.5691)	(1.19)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
Current Assets			
Cash and cash equivalents		5,517,999	2,705,722
Trade and other receivables	3	1,560,191	1,229,159
Financial assets	4	150,412	132,079
Total Current Assets		7,228,602	4,066,960
Non Current Assets			
Financial assets	4	590,102	1,165,901
Exploration expenditure	5	6,144,597	6,322,191
Intangible assets	6	16,312,759	16,821,573
Loans receivable		235,950	-
Property, plant and equipment		817,689	632,093
Total Non Current Assets		24,101,097	24,941,758
TOTAL ASSETS		31,329,699	29,008,718
Current Liabilities			
Trade and other payables		1,810,029	1,595,264
Provisions	15	88,600	-
Borrowings		78,444	-
Financial Liabilities	10	787,333	-
Total Current Liabilities		2,764,406	1,595,264
Non Current Liabilities			
Borrowings		57,269	-
Financial Liabilities	10	787,333	-
Total Non Current Liabilities		844,602	-
TOTAL LIABILITIES		3,609,008	1,595,264
NET ASSETS		**27,720,691**	27,413,454
Equity			
Issued capital	7	59,532,750	56,050,985
Reserves	8	2,948,989	3,523,273
Accumulated losses		(34,744,904)	(32,160,804)
Controlling entity interest		**27,736,835**	27,413,454
Non-controlling interest		**(16,144)**	-
TOTAL EQUITY		**27,720,691**	**27,413,454**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2019

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Accumulated Losses	Non-Controlling Interest	Total
	$	$	$	$	$	$	$
Balance at 1 July 2018	**51,386,424**	**3,534,915**	**(26,246)**	**395,994**	**(20,446,886)**	**(5,869)**	**34,838,332**
Loss for the period	-	-	-	-	(5,383,666)	(13,120)	(5,396,786)
Other comprehensive income							
Translation of foreign currency	-	-	115,058	-	-	-	115,058
Net fair value loss on available for sale financial assets	-	-	-	(219,705)	-	-	(219,705)
Total comprehensive loss for the period	-	-	115,058	(219,705)	(5,383,666)	(13,120)	(5,501,433)
Transaction with owner, directly recorded in equity:							
Issue of shares	2,990,271	-	-	-	-	-	2,990,271
Capital raising costs	-	-	-	-	-	-	-
Movement in performance rights	-	91,652	-	-	-	-	91,652
Transfer from investment revaluation reserve on disposal	-	-	-	4,000	(4,000)	-	-
Balance at 31 December 2018	54,376,695	3,626,567	88,812	180,289	(25,834,552)	(18,989)	32,418,822

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Other Reserves*	Accumulated Losses	Non-Controlling Interest	Total
	$	$	$	$	$	$	$
Balance at 1 July 2019	**56,050,985**	**3,409,412**	**60,979**	**52,882**	**(32,160,804)**	-	**27,413,454**
Loss for the period	-	-	-	-	(3,041,422)	(37,795)	(3,079,217)
Other comprehensive income							
Translation of foreign currency	-	-	299	-	-	-	299
Net fair value loss on available for sale financial assets	-	-	-	(767,534)	-	-	(767,534)
Total comprehensive loss for the period	-	-	299	(767,534)	(3,041,422)	(37,795)	(3,846,452)
Transaction with owner, directly recorded in equity:							
Issue of shares	3,526,396	-	-	-	-	-	3,526,396
Capital raising costs	(336,956)	-	-	-	-	-	(336,956)
Shares to be issued	100,000	-	-	-	-	-	100,000
Exercise of performance rights	192,325	(192,325)	-	-	-	-	-
Movement in performance rights	-	111,576	-	-	-	-	111,576
Transfer from investment revaluation reserve on disposal	-	-	-	177,060	(177,060)	-	-
Acquisition of shares in controlled entity	-	-	-	(5,179)	-	21,651	16,472
Convertible notes options issued	-	1,112,257	-	-	-	-	1,112,257
Issue of options	-	72,000	-	-	-	-	72,000
Performance rights relinquished	-	(448,056)	-	-	-	-	(448,056)
Expiry of options	-	(634,382)	-	-	634,382	-	-
Balance at 31 December 2019	59,532,750	3,430,482	61,278	(542,771)	(34,744,904)	(16,144)	27,720,691

- Other reserves consist of investment revaluation reserve and equity reserve

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2019

	Note	31 December 2019	31 December 2018
		$	$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(3,467,731)	(2,704,271)
Payments for exploration and evaluation		(753,425)	(1,509,721)
Proceeds from R&D tax rebate		2,135,175	-
Interest received		6,102	114,284
Net cash used in operating activities		(2,079,879)	(4,099,708)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(15,323)	(327,228)
Payment for intangible assets		(396,311)	(2,211,975)
Proceeds from the sale of other financial assets		95,607	60,000
Payment for other financial assets		(400,001)	(44,009)
Payments for exploration assets		(30,746)	(914,375)
Cash acquired from business combination		137,655	-
Net cash used in investing activities		(609,119)	(3,437,587)
Cash Flows from Financing Activities			
Proceeds from issue of shares		3,235,056	-
Payment for capital raising costs		(264,956)	-
Proceeds from borrowings		2,788,000	-
Loans advanced		(235,951)	
Net cash generated by financing activities		5,522,149	-
Net increase/(decrease) in cash held		2,833,151	(7,537,295)
Cash and cash equivalents at the beginning of the period		2,705,722	18,339,857
Effects of exchange rates on consolidation		(20,874)	115,059
Cash and cash equivalents at the end of the period		5,517,999	10,917,621

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2019

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 2019 were approved and authorised for issue by the Board of Directors on 13 March 2020.

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 2019 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 2019.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss of $3,079,217 (31 Dec 2018: $5,396,786), net cash outflows from operating and investment activities of $2,688,998 (31 Dec 2018 outflows: $7,537,295) during the half year ended 31 December 2019. As at balance date the Group had a working capital surplus of $4,464,196 (30 June 2019: $2,471,696).

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets, partly paid shareholders, and managing cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

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 above, the directors are satisfied that the going concern basis of preparation is appropriate given:

- The Group has the ability to defer discretionary costs as and when required;
- The convertible note owing to Lind Global Macro Fund, LP can be repaid by way of cash or shares at the Company's discretion or in some instances subject to conditions at Lind's discretion;
- The Group if required can realise its investments in listed entities as disclosed in note 4;
- The Group has the ability to raise additional capital through calls on its partly paid shareholders;
- In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. 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 Company be unable to continue as a going concern and meet its debts as and when they fall due.

Changes in Accounting Policies

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

(a) Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Group as lessor

Upon entering into each contract as a lessor, the Group assesses if the lease is a finance or operating lease.

A contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (for example, legal cost, costs to set up equipment) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rental income due under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

When a contract is determined to include lease and non-lease components, the Group applies AASB 15 to allocate the consideration under the contract to each component.

Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16: Leases

The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2019 reporting period have not been restated.

Based on the assessment by the Group, it was determined there was no impact on the Group because the Group's leases are short term and as such meet the exception under AASB 16.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on the nature of the derivative and are recognised in the statement of profit or loss.

Derivatives are classified as current or non-current depending on the expected period of realisation.

2. OTHER REVENUE

	31-Dec-19	31-Dec-18
	$	$
R&D rebate	2,301,164	1,531,207
Administration fee	74,426	45,855
	2,375,590	**1,577,062**

3. TRADE AND OTHER RECEIVABLES

	31-Dec-19	30-Jun-19
	$	$
Other Debtors	494,327	25,609
GST Receivable	110,061	143,900
Prepayments	955,803	1,059,650
	1,560,191	**1,229,159**

4. FINANCIAL ASSETS

	31-Dec-19	30-Jun-19
	$	$
Current		
Fixed term deposits	150,412	132,079
	150,412	132,079
Non-current		
Australian listed shares – Level 1 fair value	546,352	729,401
Australian unlisted share – Level 2 fair value	-	400,000
Canadian listed shares – Level 1 fair value	43,750	36,500
	590,102	1,165,901

5. CAPITALISED EXPLORATION EXPENDITURE

	31-Dec-19	30-Jun-19
	$	$
Opening balance	6,322,191	2,915,044
Additions:		
Sadisdorf Acquisition	-	3,160,073
Interest in Youanmi lithium project	-	210,390
Acquisition of E27/562 exploration licence	-	36,684
Acquisition of P63/2063 exploration licence	105,746	-
Impairments:		
Interest in Youanmi lithium project	(210,390)	-
Moolyella exploration licence	(50,950)	-
Ravensthorpe option	(22,000)	-
Closing balance	6,144,597	6,322,191

6. INTANGIBLE ASSETS

	31-Dec-19				
	Patents	Development Costs	Intellectual Property	Goodwill	Total
	$	$	$	$	$
Opening balance	334,936	8,714,223	7,772,414		16,821,573
Acquisition (ii)	-	-		66,606	66,606
Expenditure during the period (i)	-	353,794	-	-	353,794
Less: Amortisation of intangible asset	(14,812)	-	(914,402)	-	(929,214)
Closing balance	320,124	9,068,017	6,858,012	66,606	16,312,759

(i) During the period, the company spent $353,794 on development and patent costs relating to the new lithium technology, cathode technology and battery recycling.

(ii) Refer to Note 16.

	30-Jun-19			
	Patents	Development Costs	Intellectual Property	Total
	$	$	$	$
Opening balance	380,573	5,904,115	9,586,309	15,870,997
Acquisition	-	-	-	-
Expenditure during the period	-	2,810,108	-	2,810,108
Additions through acquisition	-	-	-	-
Less: impairment of intangible asset	(12,066)	-	-	(12,066)
Less: Amortisation of intangible asset	(33,571)	-	(1,813,895)	(1,847,466)
Closing balance	334,936	8,714,223	7,772,414	16,821,573

7. ISSUED CAPITAL

	31-Dec-19		30-Jun-19	
	Number	$	Number	$
Fully Paid Ordinary Shares				
Opening Balance	481,805,941	55,156,996	428,476,552	50,528,434
Issue of shares (i)	46,676,416	2,800,586	-	-
Issue of shares on conversion of performance/option rights	1,575,000	192,325	3,000,000	410,400
Issue of shares to directors and staff	1,830,974	170,139	1,018,830	109,635
Issue of shares in lieu of payment	2,383,506	209,189	1,367,637	154,256
Issue of shares (ii)	7,500,000	332,481	-	-
Issue of shares (iii)	15,000,000	-	-	-
Shares to be issued (a)	-	100,000	-	-
Issue of shares	-	-	47,942,922	3,954,271
Transaction Costs	-	(333,956)	-	-
Closing Balance	**556,771,837**	**58,627,760**	**481,805,941**	**55,156,996**

(i) On 4 July 2019 and 16 July 2019, the Company issued 45,843,083 and 833,333 fully paid ordinary shares in terms of the renounceable entitlement issue.

(ii) On 10 December 2019, the Company issued 7,500,000 fully paid ordinary shares at net $0.04 per share pursuant to the Controlled Placement Agreement with Acuity Capital Investment Management Pty Ltd.

(iii) On 16 December 2019, the Company executed an agreement with Lind Global Macro Fund, LP for an investment of up to $6.3 million. The investment consisted of $2,900,000 (face value $3,300,000) convertible note and up to $3,400,000 ordinary shares. Pursuant to the agreement, the company issued the following shares:

- 17 December 2019 15,000,000 collateral shares;
- (a) 17 January 2020 (refer to subsequent event note 11) 1,769,912 fully paid ordinary shares;
- 14 February 2020 (refer to subsequent event note 11) 4,444,445 fully paid ordinary shares;
- 14 February 2020 (refer to subsequent event note 11) 9,191,177 fully paid ordinary shares.

	31-Dec-19		30-Jun-19	
	Number	$	Number	$
Partly-paid contributing shares -25 cents				
Opening Balance	169,916,918	893,989	168,416,918	857,989
Issue of shares (i)	2,000,000	14,001	-	-
Issue of shares	-	-	1,500,000	36,000
Closing Balance	**171,916,918**	**907,990**	**169,916,918**	**893,989**

(i) On 19 August 2019, the Company issued 2,000,000 partly paid ordinary shares as consideration for the Southern Africa Engagement and Joint Venture Agreement.

8. RESERVES

	31-Dec-19	30-Jun-19
	$	$
Option reserve	3,054,758	2,504,883
Investment revaluation reserve	(537,592)	52,882
Foreign currency translation reserve	61,278	60,979
Performance rights reserve	375,724	904,529
Equity reserve	(5,179)	-
	2,948,989	3,523,273

Option Reserve		
Opening Balance	2,504,883	2,504,883
Expiry of options	(634,382)	-
Issue of options	1,184,257	-
Closing Balance	3,054,758	2,504,883

Investment Revaluation Reserve		
Opening Balance	52,882	395,994
Net gain/(loss) arising on revaluation of financial assets	(590,474)	(343,112)
Closing Balance	(537,592)	52,882

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	60,979	(26,246)
Exchange differences arising on translating foreign subsidiary	299	87,225
Closing Balance	61,278	60,979

Performance Rights Reserve		
Opening Balance	904,529	1,030,032
Amortisation/Issue of performance rights	111,576	284,897
Performance option rights achieved	(192,325)	(410,400)
Performance rights relinquished	(448,056)	-
Closing Balance	375,724	904,529

Equity Reserve		
Opening Balance	-	-
Acquisition of shares in controlled entity	(5,179)	-
Closing Balance	(5,179)	-

9. 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 and battery material research & development 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.

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 2019

	Processing Technology	Exploration	Total
	$	$	$
Revenue	-	-	-
Loss	(929,214)	(1,042,450)	(1,971,664)
Total segment loss	**(929,214)**	**(1,042,450)**	**(1,971,664)**

Reconciliation of segment result to Consolidated entity net loss

Unallocated items	
- Interest revenue	7,250
- Other revenue	2,528,464
- Other expenses	(3,643,267)
Net loss from continuing operations	**(3,079,217)**

9. SEGMENTS INFORMATION (continued)

31 December 2018

	Processing Technology	Exploration	Total
	$	$	$
Revenue	-	-	-
Loss	(931,200)	(1,203,796)	(2,134,996)
Total segment loss	**(931,200)**	**(1,203,796)**	**(2,134,996)**

Reconciliation of segment result to Consolidated entity net loss

Unallocated items	
- Interest revenue	114,284
- Other revenue	1,574,923
- Other expenses	(4,950,997)
Net loss from continuing operations	**(5,396,786)**

(ii) Segment Assets

31 December 2019	Processing Technology	Exploration	Total
	$	$	$
Segment Assets	16,312,759	6,144,597	22,457,356
Unallocated assets			
- Cash and cash equivalents			5,517,999
- Trade and other receivables			1,710,603
- Other			1,643,741
Total company assets			**31,329,699**

30 June 2019	Processing Technology	Exploration	Total
	$	$	$
Segment Assets	16,821,573	6,322,191	23,143,765
Unallocated assets			
- Cash and cash equivalents			2,705,722
- Trade and other receivables			1,229,159
- Other			1,930,073
Total company assets			**29,008,718**

(iii) Segment Liabilities

31 December 2019	Processing Technology	Exploration	Total
	$	$	$
Segment Liabilities	68,738	21,906	90,644
Unallocated liabilities			
- Trade and other payables			1,943,698
- Convertible note			1,574,666
Total company liabilities			**3,609,008**

30 June 2019	Processing Technology	Exploration	Total
	$	$	$
Unallocated liabilities	246,740	251,213	497,953
- Trade and other payables			1,097,311
- Convertible note			-
Total company liabilities			**1,595,264**

10. FINANCIAL LIABILITIES

	31-Dec-19	30-Jun-19
	$	$
Current financial liabilities		
Convertible note	107,759	-
Embedded derivative	679,574	-
	787,333	-
Non-current financial liabilities		
Convertible note	107,759	-
Embedded derivative	679,574	-
	787,333	**-**

	31-Dec-19	30-Jun-19
	$	$
Proceeds from convertible note	2,900,000	-
Embedded derivative (i)	(1,489,521)	-
Options granted (ii)	(1,112,257)	-
Transaction costs	(112,000)	-
Finance costs unwound	29,296	-
Convertible note liability	**215,518**	**-**

	31-Dec-19	30-Jun-19
	$	$
Embedded derivative	1,489,521	-
Fair value adjustment	(130,373)	-
Embedded derivative liability	**1,359,148**	**-**

(i) The embedded derivative was valued on inception using the Black-Scholes option-pricing model and subsequently revalued as at 31 December 2019.

(ii) 33,333,333 options granted to Lind were valued using the Black-Scholes option-pricing model using the following key inputs:

Expected volatility	75%
Grant date	23/12/2019
Exercise price	$0.055
Maturity	36 months
Share price	$0.063
Risk free rate	0.9%
Dividend yield	nil

During the period the Company entered in to a Share Purchase and Convertible Security Agreement with Lind Global Macro Fund, LP ("Lind"). The terms of the funding agreement including the convertible note were as follows:

The Funding Agreement is underpinned by the ability to draw up to A$6,300,000 in a number of tranches from the Investor. The terms of the Funding Agreement expressly allow Lithium Australia to carry out additional private placements of equity or engage in other financing transactions.

The Investor will initially advance A$3 million to the Company in two parts.

a) LIT will issue a zero-interest redeemable secured convertible security (Convertible Security) with a face value amount of A$3.3 million for an advance of A$2.9 million. The difference between the amount advanced and the face value repayable reflects the financing charges associated with this facility and is inclusive of interest. Lithium Australia has the right to buy back the Convertible Security at any time with no pre-payment premium subject to Lind Partners' buy back conversion rights for up to 30% of the outstanding Face Value.

Lind can convert the Convertible Security after an initial lock-up period at a price being the lower of A$0.055 per share or 92.5% of three consecutive daily VWAPs during a specified period of time ('Conversion Price'). Initially, Lind will be restricted to converting a maximum of A$150,000 in any month, with this later increasing to A$300,000 in any month. Additionally, the Company can redeem the entire outstanding amount at any time for no penalty, subject to Lind having the right to elect to convert 30% of the Face Value at the Conversion Price.

10. FINANCIAL LIABILITIES (continued)

b) The Investor will also subscribe for ordinary shares (Shares) for up to AU$3,400,000 over 12 months by way of pre-payments ranging from A$100,000 to A$300,000 per month for 12 months, which can be extended for an additional 12 months by agreement between the parties. Simultaneous to funding the Convertible Security, the Investor will prepay the first tranche in the amount of A$100,000. Thereafter, the Investor will purchase Shares from the Company on a monthly basis in the amount of A$100,000 per monthly tranche. Upon mutual consent, the Company and the Investor may increase the amount of each tranche up to A$300,000. The Company will have the right to reduce any tranche down to A$25,000. The Investor will pre-pay each monthly tranche at the beginning of the month and the Company will issue the Shares to the Investor at the end of the month at the Purchase Price. The Purchase Price will be the lower of $0.055 per share or 92.5% of three consecutive daily VWAPs during a specified period of time ('Purchase Price').

As part of the consideration payable for this Funding Agreement, the Company will issue 33.33 million LIT options to Lind with an exercise price of A$0.055 per option and an expiry of three years from issue. Security will be provided to Lind by way a General Security Agreement and by way of the issue of 15 million collateral Shares that will be credited at the end of the Funding Agreement. Upon execution of the Funding Agreement, Lithium Australia will issue 15 million collateral Shares.

11. SUBSEQUENT EVENTS

(a) On 17 January 2020, the Company issued 2,941,507 fully paid ordinary shares under Lithium Australia Fee and Remuneration Sacrifice Share Plan approved by shareholders.

(b) On 17 January 2020, the Company issued 1,769,912 fully paid ordinary shares pursuant to the agreement with Lind Global Macro Fund, LP. For further detail, refer to note 10, Financial Liabilities.

(c) On 4 February 2020, formalities were completed in regard to Lithium Australia's acquisition of 90% of Envirostream Australia Pty Ltd.

(d) On 12 February 2020, Lithium Australia announced that its subsidiary VSPC would receive a grant totalling $1.6m to support a battery development program as part of the Australian federal government' s Co-operative Research Centre Projects ('CRC-P') initiative.

(e) On 13 February 2020, Lithium Australia announced that it would receive a grant totalling $1.3m to support the next stage of its LieNA® programme for the recovery of lithium from fine spodumene.

(f) On 18 February 2020, the Company issued 4,444,445 fully paid ordinary shares pursuant to the agreement with Lind Global Macro Fund, LP. For further detail, refer to note 10, Financial Liabilities.

(g) On 18 February 2020, the Company issued 9,191,777 fully paid ordinary shares pursuant to the agreement with Lind Global Macro Fund, LP for the conversion of $500,000 convertible notes. For further detail, refer to note 10, Financial Liabilities.

(h) On 18 February 2020, the Company accepted the voluntary forfeiture of 12,375,000 performance rights which had an expiry date of June 2021.

(i) On 24 February 2020, Shareholders approved the funding package and the Convertible Note was replaced with the Replacement Convertible Note with all terms and conditions consistent with the original Convertible Note as listed in Note 10.

(j) On 4 March 2020, the Company issued a total of 3,421,020 fully paid ordinary shares under Lithium Australia Fee and Remuneration Sacrifice Share Plan and to various suppliers as approved by shareholders.

(k) On 6 March 2020, Lithium Australia notified its partly paid shareholders of a one cent call on the LITCE partly paid shares. Lithium Australia is seeking to raise $1.72M by way of the call.

12. COMMITMENTS

(a) Exploration Expenditure

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

	2019 $	2018 $
Within 12 months	1,485,120	1,766,920
12 Months or longer and not longer than 5 years	1,485,120	1,766,920
Longer than 5 years	-	-
Total	**2,970,240**	**3,533,840**

13. 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 2019 annual financial report.

14. 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.

15. PROVISIONS

	31-Dec-19	**30-Jun-19**
	$	**$**
Rehabilitation provision (i)	88,600	-
	88,600	**-**

(i) The Company's rehabilitation programs are ongoing on two areas at its Ravensthorpe Project. As at 31 December 2019, the Company estimated the cost of the rehabilitation programs at $88,600 which has been recognised as a provision.

16. BUSINESS COMBINATION

On 2 April 2019, the Company entered in to an initial subscription agreement with Envirostream Australia Pty Ltd ("Envirostream") to acquire 18.92% of the issued capital of Envirostream. As at 30 June 2019 the Company had an 11.76% interest in Envirostream with a fair value of $400,000. Subsequent to 30 June 2019 the Company acquired in multiple tranches a further 12.14% interest for consideration of $300,000 bringing its total ownership to 23.91%.

On 25 November 2019 the Company acquired a further 49.75% for consideration of $100,000 to take its ownership to 73.66%.

	$
Consideration	100,000
Fair value of previously-held equity interest	12,659
Non-controlling interest acquired	16,472
	129,131
The fair value of identifiable assets and liabilities of Envirostream as at the date the Company obtained control was:	
Cash	137,655
Other current assets	141,566
Property plant and equipment	266,452
Trade and other payables	(483,148)
Net assets acquired	62,525
Goodwill provisionally accounted for	66,606

The contribution of Envirostream to the consolidated entity's loss was $163,513.

On 20 December 2019 the Company acquired a further 10.41% interest in Envirostream for $100,000. This represents a transaction between the parent and non-controlling interests therefore the carrying amount of non-controlling interests were adjusted to reflect the changes in the interest in the subsidiary.

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 2019 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.

Adrian Griffin
Managing Director

Dated at Perth this 13th day of March 2020

Bentleys
THINKING AHEAD

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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 condensed consolidated statement of financial position as at 31 December 2019 , the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed 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 2019 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)

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 2019 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of $3,079,217 during the half year ended 31 December 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

BENTLEYS	**DOUG BELL CA**
Chartered Accountants	**Partner**

Dated at Perth this 13th day of March 2020