

LITHEX RESOURCES LIMITED

ABN 97 140 316 463

2016 Financial Report

Corporate Directory

Directors

Mr David Wheeler (Non-Executive Director)

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

Ms Paula Cowan (Non-Executive Director)

Company Secretary

Peter Webse

Registered Office

Level 6

105 St Georges Terrace

Perth WA 6000

Telephone: (08) 6558 0886

Facsimile: (08) 6316 3337

Email: admin@lithex.com.au

Auditors

Ernst & Young

The Ernst & Young Building

11 Mounts Bay Rd

Perth WA 6000

Telephone: (08) 9429 2222

Bankers

National Australia Bank

Level 1

1238 Hay Street

West Perth WA 6005

Share Registry

Automic Registry Services Pty Ltd

Level 1

7 Ventnor Ave

West Perth WA 6005

Telephone: 1300 288 664

Website

www.lithex.com.au

Stock Exchange Listing

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

Australian Stock Exchange Code:

LTX

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of activities on pages 7 – 10.

The financial statements were authorised for issue by the Directors on 19 August 2016. The Directors have the power to amend and reissue the financial statements.

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

Schedule of Mineral Tenements as at 30 June 2016

Project Name	Tenement	Location	Status	Interest Held
Moolyella	P45/2845	WA	Granted	90%
Moolyella	P45/2846	WA	Granted	90%
Moolyella	P45/2847	WA	Granted	90%
Furniss East	E70/4212	WA	Granted	100%

Directors' report

Your Directors present their report together with the financial report of Lithex Resources Limited ('the Company' or 'Parent Entity') and its controlled entity ('the Group' or 'consolidated entity') for the year ended 30 June 2016 and the auditor's report thereon.

Directors

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

Names, qualifications, experience and special responsibilities

Mr David Wheeler – Non-Executive Chairman (appointed 1 December 2015)

Mr Wheeler has more than 30 years executive management experience, through general management, CEO and managing director roles across a range of companies and industries. He has worked on business projects in the USA, UK, Europe, New Zealand, China, Malaysia, and the Middle East (Iran). David has been a Fellow of the Australian Institute of Company Directors (FAICD) since 1990.

Mr Joe Graziano - Non Executive Director

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

Mr Graziano has the knowledge and experience in corporate advisory and strategic planning with Corporations and Private Businesses going through a growth phase and restructuring those businesses to assist with the next phase of their growth and strategy. Mr Graziano also has experience in Capital Raisings, ASX compliance and regulatory requirements.

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

Ms Paula Cowan - Non Executive Director

Ms Cowan provides accounting, secretarial and advisory advice to private and public companies, government and other stakeholders. Ms Cowan has over 10 years of experience in chartered accounting specialising in corporate advisory and reconstruction.

Ms Cowan holds a Bachelor of Commerce/Law (Hons), is a qualified Chartered Accountant and a Graduate of the Australian Institute of Company Directors (AICD).

Mr Jason Peterson - Non Executive Director (resigned 1 December 2015)

Mr Peterson has more than 20 years of experience in the financial advisory sector, which he obtained by working in both local and international stockbroking companies such as Patersons, Tolhurst, and Merrill Lynch. Mr Peterson specialises in corporate structuring, capital raisings, corporate and strategic advice to small and medium size companies and reverse takeovers. Mr Peterson holds a Bachelor of Commerce degree from Curtin University in Australia and a Graduate Diploma of Finance from FINSIA (Financial Services Institute of Australia)/SDIA (Securities & Derivatives Institute of Australia). Mr Peterson is a Director and major shareholder of stock broking and corporate advisory firm, CPS Capital Pty Ltd.

Directorships in other listed entities

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

Director	Company	Period of Directorship	
		From	To
David Wheeler	Antilles Oil and Gas NL	12 February 2016	Current
	Castillo Copper Limited	13 August 2015	Current
	Eumeralla Resources Limited	1 October 2014	Current
	Oz Brewing Limited	15 April 2011	Current
	Premiere Eastern Energy Limited	24 August 2014	Current
	The Carajas Copper Company Limited	17 March 2016	10 May 2016
	TW Holdings Limited	18 November 2014	Current
	Weststar Industrial Limited	12 August 2015	Current
Joe Graziano	Oz Brewing Ltd	15 April 2011	Current
	Antares Mining Limited	12 August 2015	Current
	Castillo Copper Limited	13 August 2015	Current
	Kin Mining NL	30 September 2013	Current
	The Carajas Copper Company Limited	17 March 2016	10 May 2016
Paula Cowan	The Carajas Copper Company Limited	9 May 2016	Current

Directors' Interests

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

	Ordinary Shares	Options over Ordinary Shares	Performance Shares
David Wheeler	1,320,000 ¹	2,000,000 ¹	Nil
Joe Graziano	750,000 ¹	2,000,000 ¹	Nil
Paula Cowan	Nil	1,000,000 ²	Nil

Note:

- 1) Pathways Corporate Pty Ltd, a company of which Mr Joe Graziano and Mr David Wheeler are Directors and substantial shareholders, holds 1,500,000 Ordinary shares and 2,000,000 Options over Ordinary Shares.
- 2) Apical Partners Pty Ltd, a company of which Ms Paula Cowan is a Director, holds 1,000,000 Options over Ordinary Shares.

Company Secretary

Mr Peter Webse - Company Secretary B.Bus, FGIA, FCPA, MAICD

Mr Webse was appointed as Company Secretary on 11 March 2014. He has over 25 years' company secretarial experience and is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services to listed companies.

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this director's report, on pages 13 to 18. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

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

Operating and financial review

Principal activities

The principal activities of the Company during the year were mineral exploration. The appointed Board undertook a review of the Company's future strategy and as a result of the review, the following key matters took place:

- On 13 May 2016 the Company announced that it had entered into a binding Heads of Agreement to acquire 100% of the issued capital of Israeli Company Ultracharge Ltd (formerly Voltape Ltd) ("Proposed Acquisition");
- Due diligence conditions aspect of the Proposed Acquisition of Ultracharge Ltd were satisfied on 24 June 2016; and
- Rationalisation of tenements to reduce expenditure commitments.

Corporate structure

The Company is a listed public company, incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entity that it controlled during the financial year. Details regarding the Parent Entity are contained in note 19 to the financial statements.

Operating results for the year

During the year the Company raised a total of \$813,795, before costs, to provide working capital and facilitate the assessment a number of possible acquisitions and projects to maximize shareholder returns (including due diligence costs). As announced on 13 May 2016, the Company entered into a binding Heads of Agreement to acquire 100% of the issued capital of Israeli Company Ultracharge Ltd (formerly Voltape Ltd). Ultracharge, in partnership with Nanyang Technical University is developing faster, safer and more sustainable battery technologies.

A summary of the salient operating results for the year ended 30 June 2016 is as follows:

- Operating loss after tax was (\$725,682) representing a 60% increase on FY2015 (\$454,244).
- Net cash outflow from operating activities was (\$542,150) representing an 18% increase on FY2015 (\$458,509).

The table below sets out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2016.

		30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
EBITDA ¹	\$	(728,741)	(503,283)	(1,897,090)	(3,302,908)	(1,728,588)
Impairment	\$	-	-	(1,284,220)	(1,605,888)	-
EBITDA after impairment	\$	(728,741)	(503,283)	(612,870)	(1,697,020)	(1,728,588)
Net profit/(loss) before tax	\$	(725,682)	(454,244)	(1,871,745)	(3,265,729)	(1,629,191)
Net profit/(loss) after tax	\$	(725,682)	(454,244)	(1,871,745)	(3,265,729)	(1,629,191)
Share price at start of year	cps	0.014	0.02	0.02	0.05	0.16
Share price at end of year	cps	0.059	0.014	0.02	0.02	0.05
Basic earnings per share (cents per share)	cps	(0.05)	(0.003)	(0.02)	(0.035)	(0.037)
Diluted earnings per share (cents per share)	cps	(0.05)	(0.003)	(0.02)	(0.035)	(0.028)
Dividends	cps	-	-	-	-	-
Return on Capital	cps	(7.37)	(4.84)	(21.62)	(22.79)	(26.82)

Note 1: EBITDA is a non IFRS measure which represents earnings before interest, tax, depreciation and amortisation. This is unaudited.

		30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Net profit/(loss) after tax	\$	(725,682)	(454,244)	(1,871,745)	(3,265,729)	(1,629,191)
Interest	\$	(4,151)	(50,175)	(31,284)	(55,722)	(113,113)
Depreciation	\$	1,092	1,136	5,939	18,543	13,716
EBITDA ¹	\$	(728,741)	(503,283)	(1,897,090)	(3,302,908)	(1,728,588)

Review of operations

During the year the Company reviewed and assessed a number of possible acquisitions and projects to maximize shareholder returns.

On 20 January 2016 the Company lodged a prospectus with ASIC to issue up to 20,344,865 New Shares at an issue price of \$0.02 to raise up to \$406,897 before costs. This prospectus was withdrawn on 4 February 2016.

On 8 February 2016, the Company issued a Prospectus to issue up to 33,908,108 New Shares at an issue price of \$0.024 to raise up to \$813,795 before costs. The Offer was closed on 15 February 2016 having received applications and funds in the amount of \$813,795.

The application of funds raised will include costs associated with evaluating new acquisitions or investment opportunities (including due diligence costs) and working capital.

On 13 May 2016 the Company announced that it had entered into a binding Heads of Agreement to acquire 100% of the issued capital of Israeli Company Ultracharge Ltd (formerly Voltape Ltd). Ultracharge is the parent of Singapore-registered Company Quick Charge Pte. Ltd, who is in partnership with Nanyang Technical University is developing faster, safer and more sustainable battery technologies.

Overview of UltraCharge

Ultracharge Ltd is an Israeli company founded in 2015. It holds patent licenses with Nanyang Technological University (NTU) in Singapore to develop and commercialize a new and innovative lithium-ion battery (LIB) technology that seeks to revolutionise the rechargeable battery markets. LIBs are commonly used in devices such as smart phones, tablets, digital cameras, laptops, medical devices and power tools. Moreover, demand for LIBs in the automobile industry is also expected to increase significantly with the growing market for electric vehicles. UltraCharge's technology potentially presents significant game-changing advantages to the entire battery industry, that may bring economic and ecological benefits to future energy sources.

UltraCharge's breakthrough technology replaces graphite used for the anode (negative pole) of LIB with a novel nanotube gel material made from titanium dioxide (an abundant, cheap and safe material commonly used as a food additive and in sunscreen). The patented technology includes a unique and simple method to turn titanium dioxide particles into tiny nanotubes a thousand times thinner than the diameter of a human hair.

This cutting edge nanotechnology presents the following key advantages:

- **Rapid Charging:** On commercialisation, UltraCharge's nanotechnology may enable Smartphones to be charged in under 6 minutes, and Electric Vehicles will increase their range dramatically with just 10-15 minutes of charging.
- **Enhanced Safety:** UltraCharge batteries would be entirely free of carbon and avoid thermal runaway or overheating which is a main cause of fire in traditional energy storage systems (the reason current LIBs are banned on passenger aircraft). This safe, user-friendly and low-risk energy storage opens up the technology for use in wider applications.
- **Cost Efficient:** UltraCharge will utilise low-cost raw materials and a uniquely affordable patented production method.
- **Lifetime:** On commercialisation, UltraCharge batteries may endure between 10,000 - 15,000 charging cycles, approximately 20 times more than today's batteries.
- **Simplicity:** UltraCharge technology allows rapid integration into current battery production lines. Battery manufacturers would find it easy to integrate the new anode into their production processes.

UltraCharge has through Quick Charge Pte. Ltd also signed a research agreement with Professor Chen's research group at NTU one of the world's leading authorities in LIBs today, to develop even better LIB products with faster charging, longer cycling life, energy density improvement and operating at a larger range of ambient temperatures.

Re-compliance with ASX Listing Rules Chapters 1 and 2

Since the Proposed Acquisition will result in a significant change to the nature and scale of the Company's activities, the Proposed Acquisition will require approval from the Company's shareholders' under ASX Listing Rule 11.1.2 and will also require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

A Notice of Meeting seeking shareholder approval for the resolutions required to give effect to the Proposed Acquisition will be sent to the Company's shareholders in due course.

Due diligence conditions in respect to the Proposed Acquisition of Ultracharge Ltd were satisfied on 24 June 2016.

Exploration activities – review and rationalisation

During the year, the Company continued its review and assessment of all tenements held, with an aim of reducing tenement expenditure commitments across the project portfolio balanced against the commercial prospectivity of those tenements. The remaining tenements were maintained in good standing during the year.

A geochemical sampling program was undertaken in May 2016, across all accessible Road Reserves and selected forestry tracks within the Furniss East Project (E70/4212).

The aim of the program was to conduct a broad assessment of the potential for gold, nickel/copper, and other base metals mineralisation within the project area. The program did not detect any areas of significant anomalism for any elements.

Risk management

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

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

Significant changes in the state of affairs

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

Events subsequent to balance date

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

Likely developments and expected results

The due diligence conditions in respect to the Proposed Acquisition of Ultracharge Ltd were satisfied on 24 June 2016. Accordingly, a Notice of Meeting seeking Shareholder Approval for the resolutions required to give effect to the Proposed Acquisition will be sent to the Company's shareholders in due course. It is expected that the Company will convene a general meeting in September 2016 to facilitate shareholder approval for matters in respect of the Proposed Acquisition. The Company's shares were suspended from the trading on the ASX from 13 May 2016, being the announcement date of the Proposed Acquisition and will continue to be suspended until the company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and the Proposed Acquisition has completed.

The indicative share capital structure of the Company post-acquisition of UltraCharge (based on current securities on issue and before the proposed capital raising) will be as follows:

	Shares	Other securities	Percentage interest
Shares currently on issue	169,540,545		24.94%

Shares to be issued to Ultracharge shareholders	485,900,000		71.48%
Shares to be issued to transaction facilitators	24,295,000		3.57%
Total Shares upon completion of the Proposed Acquisition	679,735,545		100.0%
Options currently on issue: @\$0.16 31/12/16 @\$0.05 5/4/18 @\$0.059 5/4/19		10,000,000 8,000,000 4,000,000	
Performance rights to be issued to advisors, service providers and management		60,000,000	
Transaction options to transaction facilitators		20,000,000	
Capital raising options to Capital Raising facilitators		50,000,000	

Further information about likely developments in the operations of the Group in future years, the expected results of those operations, the strategies of the Group and its prospects for future financial years has not been included in this report.

Environmental regulation

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

Dividends

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

Share options

Unissued shares under options

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

Unlisted options

Expiry date	Exercise price	Number of shares
31/12/2016	0.16	10,000,000
5/4/2018	0.05	8,000,000
5/4/2019	0.059	4,000,000
		22,000,000

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

Shares issued on exercise of options

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

Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the following current Directors of the Company, Mr David Wheeler, Mr Joe

Graziano, Ms Paula Cowan and the Company Secretary, Mr Peter Webse against all liabilities to any other person (other than the Company) that may arise from their position as Directors and Officers of the Company, except where the liability arises out of conduct involving a lack of good faith. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Parent Entity has paid premiums during the financial year in respect of a contract insuring the Directors and officers of the Group in respect of liability resulting from these indemnities. The terms of the insurance arrangements and premiums payable are subject to a confidentiality clause.

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

Directors' meetings

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

	Board meetings	
	Held	Attended
David Wheeler ¹	7	7
Joe Graziano	9	9
Paula Cowan	9	9
Jason Peterson ²	2	2

Note:

- 1) Mr Wheeler was appointed on 1 December 2015 and has attended all meetings since his appointment.
- 2) Mr Peterson resigned on 1 December 2015 and attended all meetings up to his resignation.

A total of nine meetings were held during the year.

Proceedings on behalf of the Company

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

Non-audit services

The Company's auditor, Ernst & Young was appointed auditor of the Company in November 2014.

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

Remuneration of the auditor (Ernst & Young) of the entity for:

The audit and review of the financial report of the Group:	2016	2015
	\$	\$
Amounts paid	10,300	12,875
Amounts payable	20,000	20,000
	<u>30,300</u>	<u>32,875</u>
Non audit services provided during the year	Nil	Nil

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

The lead auditor's independence declaration is set out on page 26 and forms part of the directors' report for the year ended 30 June 2016.

On behalf of the board of directors, I would like to take this opportunity to thank all of our consultants for their time and effort over the past 12 months. In addition, I also take this opportunity to thank our shareholders for their continued support and encouragement.

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



David Wheeler
Non-Executive Director

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

Competent Person Statements

Information in this report relating to Exploration Results is based on data compiled by Mr Brendan Borg, who is a Member of the Australasian Institute of Mining and Metallurgy, and who is a contractor of the Company. Mr Borg has sufficient relevant experience to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Borg consents to the inclusion of the data in the form and context in which it appears.

Audited Remuneration Report

The Remuneration Report sets out information relating to the remuneration of the Company's key management personnel.

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

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

- A. Remuneration policies
- B. Details of Directors and Company Executives (Key Management Personnel)
- C. Options and rights over equity instruments granted as compensation

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

A. Remuneration policies

The Board has adopted a framework for corporate governance, including policies dealing with Board and Executive remuneration. These corporate governance policies are described more fully on pages 19 to 25 of the Directors' Report. Policies adopted by the Board reflect the relative stage of development of the Company, having regard for the size and structure of the organisation.

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

Fixed remuneration

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

Remuneration levels are reviewed annually by the Board of Directors.

Performance linked remuneration

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

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

Consequences of performance on shareholders wealth

In view of the relatively early stage of development of the Company's business, current remuneration policies are not directly linked to company performance.

The table below shows the performance of the Group as measured by loss per share:

		30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
EBITDA ¹	\$	(728,741)	(503,283)	(1,897,090)	(3,302,908)	(1,728,588)
EBITDA after impairment	\$	(728,741)	(503,283)	(612,870)	(1,697,020)	(1,728,588)
Net profit/(loss) before tax	\$	(725,682)	(454,244)	(1,871,745)	(3,265,729)	(1,629,191)
Net profit/(loss) after tax	\$	(725,682)	(454,244)	(1,871,745)	(3,265,729)	(1,629,191)
Share price at start of year	cps	0.014	0.02	0.02	0.05	0.16
Share price at end of year	cps	0.059	0.014	0.02	0.02	0.05
Basic earnings per share (cents per share)	cps	(0.05)	(0.003)	(0.02)	(0.035)	(0.037)
Diluted earnings per share (cents per share)	cps	(0.05)	(0.003)	(0.02)	(0.035)	(0.028)
Dividends	cps	-	-	-	-	-
Return on Capital	cps	(7.37)	(4.84)	(21.62)	(22.79)	(26.82)

Note 1: EBITDA is a non IFRS measure which represents earnings before interest, tax, depreciation and amortisation. This is unaudited.

		30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Net profit/(loss) after tax	\$	(725,682)	(454,244)	(1,871,745)	(3,265,729)	(1,629,191)
Interest	\$	(4,151)	(50,175)	(31,284)	(55,722)	(113,113)
Depreciation	\$	1,092	1,136	5,939	18,543	13,716
EBITDA ¹	\$	(728,741)	(503,283)	(1,897,090)	(3,302,908)	(1,728,588)

B. Details of Directors and Company Executives (Key Management Personnel)

Non-Executive Directors

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

Director and Executive disclosures

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

David Wheeler	Non-Executive Chairman (appointed 1 December 2015)
Joe Graziano	Non-Executive Director
Paula Cowan	Non-Executive Director
Jason Peterson	Non-Executive Chairman (resigned 1 December 2015)

Details of Contractual provisions for Key Management Personnel

The Non-Executive Directors, Mr. David Wheeler, Mr. Joe Graziano and Ms. Paula Cowan are paid a consulting fee on a monthly basis. Their services may be terminated by either party at any time.

The aggregate remuneration for non-executive directors has been set at an amount not to exceed \$250,000 per annum at the 2014 Annual General Meeting. This amount may only be increased with the approval of Shareholders at a general meeting.

Loans to Directors and Executives

There were no loans to directors and executives during the financial year ending 30 June 2016.

Dividends to Directors and Executives

There were no dividends to directors and executives during the financial year ending 30 June 2016.

Return of Capital to Directors and Executives

There were no return of capital to directors and executives during the financial year ending 30 June 2016.

Other transactions with Key Management Personnel

CPS Capital Group Pty Ltd, a company of which Mr Jason Peterson is a Director, provided corporate services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the underwriting agreement was \$68,828 (30 June 2015: \$32,552), nil of which was outstanding at 30 June 2016 (30 June 2015: nil).

Celtic Capital Pty Ltd, a company of which Mr Jason Peterson is a Director, charged the Group director fees of \$16,666 (2015: \$40,000). \$Nil (2015: \$Nil) was outstanding at year end.

Automic Registry Services Pty Ltd, a company of which Mr Jason Peterson was a Director during the year, provided share

registry services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the share registry agreement was \$8,813 (2015: \$15,163), \$469 of which was outstanding at 30 June 2016 (30 June 2015: \$nil).

Palisade Business Consulting Pty Ltd, a company of which Ms Paula Cowan is a Director, charged the Group director fees of \$40,000 (2015: \$40,000), \$Nil of which was outstanding at 30 June 2016 (30 June 2015: \$3,667) and provided financial and associated services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the financial and associated services agreement was \$48,310 (2015: \$88,279), \$48 of which was outstanding at 30 June 2016 (30 June 2015: \$4,400).

Apical Partners Pty Ltd, a company of which Ms Paula Cowan is a Director, was issued 1 million options ('Incentive Options') respectively exercisable at \$0.059 (5.9 cents) each before 5 April 2019 in recognition of her services to the Company and to further incentivise her performance. The Incentive Options may be exercisable at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Incentive Options will automatically lapse. These options were issued for nil cash consideration and valued at \$36,724 and were recognised as share based payments for the year ended 30 June 2016.

Pathways Corporate Pty Ltd, a company of which Mr Joe Graziano and Mr David Wheeler are Directors, charged the Group director fees of \$63,334 (2015: \$40,000). \$Nil (2015: \$Nil) was outstanding at year end. Pathways Corporate Pty Ltd was issued 2 million options ('Incentive Options') exercisable at \$0.059 (5.9 cents) each before 5 April 2019 in recognition of Messrs Graziano and Wheeler services to the Company and to further incentivise their performance. The Incentive Options may be exercisable at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Incentive Options will automatically lapse. These options were issued for nil cash consideration and valued at \$73,448 and were recognised as share based payments for the year ended 30 June 2016.

There were no other transactions with Key Management Personnel during the financial year ending 30 June 2016 other than those disclosed above.

Key Management Personnel	Salary & fees \$	Short term		Post-employment		Share based	Payments	Other	Total \$	Proportion of remuneration performance related %
		Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Other \$	Options \$	Shares \$	Bonuses \$		
David Wheeler ¹ (Non-Executive Chairman)										
2016	23,334	-	-	-	-	36,724 ³	-	-	60,058	61.1
2015	-	-	-	-	-	-	-	-	-	-
Joe Graziano (Non-Executive Director)										
2016	40,000	-	-	-	-	36,724 ³	-	-	76,724	47.9
2015	40,000	-	-	-	-	-	-	-	40,000	-
Paula Cowan ² (Non-Executive Director)										
2016	40,000	-	-	-	-	36,724 ³	-	-	76,724	47.9
2015	16,666	-	-	-	-	-	-	-	16,666	-
Jack James ² (Non-Executive Director)										
2016	-	-	-	-	-	-	-	-	-	-
2015	23,334	-	-	-	-	-	-	-	23,334	-
Jason Peterson ¹ (Non-Executive Chairman)										
2016	16,666	-	-	-	-	-	-	-	16,666	-
2015	40,000	-	-	-	-	-	-	-	40,000	-
Total Compensation										
2016	120,000	-	-	-	-	110,172	-	-	230,172	47.9
2015	120,000	-	-	-	-	-	-	-	120,000	-

Note:

- 1) Mr. Peterson resigned on 1 December 2015 and Mr. Wheeler was appointed on 1 December 2015.
- 2) Mr. James resigned on 29 January 2015 and Ms. Cowan was appointed on 29 January 2015.
- 3) There are no performance conditions attached to the Incentive Options issued.

C. Options and rights over equity instruments granted as compensation

On 5 April 2016, Messrs' Wheeler, Graziano and Ms Cowan were each issued 1 million options exercisable at \$0.059 (5.9 cents) each before 5 April 2019 in recognition of their services to the Company and to further incentivise their performance. These options were issued for nil cash consideration and valued at \$110,172 and were recognised as share based payments for the year ended 30 June 2016.

No options have been granted since the end of the financial year.

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

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

Exercise of options granted as compensation

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

Analysis of share-based payments granted as compensation

Messrs' Wheeler, Graziano and Ms Cowan were each issued 1 million options exercisable at \$0.059 (5.9 cents) each before 5 April 2019 in recognition of their services to the Company and to further incentivise their performance. These options were issued for nil cash consideration and valued at \$110,172 and were recognised as share based payments for the year ended 30 June 2016.

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

Options and rights over equity instruments

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

2016

	Held at 1 July 2015	Granted	Lapsed	Other Changes	Held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2016
Directors							
David Wheeler		1,000,000 ²			1,000,000	1,000,000	1,000,000 ²
Joe Graziano		- 1,000,000 ²	-		1,000,000	1,000,000	1,000,000 ²
Paula Cowan		- 1,000,000 ³	-		1,000,000	1,000,000	1,000,000 ³
Jason Peterson	9,087,080	-	-	(9,087,080) ¹	-	-	
Jack James	-	-	-		-	-	-

(1) Options held at resignation.

(2) Pathways Corporate Pty Ltd, a company of which Mr Joe Graziano and Mr David Wheeler are Directors and substantial shareholders, holds 2,000,000 Options over Ordinary Shares.

(3) Apical Partners Pty Ltd, a company of which Ms Paula Cowan is a Director holds 1,000,000 Options over Ordinary Shares.

Movements in shares

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

2016

	Held at 1 July 2015	Acquired	Disposed	Other Changes	Held at 30 June 2016
Directors					
Jason Peterson	10,225,869	-	-	(10,225,869) ¹	-
Joe Graziano	750,000	-	-	-	750,000 ³
David Wheeler	-	-	-	1,320,000 ²	1,320,000 ³
Paula Cowan	-	-	-	-	-

(1) Shares held at date of resignation.

(2) Shares held at date of appointment.

(3) Pathways Corporate Pty Ltd, a company of which Mr Joe Graziano and Mr David Wheeler are Directors and substantial shareholders, holds 1,500,000 Ordinary Shares.

End of Remuneration Report.

Corporate governance statement

This Corporate Governance Statement (“Statement”) outlines the key aspects of Lithex Resources Limited (‘Lithex’ or ‘the Company’) governance framework and main governance practices. The Company’s charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on Lithex’s website located at www.lithex.com.au.

This Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council’s (“the Council’s”) “Principles of Good Corporate Governance and Best Practice Recommendations 3rd Edition” (“the Recommendations”).

The Board of Directors has adopted the Recommendations to the extent that is deemed appropriate considering current the size and operations of the Company. Therefore, considering the size and financial position of the Company, where the Board considers that the cost of implementing a recommendation outweighs any potential benefits, those recommendations have not been adopted.

This Statement was approved by the Board of Directors and is current as at 19 August 2016.

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director (where one is appointed) is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Managing Director (where one is appointed), any other executive directors, the Company Secretary and the Chief Financial Officer and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director (where one is appointed) to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensuring that the Company is appropriately position to manage those risks;
- Overseeing the management of business risks, safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
 - Code of Conduct;
 - Continuous Disclosure Policy;
 - Diversity Policy;
 - Performance Evaluation Policy;
 - Procedures for Selection and Appointment of Directors;

- Remuneration Policy;
- Risk Management and Internal Compliance and Control Policy.
- Securities Trading Policy; and
- Shareholder Communications Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director (where one is appointed) responsibility for the management and operation of Lithex. The Managing Director (where one is appointed) will be responsible for the day-to-day operations, financial performance and administration of Lithex within the powers authorised to him from time-to-time by the Board. The Managing Director (where one is appointed) may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Lithex website.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director (where one is appointed) responsibility for the management and operation of Lithex. The Managing Director (where one is appointed) will be responsible for the day-to-day operations, financial performance and administration of Lithex within the powers authorised to him from time-to-time by the Board. The Managing Director (where one is appointed) may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Lithex website.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit, risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Company has adopted a formal Diversity Policy and is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Company Board.

The Company, which currently has no employees, is at a stage of its development such that the application of measurable objectives in relation to gender diversity, at various levels of the Company's business, is not considered to be appropriate nor practical.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company 0%
- Women in senior management positions 0%
- Women on the Board 33%

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

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

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

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

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

Given, the size of the Board, the change to the composition of the Board during the financial year and the current level of operations of the Company, no formal appraisal of the Board was conducted during the financial year.

The Board conducts an annual performance assessment of the Managing Director (where one is appointed) against agreed key performance indicators.

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Lithex's expense.

Principle 2: Structure the board to add value

Board Composition

During the financial year and to the date of this report the Board was comprised of the following members:

Mr David Wheeler	Non-Executive Chairman (appointed 1 December 2015);
Mr Giuseppe Graziano	Non-Executive Director (appointed 4 December 2013);
Ms Paula Cowan	Non-Executive Director (appointed 29 January 2015)
Mr Jason Peterson	Non-Executive Chairman (appointed 4 December 2013, resigned 1 December 2015).

The Board currently consists entirely of Non-Executive Directors.

Lithex has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

The Company's former Chairman, Mr Jason Peterson, was not considered to be an independent director of the Company as a result of him being a substantial shareholder of the Company.

Since 1 December 2015, the Board has consisted of independent directors as Mr Wheeler, Mr Graziano and Ms Cowan are considered to be independent as they are not members of management and are free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Lithex. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. The Company does not have an established Board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board. However, due to the size of the Company, the Board does not consider it appropriate at this time to formally establish a matrix on the mix of skills and diversity for Board membership. When the need for a new director is identified, the Board considers the required skills, experience and competencies of candidates and the mix of skills of the existing directors.

Generally a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfils the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Lithex's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

Director and CFO Certifications

The Board has received certifications from a Director and the CFO in connection with the financial statements for Lithex for the Reporting Period. The certifications state that the declaration provided in accordance with Section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, Managing Director (where one is appointed) and the Company Secretary are responsible for ensuring that:

- a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognizes the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company

is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the “contact us” page of the Company’s website.

Shareholders may elect to, and are encouraged to, receive communications from Lithex and Lithex’s securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company’s website.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout Lithex’s business activities.

The Board is responsible for the oversight of the Company’s risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director (where one is appointed) having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Lithex has established policies for the oversight and management of material business risks.

Lithex’s Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Lithex believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Lithex is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Lithex accepts that risk is a part of doing business. Therefore, the Company’s Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Lithex’s approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Lithex assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Lithex applies varying levels of management plans.

Given that the Company does not currently have any executives, there has been no report to the Board from management of its material business risks. The management of the Company’s material risks is currently undertaken by the Board. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company’s ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company’s Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider, given the current nature of the Company’s activities, that it has a material exposure to environmental or social sustainability risks.

The Company’s process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company’s goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal

compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board reviews the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfils the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Lithex has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Lithex operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Lithex's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Lithex.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Lithex;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of Lithex shares, foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Managing Director (where one is appointed), Non-Executive Directors and senior management based on an annual review.

Lithex's executive remuneration policies and structures and details of remuneration paid to directors and senior managers (where appointed) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is \$250,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

The total fees paid to Non-Executive Directors during the reporting period were \$120,000.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's Securities Trading Policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

Auditor's Independence Declaration to the Directors of Lithex Resources Limited

As lead auditor for the audit of Lithex Resources Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young



G Lotter
Partner
19 August 2016

Financial statements

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2016

	Note	Consolidated	
		2016 \$	2015 \$
Interest received	2	4,151	50,175
Other income	2	1,003	28,963
General and administrative expenses	3	(62,556)	(72,888)
Corporate and legal expenses	4	(346,640)	(288,808)
Directors fees	6	(120,000)	(120,000)
Insurance expenses		(14,095)	(14,605)
Employment expenses		-	(4,126)
Exploration expenses		(40,648)	(31,618)
Travelling expenses		-	(1,337)
Share based payment expense	14	(146,897)	-
Loss before income tax		(725,682)	(454,244)
Income tax benefit	5	-	-
Loss after tax		(725,682)	(454,244)
Other comprehensive income, net of tax		-	-
Total comprehensive loss		(725,682)	(454,244)
Loss attributable to members of Lithex Resources Limited		(725,682)	(454,244)
Total comprehensive loss attributable to members of Lithex Resources Limited		(725,682)	(454,244)
Basic and diluted loss per share (cents per share)	8	(0.005)	(0.003)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

as at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	1,739,365	1,550,575
Trade and other receivables	10	27,974	20,812
TOTAL CURRENT ASSETS		1,767,339	1,571,387
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,046	2,138
TOTAL NON-CURRENT ASSETS		1,046	2,138
TOTAL ASSETS		1,768,385	1,573,525
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	17,268	11,230
Other creditors	12	70,000	33,333
TOTAL CURRENT LIABILITIES		87,268	44,563
TOTAL LIABILITIES		87,268	44,563
NET ASSETS		1,681,117	1,528,962
EQUITY			
Issued capital	13	9,850,645	9,385,816
Share based payments reserve	14	498,023	85,015
Accumulated losses	15	(8,667,551)	(7,941,869)
TOTAL EQUITY		1,681,117	1,528,962

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2016

	Note	Issued Capital \$	Accumulated Losses \$	Share Based Payments Reserve \$	Total \$
Balance at 1 July 2014		8,655,606	(7,487,625)	85,015	1,252,996
Loss attributable to members of the entity	15	-	(454,244)	-	(454,244)
Other comprehensive income		-	-	-	-
Total comprehensive Loss for the year		-	(454,244)	-	(454,244)
Share issues		825,588	-	-	825,588
Cost of capital		(95,378)	-	-	(95,378)
Balance at 30 June 2015		9,385,816	(7,941,869)	85,015	1,528,962
Loss attributable to members of the entity	15	-	(725,682)	-	(725,682)
Other comprehensive income		-	-	-	-
Total comprehensive Loss for the year		-	(725,682)	-	(725,682)
Share issues	13a	813,795	-	-	813,795
Option issues		-	-	146,897	146,897
Cost of capital	13a	(348,966)	-	265,111	(82,855)
Balance at 30 June 2016		9,850,645	(8,667,551)	498,023	1,681,117

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(506,656)	(506,029)
Interest received	2	4,151	50,175
Other income	2	1,003	28,963
Exploration expenditure		(40,648)	(31,618)
Net cash utilised in operating activities	17	(542,150)	(458,509)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation assets (sale of tenements)		-	115,000
Principal of loan made to Livelynk Group Pty Ltd		-	(1,200,000)
Repayment principal from Livelynk Group Pty Ltd		-	1,200,000
Net cash from investing activities		-	115,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	13a	813,795	825,588
Proceeds from issue of options		800	800
Payment of share issue costs		(83,655)	(95,378)
Net cash from financing activities		730,940	730,210
Net increase / (decrease) in cash and cash equivalents held		188,790	386,701
Cash and cash equivalents at beginning of financial year		1,550,575	1,163,874
Cash and cash equivalents at end of financial year	9	1,739,365	1,550,575

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements for the year ended 30 June 2016

Note 1: Statement of significant accounting policies

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

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

Reporting basis and conventions

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

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

Going concern basis of accounting

Notwithstanding the loss for the year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on cash at bank balance at balance date of \$1,739,365 (2015: \$1,550,575). On 13 May 2016 the Company announced that it had entered into a binding Heads of Agreement to acquire 100% of the issued capital of Israeli Company Ultracharge Ltd (formerly Voltape Ltd) the due diligence conditions in respect to the Proposed Acquisition of Ultracharge Ltd were satisfied on 24 June 2016.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial reporting period except as follows:

New and amended standards adopted by the Group

The following standards and interpretations were applied for the first time and they have not had a material impact on the Group's financial statements.

Reference	Title
AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.
AASB 2015-3	<i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i> The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group and the impact has not yet been determined for the year ended 30 June 2016:

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p><i>Financial assets</i></p> <ol style="list-style-type: none"> Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. <p><i>Financial liabilities</i></p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p><i>Impairment</i></p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to</p>	The Group has not yet determined the likely impact on the Group's financial statements.	1 July 2018

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		<p>recognise full lifetime expected losses on a more timely basis.</p> <p>Hedge accounting</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>		
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i> and related Interpretations (Interpretation 13 <i>Customer Loyalty Programmes</i>, Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, Interpretation 18 <i>Transfers of Assets from Customers</i>, Interpretation 131 <i>Revenue—Barter Transactions Involving Advertising Services</i> and Interpretation 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including</p>	The Group has determined the likely impact on the Group's financial statements will not be material.	1 July 2018

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		<p>Interpretations) arising from the issuance of AASB 15.</p> <ul style="list-style-type: none"> AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15. 		
AASB 1057	Application of Australian Accounting Standards	<p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible.</p> <p>The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.</p>	The Group has determined the likely impact on the Group's financial statements will be not material.	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:</p> <p>(a) A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not)</p> <p>(b) A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>AASB 2014-10 also makes an editorial correction to AASB 10.</p> <p>AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.</p>	The Group has not yet determined the likely impact on the Group's financial statements.	1 July 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>:</p> <ul style="list-style-type: none"> Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. <p>AASB 7 <i>Financial Instruments: Disclosures</i>:</p> <ul style="list-style-type: none"> Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing 	The Group has not yet determined the likely impact on the Group's financial statements.	1 July 2016

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		<p>contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7.</p> <ul style="list-style-type: none"> Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure–Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134. <p>AASB 134 <i>Interim Financial Reporting</i>: Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.</p>		
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	The Group has not yet determined the likely impact on the Group's financial statements.	1 July 2016

The financial report has been prepared on an accruals basis and is based on historical costs.

All amounts presented are Australian dollars unless otherwise stated. Lithex Resources Limited is a for profit entity.

The financial report was authorised for issue by the Directors on 19 August 2016.

Accounting policies

a. Basis of consolidation

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

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

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

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or

not the Company's voting rights are sufficient to give it power, including,

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

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

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

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

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

b. Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and that revenue can be measured reliably. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Note 1: Statement of significant accounting policies (continued)

b. Revenue Recognition (continued)

Sale of goods

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

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

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

c. Income tax

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

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

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

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

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

Note 1: Statement of significant accounting policies (continued)

c. Income tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred

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

d. Other taxes

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

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

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

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

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

e. Exploration and evaluation expenditure

Exploration and evaluation costs related to an area of interest are expensed as incurred.

f. Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks with original maturities of three months or less.

g. Financial Instruments

Classification

The Group has only receivables and trade payables.

(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Receivables are included in trade and other receivables (note 10) in the statement of financial position.

(ii) Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise

Note 1: Statement of significant accounting policies (continued)

g. Financial instruments (continued)

when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risk and rewards of ownership.

Subsequent measurement

Receivables are carried at amortised cost using the effective interest method.

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

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

h. Fair value

The Group does not have any financial instruments that are subject to recurring fair value measurements.

i. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

j. Property, plant and equipment

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

Plant and equipment

Plant and equipment is measured on the cost basis.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Note 1: Statement of significant accounting policies (continued)

j. Property, plant and equipment (continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on a reducing balance basis over their useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets for 2016 and 2015 are:

Class of Fixed Asset	Depreciation Rate
Computer Equipment	33.3%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

k. Contributed equity

Ordinary shares are classified as equity. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

l. Options

Share-based payments

Employees (including senior executives) of the Group received remuneration in the form of share-based payments, whereby employees receive equity instruments as consideration for services rendered (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

m. Critical accounting estimates and judgments

The Directors make estimates and judgments in preparing the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Note 1: Statement of significant accounting policies (continued)

m. Critical accounting estimates and judgments (continued)

Key estimates:Impairment

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Judgements:

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

The Going Concern basis of preparation

Management has made a significant judgement with regards to the application of the going concern basis of preparation (refer to note 1).

n. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of Lithex Resources Limited.

o. Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Note 2: Total Income

	Consolidated	
	2016 \$	2015 \$
Interest received		
Bank interest	4,151	8,750
Loan interest	-	41,425
	<u>4,151</u>	<u>50,175</u>
Other Income		
Sundry	-	16,200
Refunds	1,003	12,763
	<u>1,003</u>	<u>28,963</u>
	<u>5,154</u>	<u>79,138</u>

Note 3: General and Administrative Expenses

	Consolidated	
	2016 \$	2015 \$
Accounting fees	53,305	45,922
Computer expenses	5,710	9,008
Depreciation	1,092	1,136
Other expenses	2,449	16,822
	<u>62,556</u>	<u>72,888</u>

Note 4: Corporate and Legal Expenses

	Consolidated	
	2016 \$	2015 \$
Stock exchange fees	15,903	17,445
Company secretarial cost	52,125	50,500
Legal fees	75,264	76,480
Facilitation fees	125,000	-
Consultants	34,135	88,501
Other corporate expenses	44,213	55,882
	<u>346,640</u>	<u>288,808</u>

Note 5: Income tax

	Consolidated	
	2016	2015
	\$	\$
a. Income tax benefit		
Accounting loss	(725,682)	(454,244)
Prima facie tax benefit on the loss from ordinary activities before income tax at 30% (2015: 30%) differs from the income tax provided in the financial statements as follows:		
Tax benefit at 30%	(217,705)	(136,273)
Add tax effect of:		
Other non-deductible expenses	33,240	43,420
Other assessable income – ATO interest	-	10
Tax losses and temporary differences not recognised	184,465	92,843
Income tax benefit attributable to operating loss	-	-
b. Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following item:		
<i>Deferred tax assets</i>		
Unused tax losses	6,265,666	6,076,462
Deductible temporary differences	11,000	4,568
Net unrecognised tax balances	6,254,666	6,081,030

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

Note 6: Key management personnel disclosures

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

Key management person	Position
David Wheeler	Non-Executive Chairman (appointed 1 December 2015)
Joe Graziano	Non-Executive Director
Paula Cowan	Non-Executive Director
Jason Peterson	Non-Executive Chairman (resigned 1 December 2015)

Note 6: Key management personnel disclosures (continued)

Compensation of key management personnel	Entity	
	2016 \$	2015 \$
Short-term employee benefits	120,000	120,000
Post-employment benefits	-	-
Other benefits	-	-
Share based payments	110,172	-
Total compensation	230,172	120,000

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

	Ordinary shares	Options over ordinary shares	Performance Shares
David Wheeler	2,070,000 ¹	1,000,000 ¹	Nil
Joe Graziano	1,500,000 ¹	1,000,000 ¹	Nil
Paula Cowan	Nil	1,000,000 ²	Nil

Note:

- 1) Pathways Corporate Pty Ltd, a company of which Mr Joe Graziano and Mr David Wheeler are Directors and substantial shareholders, holds 1,500,000 Ordinary shares and 2,000,000 Options of Ordinary Shares.
- 2) Apical Partners Pty Ltd, a company of which Ms Paula Cowan is a Director, holds 1,000,000 Options of Ordinary Shares.

Detailed remuneration disclosures are provided in the Remuneration Report on pages 13 to 18.

Other transactions with key management personnel

CPS Capital Group Pty Ltd, a company of which Mr Jason Peterson is a Director, provided corporate services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the underwriting agreement was \$68,828 (30 June 2015: \$32,552), nil of which was outstanding at 30 June 2016 (30 June 2015: nil).

Celtic Capital Pty Ltd, a company of which Mr Jason Peterson is a Director, charged the Group director fees of \$16,666 (2015: \$Nil). \$Nil (2015: \$Nil) was outstanding at year end.

Automic Registry Services Pty Ltd, a company of which Mr Jason Peterson was a Director during the year, provided share registry services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the share registry agreement was \$8,813 (2015: \$15,163), \$469 of which was outstanding at 30 June 2016 (30 June 2015: \$nil).

Palisade Business Consulting Pty Ltd, a company of which Ms Paula Cowan is a Director, charged the Group director fees of \$40,000 (2015: \$40,000), \$Nil of which was outstanding at 30 June 2016 (30 June 2015: \$3,667) and provided financial and associated services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the financial and associated services agreement was \$48,310 (2015: \$88,279), \$48 of which was outstanding at 30 June 2016 (30 June 2015: \$4,400).

Apical Partners Pty Ltd, a company of which Ms Paula Cowan is a Director, was issued 1 million options ('Incentive Options') respectively exercisable at \$0.059 (5.9 cents) each before 5 April 2019 in recognition of her services to the Company and to further incentivise her performance. These options were issued for nil cash consideration and valued at \$36,724 and were recognised as share based payments for the year ended 30 June 2016.

Note 6: Key management personnel disclosures (continued)

Pathways Corporate Pty Ltd, a company of which Mr Joe Graziano and Mr David Wheeler are Directors, charged the Group director fees of \$63,334 (2015: \$40,000). \$Nil (2015: \$Nil) was outstanding at year end. Pathways Corporate Pty Ltd was issued 2 million options ('Incentive Options') exercisable at \$0.059 (5.9 cents) each before 5 April 2019 in recognition of Messrs Graziano and Wheeler services to the Company and to further incentivise their performance. The Incentive Options may be exercisable at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Incentive Options will automatically lapse. These options were issued for nil cash consideration and valued at \$73,448 and were recognised as share based payments for the year ended 30 June 2016.

There were no other transactions with Key Management Personnel during the financial year ending 30 June 2016 other than those disclosed above.

Note 7: Auditor's remuneration

	Entity	
	2016 \$	2015 \$
Remuneration of the auditor (Ernst & Young) of the entity for:		
The audit and review of the financial report of the Group		
- Current year	30,300	32,875
	<u>30,300</u>	<u>32,875</u>

Note 8: Earnings per share

	Entity	
	2016 \$	2015 \$
Basic Loss per Share		
a. Basic loss per	(0.005)	(0.003)
Loss attributable to ordinary shareholders	(725,862)	(454,244)
Earnings used to calculate basic EPS	(725,862)	(454,244)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	148,556,695	130,877,034
Diluted Loss per Share		
a. Basic loss per share	(0.005)	(0.003)
Loss attributable to ordinary shareholders	(725,862)	(454,244)
Earnings used to calculate diluted EPS	(725,862)	(454,244)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	148,556,695	130,877,034

The potential ordinary shares that could be dilutive in the future are the following options on issue:

Unlisted

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

8,000,000 exercisable at \$0.05 before 5 April 2018

4,000,000 exercisable at \$0.059 before 5 April 2019

Note 9: Cash and cash equivalents

	Consolidated	
	2016 \$	2015 \$

CURRENT

Cash at bank	1,739,365	1,550,575
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Note 10: Trade and other receivables

	Consolidated	
	2016 \$	2015 \$

CURRENT

Prepaid Insurance	13,658	11,363
Other assets (GST receivable)	14,316	9,449
	27,974	20,812

Note 11: Property, plant and equipment

	Consolidated	
	2016 \$	2015 \$

NON-CURRENT

Computer Equipment		
At cost	10,503	10,503
Accumulated depreciation	(9,457)	(8,365)
Total written down amount	1,046	2,138

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

2016	Plant & Equipment \$	Motor Vehicle \$	Furniture & Fittings \$	Computer Equipment \$	Total \$
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Consolidated:

Carrying amount 1 July 2015	-	-	-	2,138	2,138
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation expense	-	-	-	(1,092)	(1,092)
Impairment loss	-	-	-	-	-
Carrying amount year ended 30 June 2016	-	-	-	1,046	1,046

Note 11: Property, plant and equipment (continued)

2015	Plant & Equipment	Motor Vehicle	Furniture & Fittings	Computer Equipment	Total
	\$	\$	\$	\$	\$
Consolidated:					
Carrying amount 1 July 2014	-	-	-	3,274	3,274
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation expense	-	-	-	(1,136)	(1,136)
Impairment loss	-	-	-	-	-
Carrying amount year ended 30 June 2015	-	-	-	2,138	2,138

Note 12: Trade and other payables

	Consolidated	
	2016	2015
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	17,268	11,230
Other creditors	70,000	33,333
	87,268	44,563

Note 13: Issued capital

	Consolidated	
	2016	2015
	\$	\$
169,540,545 (2015: 135,632,437) fully paid ordinary shares	9,850,645	9,385,816

Note 13: Issued capital (continued)

Movement in Issued Capital

	2016 No.	2016 \$.	2015 No.	2015 \$
a. Ordinary shares				
At the beginning of reporting period	135,632,437	9,385,816	94,353,015	8,655,606
Shares issued during the year				
- Issued as per Prospectus @ \$0.024	33,908,108	813,795	-	-
- Issued as per Placement to Sophisticated Investors @ \$0.02	-	-	14,152,950	283,059
- Issued as per Rights Issue @ \$0.02	-	-	9,826,426	196,529
- Issued as per Rights Issue Shortfall @ \$0.02	-	-	17,300,046	346,001
	33,908,108	813,795	41,279,422	825,589
Less Cost of capital	-	(348,966)	-	(141,225)
Add cost reimbursement	-	-	-	45,846
At reporting date	169,540,545	9,850,645	135,632,437	9,385,816

Terms and Conditions of Issued Capital

Ordinary Shares

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the Company.

Options on issue

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

	2016 No.	2015 No.
Description		
At the beginning of reporting period	50,632,754	60,412,754
Granted during the financial year	12,000,000	-
Forfeited during the financial year	-	-
Exercised during the financial year	-	-
Expired during the financial year	(40,632,754)	(9,780,000)
Balance at the end of the financial year	22,000,000	50,632,754
Exercisable at the end of the financial year	22,000,000	50,632,754

Note 13: Issued capital (continued)

Options

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

Unlisted

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

8,000,000 exercisable at \$0.05 before 5 April 2018

4,000,000 exercisable at \$0.059 before 5 April 2019

Note 14: Share based payments reserve

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

	Consolidated	
	2016	2015
	\$	\$
Balance at 1 July 2015	85,015	85,015
Equity settled share based payments	413,008	-
Balance as at 30 June 2016	498,023	85,015

CPS Capital Pty Ltd (and/or its nominees) 8 million options exercisable at \$0.05 (5 cents) each before 5 April 2018 ('Broker Options') for services provided to the Company in relation to the Placement completed on 15 February 2016. The Broker Options may be exercisable at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Broker Options will automatically lapse. These options were issued at \$0.0001 per option and valued at \$265,311 and were recognised as cost of capital raising for the year ended 30 June 2016.

Messrs' Wheeler, Graziano and Webse and Ms Cowan were each issued 1 million options exercisable at \$0.059 (5.9 cents) each before 5 April 2019 ('Incentive Options') in recognition of their services to the Company and to further incentivise their performance. The Incentive Options may be exercisable at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Incentive Options will automatically lapse. These options were issued for nil cash consideration and valued at \$146,897 and were recognised as share based payments for the year ended 30 June 2016.

Incentive Option Cashless Exercise Facility

- i. A holder may, subject to clause (iii) below, elect to pay the Exercise Price for an Incentive Option by setting off the Exercise Price against the number of Shares which it is entitled to receive upon exercise (Cashless Exercise Facility). By using the Cashless Exercise Facility, the holder will receive Shares to the value of the surplus after the Exercise Price has been set off.
- ii. If a holder elects to use the Cashless Exercise Facility, the holder will only be issued that number of Shares (rounded down to the nearest whole number) as are equal in value to the difference between the total Exercise Price otherwise payable for the Incentive Options on the Incentive Options being exercised and the then market value of the Shares at the time of exercise (determined as the volume weighted average of the prices at which Shares were traded on the ASX during the one week period immediately preceding the exercise date) calculated in accordance with the following formula:

$$S = O \times \frac{(MSP - EP)}{MSP}$$

Note 14: Share based payments reserve (continued)

Where:

S = Number of Shares to be issued on exercise of the Options

O = Number of Options

MSP = Market value of the Shares (calculated using the volume weighted average of the prices at which Shares were traded on the ASX during the one week period immediately preceding the exercise date)

EP = Option exercise price

- iii. If the difference between the total Exercise Price otherwise payable for the Incentive Options on the Incentive Options being exercised and the then market value of the Shares at the time of exercise (calculated in accordance with paragraph (ii)) is zero or negative, then a holder will not be entitled to use the Cashless Exercise Facility.

Note 15: Accumulated losses

	Consolidated	
	2016	2015
	\$	\$
Balance at 1 July 2015	(7,941,869)	(7,487,625)
Loss for the year	(725,682)	(454,244)
Balance at 30 June 2016	(8,667,551)	(7,941,869)

Note 16: Commitments for expenditure

	Consolidated	
	2016	2015
	\$	\$
Exploration and evaluation		
- not later than 1 year	3,631	2,642
- later than 1 year but no later than 5 years	1,215	3,472
Remuneration		
- not later than 1 year	120,000	120,000
	124,846	126,114

Note 17: Cash Flow Information

		Consolidated	
		2016	2015
		\$	\$
a. Reconciliation of cash flows used in operations with loss after income tax			
Loss after income tax		(725,682)	(454,244)
Non-cash flows in loss			
Impairment of mining assets		-	-
Exploration spend written off		-	-
Depreciation and impairment of fixed assets		1,092	1,136
Share based payments		146,897	-
Changes in assets and liabilities:			
(Increase)decrease in prepaid insurance		(2,295)	(1,131)
(Increase)decrease in GST receivable		(4,867)	(7,105)
Increase (decrease) in trade and other payables		6,038	11,118
Increase (decrease) in other creditors		36,667	(8,283)
Net cash used in operating activities		(542,150)	(458,509)

Note 18: Related parties transactions

a) Parent entity

The parent entity within the Group is Lithex Resources Limited.

b) Subsidiary

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

Name	Country of Incorporation	Class of shares	Holding	
			2016	2015
			%	%
Far North Minerals Pty Ltd ¹	Australia	Ordinary	100%	100%

Note 1: The subsidiary is currently dormant. The investment in subsidiary was written down to nil during the 2015 financial year.

c) Key management personnel

Details relating to key management personnel are included in Note 6.

d) Dividends

No dividends were received from the subsidiaries in the 2016 or 2015 financial year.

Note 19: Parent entity information

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

	2016 \$	2015 \$
Financial Position		
Current assets	1,767,339	1,571,387
Total assets	1,768,385	1,573,525
Current liabilities	87,268	44,563
Total liabilities	87,268	44,563
<i>Shareholder's equity</i>		
Issued capital	9,850,645	9,385,816
Share based payments reserve	498,023	85,015
Accumulated losses	(8,667,551)	(7,941,869)
	1,681,117	1,528,962
Financial Performance		
Loss for the year	(725,682)	(454,244)
Total comprehensive loss	(725,682)	(454,244)

Contingencies of the Parent Entity

There are no contingent liabilities involving the parent entity (2015: Nil).

Guarantees of the Parent Entity

There are no guarantees involving the parent entity (2015: Nil).

Contractual commitments of the Parent Entity

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

	Consolidated	
	2016 \$	2015 \$
Exploration and evaluation		
- not later than 1 year	1,215	1,215
- later than 1 year but no later than 5 years	-	1,926
Remuneration		
- not later than 1 year	120,000	120,000
	121,215	123,141

Note 20: Financial instruments

Financial risk management

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

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

a) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that future cash flows will fluctuate because of changes in market interest rates.

b) Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's consolidated statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$)	
	Increase/(Decrease)	
	2016	2015
Increase 100 basis points	17,394	15,506
Decrease 100 basis points	(17,394)	(15,506)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. This would represent two to four movements by the Reserve Bank of Australia.

c) Foreign currency risk

The Group is not exposed to fluctuations in foreign currencies.

d) Credit risk

The most significant concentration of credit risk is in relation to cash and cash equivalents, with the maximum exposure being the carrying value per the consolidated statement of financial position.

The group minimises its credit risk by using financial institutions with a credit rating of AAA.

e) Liquidity risk

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

Trade and other payables are payable within 30 days.

f) Price risk

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

g) Capital management

The Group's policy is to maintain a strong and flexible capital base to provide investor, creditor and market confidence to sustain future development of the business. The Group monitors the statement of financial position strength and flexibility using cash flow forecast analysis and detailed budgeting processes.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

h) Fair value

Due to the short term nature of financial assets and liabilities their carrying amounts approximate fair value.

Note 21: Company details

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

Lithex Resources Limited
Level 6
105 St Georges Terrace
Perth, WA 6000

Note 22: Segment reporting

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

Note 23: Contingent liabilities

There are no contingent liabilities or assets as at the date of these financial statements.

Note 24: Subsequent events

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

Independent auditor's report to the members of Lithex Resources Limited

Report on the financial report

We have audited the accompanying financial report of Lithex Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Opinion

In our opinion:

1. the financial report of Lithex Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
2. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Lithex Resources Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young



G Lotter
Partner
Perth
19 August 2016

Directors' declaration

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 26 to 54 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the group's financial position as at 30 June 2016 and of its performance for the year ended on that date;
2. note 1 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
4. the remuneration disclosures included in pages 13 to 18 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2016, comply with section 300A of the *Corporations Act 2001*; and
5. the directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer required by section 295A.

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

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



David Wheeler

Non-Executive Director

Dated this 19th day of August 2016

ADDITIONAL INFORMATION – AS AT 12 AUGUST 2016

(a) Distribution schedule and number of holders of equity securities as at 12 August 2016

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 and over	Total
Fully Paid Ordinary Shares (LTX)	11	6	95	320	201	633
Unlisted Options – 16c 31/12/16	-	-	-	-	3	3
Unlisted Options – 5c 05/04/18	-	-	-	-	4	4
Unlisted Options – 5.9c 05/04/19					3	3

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 12 August 2016 is 27.

(b) 20 largest holders of quoted equity securities as at 12 August 2016

The names of the twenty largest holders of fully paid ordinary shares (ASX code: LTX) as at 12 August 2016 are:

RANK	NAME	NUMBER	PERCENTAGE
1	CITICORP NOMINEES PTY LIMITED	13,645,222	8.05%
2	MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	11,309,365	6.67%
3	LIBERTINE INVESTMENTS PTY LTD	8,000,000	4.72%
4	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	5,954,750	3.51%
5	MR ANDREW PETER SPINKS <A S GOLD SF A/C>	4,975,000	2.93%
6	MR BIN LIU	3,289,469	1.94%
7	KING FAME GROUP LIMITED	2,939,200	1.73%
8	RWH NOMINEES PTY LTD <RWH NOMINEES A/C>	2,938,033	1.73%
9	JDK NOMINEES PTY LTD <KENNY CAPITAL A/C>	2,912,500	1.72%
10	RWH NOMINEES PTY LTD <KAR SUPERFUND A/C>	2,261,967	1.33%
11	AGENS PTY LIMITED <THE MARK COLLINS FAMILY A/C>	2,250,000	1.33%
12	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	2,220,617	1.31%
13	BARK (NSW) PTY LTD <BARK A/C>	2,085,000	1.23%
14	MR LEONARDO SANTALUCIA	2,000,000	1.18%
15	VAGABOND RESOURCES PTY LTD	1,909,326	1.13%
16	MRS MELANIE THERESE VERHEGGEN	1,750,000	1.03%
17	MR JOHN CECCON & MS MARIA LYNN MCLEAN <MCCM SUPER FUND A/C>	1,600,000	0.94%
18	AVONGLADE ENTERPRISES PTY LTD	1,500,000	0.88%
19	MCNEIL NOMINEES PTY LIMITED	1,500,000	0.88%
20	PATHWAYS CORPORATE PTY LTD	1,500,000	0.88%
	TOTAL	76,540,449	45.12%

(c) Substantial shareholders

As at the date of this report the Company had the following substantial shareholder:

Holder	Shares	% of Issued Capital
Mr Jason Peterson	19,568,055	11.54%

(d) Voting Rights

Each fully paid ordinary share carries rights of one vote per share.

(e) Unquoted Securities

The number of unquoted securities on issue as at 12 August 2016:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options ¹	10,000,000	16c	31/12/16
Unquoted Options ²	8,000,000	5c	05/04/18
Unquoted Options ³	4,000,000	5.9c	05/04/19

Persons holding more than 20% of a given class of unquoted securities as at 12 August 2016:

¹. 80% held by Strategic Resources Management Pty Ltd. ². 34.38% held by Libertine Investments Pty Ltd, 31.25% held by Mr Yehuda Cohen and 24.06% held by Celtic Capital Pty Ltd <The Celtic Capital A/C>. ³. 50% held by Pathways Corporate Pty Ltd, 25% held by Mr Peter Gordon Webse and 25% held by Apical Partners Pty Ltd.

(f) Restricted Securities as at 12 August 2016

There are no restricted securities under ASX imposed escrow.

(g) On-Market Buy-Back

There is no current on-market buyback in place.