LITHIUM AUSTRALIA NL

(ACN 126 129 413)

Annual Report

For the Year Ended
30 June 2016

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Corporate Directory

DIRECTORS

Adrian Griffin (Managing Director)

Bryan Dixon (Non-executive Director)

George Bauk (Non-executive Chairman)

COMPANY SECRETARY

Barry Woodhouse

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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STOCK EXCHANGE LISTING

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

Chairman's Letter

Dear Shareholder

It is my pleasure to provide you with Lithium Australia's annual report for the year ended 30 June 2016.

Over the past 12 months, Lithium Australia ('LIT' or 'the Company') has significantly progressed its plan to supply lithium carbonate and lithium hydroxide to the global market. Lithium Australia grew from an $11 million market capitalisation at the beginning of the financial year to $59 million at its end, an increase of more than 400%.

Also during the past financial year, the Company's share price strengthened from 8.5 cents to 25.5 cents (reaching an intra-year high of 38 cents), an increase in share value of 200 per cent. Cash reserves during this period also grew from $0.8 million to $5.8 million, with further cash due from our first institutional shareholder, Lanstead Capital L.P. over the coming 12 months.

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

Key to the future success of the lithium industry is the development of a diverse supply chain, involving multiple countries and miners/processes. The challenges this creates within the lithium supply chain are critical to LIT's strategy, as one of the Company's main goals is the introduction of technology to produce lithium carbonate and/or lithium hydroxide from spodumene and lithium micas.

In February 2016 Lithium Australia developed and patented its Sileach™ process, which will over the coming year be proved through a series of studies in collaboration with the Australian Nuclear Science and Technology Organisation (ANSTO). The Sileach™ process enhances LIT's suite of technologies, among them the LMAX process (owned by Platypus Minerals Ltd), for which the Company has an exclusive Western Australia licence and two global licenses.

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

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

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

George Bauk
Chairman

DIRECTORS' REPORT

On 15 July 2015, a General Meeting was held and a resolution to change the company name from Cobre Montana NL to Lithium Australia NL was passed by shareholders. ASIC has registered the change of name and new Certificate of Registration on Change of Name was issued on the same day. The change of name was effected to better reflect the focus of the Company as a developer of disruptive lithium exploration, mining and processing technology.

Your Directors present their report on Lithium Australia NL ("LIT" or the "Company"), and its controlled entities (the "consolidated entity") for the year ended 30 June 2015 (the "year").

1. DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Adrian Griffin	Managing Director
Bryan Dixon	Non-executive Director
George Bauk	Non-executive Chairman (appointed 15 July 2015)
Eduardo Valenzuela	Non-executive Chairman (resigned 15 July 2015)

BOARD OF DIRECTORS

The names and details of the consolidated entity Directors in office during the financial year and until the date of this report are as outlined below. Directors were in office for this entire period unless otherwise stated.

George Bauk ***(Non-executive Chairman, appointed 15 July 2015)***

Mr Bauk has more than 25 years of mining industry experience which includes particular expertise in critical metals. Mr Bauk is skilled in strategic management, business planning, the establishment of high-performing teams and capital-raising. Mr Bauk held senior operational and corporate positions with WMC Resources and Arafura Resources and was managing director of Indigo Resources (formerly Western Metals). Since 2010, Mr Bauk has been Managing Director and CEO of Northern Minerals, overseeing that company's heavy rare earth project in northern Australia. This included organising a successful greenfields exploration programme, obtaining government approvals for production and co-existence agreements with traditional owners, initiating a definitive feasibility study and establishing off-take agreements with international suppliers, as well as substantial fund-raising, all of which has provided him with valuable exposure to critical metals markets – experience now directly applicable to advancing the activities of Lithium Australia.

Adrian Griffin **(Managing Director)**

Mr Griffin has extensive experience in the resource sector accumulated over 35 years. He has held directorships in a number of private and listed resource companies and has been responsible for operating large integrated mining and processing facilities including the Bulong nickel-cobalt operation in the late 1990s. Mr Griffin has substantial experience in the mining industry in South Africa and in particular was founder and technical director of Ferrum Crescent Ltd, a developer of iron ore in that country. Mr Griffin is currently a director of Northern Minerals Limited, Potash West NL, and Reedy Lagoon Corporation Limited

Bryan Dixon ***(Non-executive Director)***

Mr Dixon has substantial experience in the mining sector and in the management of public and listed companies. Previously, Mr Dixon has been employed by KPMG, Resolute Samantha Limited, Société Générale and Archipelago Resources Plc. Mr Dixon is Managing Director of ASX listed Blackham Resources Ltd and is a non-executive director of Hodges Resources Limited. Mr Dixon is a Chartered Accountant and brings additional project development, project acquisition, financing and corporate skills to the Company.

Eduardo Valenzuela **Non-executive Chairman (resigned 15 July 2015)**

Mr Valenzuela graduated as mining engineer from the University of Chile in 1978 and also holds a Master of Business in International Management from Curtin University in WA. Mr Valenzuela has extensive mining industry experience in Australia, Latin America, USA, the Middle East and Asia, working with top-tier and junior mining companies and consulting organisations such as BHP Minerals, BHP Engineering, IFC (World Bank), Anaconda Nickel, SKM, and Sundance Resources. Mr Valenzuela specialises in project management, mine management, and multi-disciplinary feasibility studies.

DIRECTORS' REPORT

COMPANY SECRETARY

Barry Woodhouse (Appointed 21 August 2015)

Mr Woodhouse is a CPA and a Fellow of Governance Institute of Australia and has more than 28 years' experience in the junior mineral exploration, mineral production, mining services and manufacturing sectors in both private and public companies in Australian and foreign jurisdictions. Mr Woodhouse has held roles including CFO, Company Secretary, Director and Chairman. This includes previous experience in a private lithium explorer in Australia and Namibia.

Amanda Wilton-Heald (Resigned 21 August 2015)

Ms Wilton-Heald is a Chartered Accountant and has more than 18 years' experience within Australia and in the United Kingdom. That experience has included the auditing of the company financial statements of both ASX- and LSE-listed companies, an accounting role with an AIM-listed company in the UK specialising in the provision of collaboration technology, and involvement in the ASX listings of junior exploration companies, as well as the provision of corporate advisory and company secretarial services.

Directorships of other listed companies

Directorships of other listed companies held by Directors in the three years immediately before the end of the financial year are as follows:

Name	***Company***	***Period of directorship***
Adrian Griffin	Potash West NL	From 12 November 2010
	Northern Minerals Limited	From 22 June 2006
	Reedy Lagoon Corporation Limited	From 30 June 2014
Bryan Dixon	Blackham Resources Limited	From 7 July 2006
	Hodges Resources Limited	From 17 August 2005
George Bauk	Northern Minerals Limited	From 2 March 2010

2. PRINCIPAL ACTIVITIES

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

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

3. OPERATING RESULTS

The loss of the consolidated entity after providing for income tax amounted to $1,774,446 (2015: loss of $1,417,432).

4. DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

DIRECTORS' REPORT (Continued)

5. REVIEW OF OPERATIONS

Introduction

Early in the 2014-15 financial year, Litheium Australia noticed an important change in lithium supply – a broadening supply gap and a potential shortage of available lithium. The dynamics of the current situation are complex, with supply controlled by only a handful of producers. Recognising an unparalleled opportunity to create an independent supply stream, Lithium Australia sought to develop lithium processing technologies more cost-effective than the traditional, energy-intensive processes. If successful, these technologies will prove truly disruptive to the lithium industry.

During 2016, the discovery of Pilbara Minerals' Pilgangoora Project, re-ignition of Galaxy's Mt Cattlin project and commencement of mining at Mt Marion all broadened the supply of lithium from WA and all of these operations are likely to reject streams of contaminated lithium minerals that are sub-economic with conventional processing.

Lithium AUstralia recognises that changes in mining practice will generate abundant sub-grade mineral streams such as contaminated spodumene, which, if processed using the Company's 100% owned Sileach™ process, could bolster lithium chemical supply. Applying the Company's disruptive technology to mine waste may well be a solution for the supply constrained battery market, while less commonly processed minerals such as lepidolite (a common lithium mica) could be viable ore feeds. Independant laboratory tests have confirmed the efficacy of Sileach™ process that allows what was previously considered 'waste' to be re-classified as 'ore', thereby establishing lithium micas as a primary ore source.

The disruptive processes Lithium Australia is developing are hydrometallurgical and have a very low energy footprint, since unlike conventional methods no roasting is required. Significant by-product credits further enhance their economic benefits. Indeed, estimated operating costs suggest these processes may be competitive with the world's most efficient producers, as long as the cost of providing feed to the lithium chemical plant is low. Lithium minerals contained in processing waste streams offer a lucrative target, and the Company has identified a number of projects where appropriate waste is available.

Further, the abundance and availability of lithium micas and low-grade spodumene concentrates not historically assessed for resource potential has given LIT scope to establish a project portfolio significant in terms of the lithium industry's recent expansion. The Company has achieved this by strengthening strategic relationships that provide it with immediate access to mineralised material, and by targeting areas of high prospectivity for spodumene, lithium micas and lithium clay.

Developing the opportunity

With respect to the L-Max process (currently owned by ASX listed Platypus Minerals), Lithium Australia NL ("LIT" or "the Company") secured exclusivity for WA and two floating licences in 2015. Subsequently, the Company realised that L-Max is specific to micas and cannot process the substantial spectrum of other lithium minerals, including spodumene. As micas generally have low lithium grades, LIT would prefer to process higher-grade material first, as a buffer against the commodity price cycle.

During 2016, having furthered its relationship with Pilbara Minerals, LIT decided to explore the possibilities of extracting lithium from spodumene via hydrometallurgy. To that end, the Company created its own Sileach™ process, which is halogen-based and has very rapid leach times. Process development has been ably assisted by ANSTO Minerals (a division of the Australian Nuclear Science and Technology Organisation).

When laboratory tests of the Sileach™ process proved positive, LIT partnered with ANSTO Minerals (a division of the Australian Nuclear and Science Technology Organisation) to demonstrate the veracity of the process on a continuous basis. This led to pilot testing, the first step towards commercialising the process. With lithium production considered of strategic importance to Australia's mineral industry now and well into the future, the Company's development programme has attracted government grants at both state and federal levels.

In 2016, samples of lithium mica from Lepidolite Hill and spodumene from Pilbara Minerals' Pilgangoora project (both in WA) have undergone, or will undergo, continuous pilot testing. Depending on the outcomes of these pilot plant trials, LIT may commit to the construction and operation of a larger-scale pilot plant for long-term continuous testing and financial evaluation.

Together, LIT and ANSTO Minerals have also developed an alkaline-based lithium extraction method – LieNA, a patent for which was lodged in August 2016. Armed with this suite of processing technologies, the Company can match a particular resource to the most appropriate processing technology.

Most importantly, and subject to the outcome of the Sileach™ pilot plant tests, LIT and Pilbara Minerals plan to establish the Sileach™ Joint Venture, with the aim of developing a lithium-processing hub in Port Hedland, WA.

Company projects

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

Australia

- Ravensthorpe Lithium Project, WA
- Greenbushes, WA
- The Goldfields Lithium Alliance, including the Coolgardie Rare Metals Venture, WA
- Seabrook Rare Metals Venture, WA
- Gascoyne, WA
- Pilgangoora with Pilbara Minerals, WA
- Venus Metal Joint Venture, Pilgangoora, WA
- Cape York, Queensland
- Bynoe, Northern Territory
- Lake Johnston, WA

Other

- Mexico – Electra Joint Venture

DIRECTORS' REPORT (Continued)

6. SIGNFICANT CHANGES IN STATE OF AFFAIRS

During the 2016 financial year, the Company changed its name to Lithium Australia NL which was approved by shareholders on 15 July 2015.

Apart from these items, there were no other significant changes in the state of affairs of the consolidated entity during the financial year.

7. AFTER BALANCE DATE EVENTS

On 25 July 2016, the Company issued 500,000 shares and 500,000 partly paid shares, paid to $0.0001 and unpaid $0.2499 (LITCE) as consideration for the purchase of Lithophile Pty Ltd which holds tenements prospective for lithium in the Gasgoyne region of Western Australia.

On 25 July 2016, the Company issued 749,519 shares following the payment of the balance of $0.2499 per share on these LITCEs.

On 31 July 2016, the Company issued 278,306 shares following the payment of the balance of $0.2499 per share on these LITCEs.

On 17 August 2016, the Company issued 41,000 shares following the payment of the balance of $0.2499 per share on these LITCEs.

On 17 August 2016, the Company issued 26,676 shares following the payment of the balance of $0.029 per share on these LITCDs. This issue completed the five cent partly paid share program.

On 2 September 2016, the Company issued 93,373 shares following the payment of the balance of $0.2499 per share on these LITCEs.

On 2 September 2016, the Company issued 804,005 shares under the Director & Senior Management Fee & Remuneration Sacrifice Share Plan.

No matters or circumstances have arisen since the end of the financial year which significantly affected or which may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

8. FUTURE DEVELOPMENTS

LIT is the only company actively pursuing the production of battery-grade lithium carbonate from any lithium silicate with a cost competitive processing technique, the halogen based Sileach™ process. This gives it significant 'first mover' advantage, as does the exclusive nature of its extraction technology licences for the Platypus Minerals owned L-Max Process.

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

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

9. FINANCIAL POSITION

The consolidated entity was in a working capital surplus of $8,890,671 at 30 June 2016 (2015: working capital surplus of $527,853).

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

DIRECTORS' REPORT (Continued)

10. DIRECTORS' MEETINGS

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

	Board Meetings	
	Number held and entitled to attend	**Number Attended**
Adrian Griffin	9	8
Bryan Dixon	9	9
George Bauk	7	7
Eduardo Valenzuela (*resigned on 15 July 2015)*	2	2

11. ENVIRONMENTAL ISSUES

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

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

12. PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

13. SHARE OPTIONS

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

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

Details of shares issued during or since the end of the financial year as a result of exercise of an option are:

	Number of shares issued	**Exercise Price**	**Amount Paid $**	**Amount unpaid $**
Exercised on 17 March 2016	(600,000)	$0.1000	60,000	NIL
Exercised on 1 April 2016	(650,000)	$0.1000	65,000	NIL
Exercised on 15 April 2016	(200,000)	$0.1000	20,000	NIL
Exercised on 19 April 2016	(100,000)	$0.1000	10,000	NIL
Exercised on 19 April 2016	(3,750,000)	$0.1500	562,500	NIL
Exercised on 20 April 2016	(200,000)	$0.1000	20,000	NIL
Exercised on 20 April 2016	(66,667)	$0.1500	10,000	NIL
Exercised on 20 April 2016	(325,000)	$0.2000	65,000	NIL
Exercised on 21 April 2016	(300,000)	$0.1000	30,000	NIL
Exercised on 27 April 2016	(250,000)	$0.1000	25,000	NIL
Exercised on 11 May 2016	(600,000)	$0.1000	60,000	NIL
Exercised on 11 May 2016	(66,667)	$0.1500	10,000	NIL
Exercised on 10 June 2016	(100,000)	$0.1000	10,000	NIL
Total	**7,208,334**		**947,500**	

Performance Option Rights

Unlisted performance option rights on issue as at 30 June 2016 is as follows:

	Number
Performance Option Rights outstanding 1 July 2015	-
Issued 15 July 2015	16,000,000

Issued 15 October 2015	9,600,000
19 October 2015 - Converted to Options on hurdle of $12m market capitalisation	(8,200,000)
19 October 2015 - Converted to Options on hurdle of $15m market capitalisation	(8,200,000)
8 December Converted to Options on hurdle of $20m market capitalisation	(9,200,000)
Performance Option Rights outstanding as at 30 June 2016	**Nil**

Performance Rights

Unlisted performance rights on issue as at 30 June 2016 is as follows:

	Number	Hurdle	Fair Value
Performance Rights outstanding 1 July 2015	**-**		
Issued 15 July 2015	4,050,000	1mt LCE equivalent	Nil
Issued 15 July 2015	2,025,000	2mt LCE equivalent	Nil
Issued 15 July 2015	2,025,000	5mt LCE equivalent	Nil
Issued 15 October 2015	640,000	1mt LCE equivalent	Nil
Issued 15 October 2015	800,000	2mt LCE equivalent	Nil
Issued 15 October 2015	800,000	5mt LCE equivalent	Nil
Issued 1 December 2015	1,000,000	12 months service	$105,000
Issued 1 December 2015	2,000,000	$50m market capitalisation	$176,000
$50m market capitalisation reached on 06/04/2016	(2,000,000)		
Performance Rights outstanding as at 30 June 2016	**11,340,000**		

No new options, performance option rights, or performance rights have been issued subsequent to 30 June 2016.

14. REMUNERATION REPORT (audited)

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

Remuneration Policy

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

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

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-executive Directors.

All equity based remuneration paid to Directors and executives is valued at the cost to the consolidated entity and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

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

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

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (audited) ***(Continued)***

Details of Remuneration for Year Ended 30 June 2016

The remuneration for each Director and of the one executive officer of the consolidated entity during the year was as follows:

Directors and Executive Officers' Emoluments

	Short Term Benefits			Post Employment		Share Based Payments		Share Based Payments		Total	Options % of Total Remuneration	Performance Option Rights as % of Total Remuneration	Performance Rights as % of Total Remuneration
	Salary, Fees & Superannuation	Other	Non-Monetary	Superannuation	Retirement Benefits	Performance Option Rights	Performance Rights	Equity (a)	Options	$	%	%	%
Bryan Dixon - Non Executive Director													
2016	41,250	-	-	-	-	121,250	-	10,000	-	172,500	0%	70%	0%
2015	40,000	-	-	-	-	-	-	9,982	-	49,982	0%	0%	0%
Adrian Griffin - Managing Director													
2016	220,218	-	-	-	-	242,500	161,000	37,500	-	661,218	0%	37%	24%
2015	208,333	-	-	-	-	-	-	49,910	-	258,243	0%	0%	0%
Eduardo Valenzuela - Non Executive Chairman 1													
2016	2,292	-	-		-	-	-	-	-	2,292	0%	0%	0%
2015	23,858	-	-	-	-	-	-	10,980	-	34,838	0%	0%	0%
George Bauk - Non Executive Chairman 5													
2016	44,325	-	-	-	-	121,250	-	7,425	-	173,000	0%	70%	0%
2015	-	-	-	-	-	-	-	-	-	-	0%	0%	0%
Amanda Wilton-Heald - Company Secretary 2													
2016	-	-	-	-	-	-	-	-	-	-	0%	0%	0%
2015	-	-	-	-	-	-	-	-	-	-	0%	0%	0%
Barry Woodhouse - Company Secretary 3													
2016	91,700	-	-	-	-	57,600	-	91,700	-	241,000	0%	24%	0%
2015	-	-	-	-	-	-	-	-	-	-	0%	0%	0%
Total													
2016	399,785	-	-	-	-	542,600	161,000	146,625	-	1,250,010	0%	43%	13%
2015	272,190	-	-	-	-	-	-	70,872	-	343,063	-	-	-

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

2 *Amanda Wilton-Heald resigned as Company Secretary on 21 August 2016.*

3 *Barry Woodhouse was appointed as Company Secretary on 21 August 2016*

(a) Shares issued in lieu of cash in relation to director fees.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (audited) ***(Continued)***

Employment Contracts of Directors and Senior Executives

The Managing Director, Mr Adrian Griffin, is employed under contract. This current contract commenced on 1 November 2015 and has a term of 3 years. This contract provides Mr Griffin with a fee of $250,000 per annum and superannuation. The company may terminate this employment agreement at any time and without prior notice if serious misconduct has occurred. In this event remuneration is only payable up until the date of the termination.

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

Director's fees of $2,250* were paid to Andes Consulting Pty Ltd. Mr Valenzuela is a director and shareholder of Andes Consulting Pty Ltd. Mr Valenzuela resigned on 15 July 2015.

Director's fees of $50,000* were paid, or were due and payable to Warrior Strategic Pty Ltd. Mr Dixon is a director and shareholder of Warrior Strategic Pty Ltd.

Director's fees of $54,000* were paid, or were due and payable to Mr George Bauk.

** Effective from 1 July 2014 to 31 December 2015, all the Company's directors resolved to undertake a salary sacrifice arrangement, 50% of the director's fees were settled by issuing ordinary shares, This changed from 1 January 2016 when payment of contracted amounts were paid fully in cash.*

Directors' interests in shares and options

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

	Balance 1.7.2015	Granted as Compensation	Options Exercised/ Expired	Balance 30.6.2016	Total Vested 30.6.2016	Total Exercisable 30.6.2016	Total unexercis-able 30.6.2016
B Dixon	500,000	6,025,000	(500,000)	6,025,000	4,000,000	4,000,000	2,025,000
A Griffin	2,250,000	15,050,000	(7,075,000)	10,225,000	15,050,000	5,175,000	5,050,000
G Bauk	-	6,025,000	(1,250,000)	4,775,000	2,750,000	2,750,000	2,025,000
B Woodhouse	-	5,920,000	(133,334)	5,786,666	4,666,666	4,666,666	1,120,000
E Valenzuela $_1$	500,000	-	(500,000)	-	-	-	-
Total	**3,250,000**	**33,020,000**	**(9,458,334)**	**26,811,666**	**26,466,666**	**16,591,666**	**10,220,000**

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

	Balance 1.7.2015	Received as compensation	Options exercised	Net change other	Balance 30.6.2016
B Dixon	633,070	299,145	-	723,654	1,655,869
A Griffin	3,001,127	445,549	2,825,000	2,914,646[2]	9,186,322
G Bauk	-	87,762	1,250,000	(417,512)	920,250
B Woodhouse	-	742,590	133,334	(742,590)	133,334
E Valenzuela $_1$	1,760,125	-	-	(1,760,125)	-
Total	**5,394,322**	**1,575,046**	**4,208,334**	**718,073**	**11,895,775**

*

The number of five cent partly paid contributing shares held by each KMP of the consolidated entity during the financial year is as follows:

	Balance 1.7.2015	Received as compensation	Contributing shares paidup	Net change other	Balance 30.6.2016
B Dixon	1,234,110	-	(1,175,111)	-	58,999
A Griffin	1,832,976	-	(1,832,976)	-	-
G Bauk	10,500	-	-	(10,500)[3]	-
B Woodhoue	-	-	-	-	-
E Valenzuela $_1$	452,079	-	-	(452,079)	-
Total	**3,529,665**	**-**	**(3,067,086)**	**(462,579)**	**-**

1 - Mr Valenzuela resigned on 15 July 2015.

2 – Includes the issue of 2,000,000 shares upon LIT achieving $50m market capitalisation on 6 April 2016.

3 – Completion of payment for partly paid shares.

14. REMUNERATION REPORT (audited) (continued)

Directors' interests in shares and options *(continued)*

The number of twenty five cent partly paid contributing shares held by each KMP of the consolidated entity during the financial year is as follows:

	Balance 1.7.2015	Received as compensation	Contributing shares Paid-up	Net change other	Balance 30.6.2016
B Dixon	-	-	-	768,936	768,936
A Griffin	-	-	-	4,927,243	4,927,243
G Bauk	-	-	-	460,125	460,125
B Woodhouse	-	-	-	66,667	66,667
Total	**-**	**-**	**-**	**6,222,971**	**6,222,971**

The number of Performance Rights held by each KMP of the consolidated entity during the financial year is as follows:

	Balance 1.7.2015	Received as compensation	Conversion to Shares	Balance 30.6.2016
B Dixon	-	2,025,000	-	2,025,000
A Griffin	-	7,050,000	(2,000,000)	5,050,000
G Bauk	-	2,025,000	-	2,025,000
B Woodhouse	-	560,000	-	560,000
Total	**-**	**11,660,000**	**(2,000,000)**	**9,660,000**

The number of Performance Option Rights held by each KMP of the consolidated entity during the financial year is as follows:

	Balance 1.7.2015	Received as compensation	Conversion to Options	Balance 30.6.2016
B Dixon	-	4,000,000	(4,000,000)	-
A Griffin	-	8,000,000	(8,000,000)	-
G Bauk	-	4,000,000	(4,000,000)	-
B Woodhouse	-	4,800,000	(4,800,000)	-
Total	**-**	**20,800,000**	**-**	**-**

There have been no other transactions involving equity instruments other than those described in the tables above.

Options Issued as Part of Remuneration

During the year ended 30 June 2016, the following share based payment options arrangements were in existence with KMP:

Options series	Number granted	Grant date	Grant date fair value	Expiry date	Exercise price	Vesting date
Unlisted options Series 1 Table A	6,600,000	15/07/2016	$0.036	1/07/2019	$0.15	1/07/2019
Unlisted Options Series 2 Table B	6,600,000	15/07/2016	$0.031	1/07/2019	$0.15	1/07/2019
Unlisted Options Series 3 Table C	7,600,000	15/07/2016	$0.025	1/07/2019	$0.15	1/07/2019
Unlisted Performance Rights Series 4 Table D	9,220,000	15/07/2016	$0.075	1/07/2019	N/A	1/07/2019
Unlisted Performance Rights Series 5 Table E	2,000,000	30/11/2016	$0.088	1/07/2019	N/A	1/07/2019
Unlisted Performance Rights Series 6 Table F	1,000,000	30/11/2016	$0.105	1/07/2019	N/A	30/11/2019
Total	33,020,000					

There are no further service or performance criteria other than as listed below that need to be met in relation to unlisted options granted before the beneficial interest vests in the recipient.

14. REMUNERATION REPORT (audited) (continued)

Table A(1) Series 1 - During the year, the following KMP became entitled to options (and shares) as a result of converting Performance Option Rights with a performance hurdle of a market capitalisation of $12m. These Performance option Rights were valued at $0.036 per unit.

Table A(1) Series 1	Option Series	Number granted	Number vested	% of grant vested	% of grant forfeited
B Dixon	Series 1	1,250,000	1,250,000	100%	0%
A Griffin	Series 1	2,500,000	2,500,000	100%	0%
G Bauk	Series 1	1,250,000	1,250,000	100%	0%
B Woodhouse	Series 1	1,600,000	1,600,000	100%	0%
Total	**-**	**6,600,000**	**6,600,000**		

Table A(2) Series 1- During the year, the following KMP exercised Series 1 options that were granted to them as part of their compensation. Each option converts into one ordinary share of Lithium Australia NL. The options can be (or were) converted at 15 cents per option.

Table A(2) Series 1	Option Series	Number of options exercised	Number of LIT shares issued	Amount paid	Amount unpaid
B Dixon	Series 1	-	-	-	-
A Griffin	Series 1	2,500,000	2,500,000	$375,000	-
G Bauk	Series 1	1,250,000	1,250,000	$187,500	-
B Woodhouse	Series 1	133,334	133,334	$20,000	-
Total		**3,883,334**	**3,883,334**	**$582,500**	**-**

Table B(1) Series 2 - During the year, the following KMP became entitled to options / shares as a result of converting Performance Option Rights with a performance hurdle of a market capitalisation of $15m. These Performance Option Rights were valued at $0.031 per unit.

Table B(1) – Series 2	Option Series	Number granted	Number vested	% of grant vested	% of grant forfeited
B Dixon	Series 2	1,250,000	1,250,000	100%	0%
A Griffin	Series 2	2,500,000	2,500,000	100%	0%
G Bauk	Series 2	1,250,000	1,250,000	100%	0%
B Woodhouse	Series 2	1,600,000	1,600,000	100%	0%
Total		**6,600,000**	**6,600,000**		

Table B(2) – Series 2 - During the year, the following KMP exercised Series 2 options that were granted to them as part of their compensation. Each option converts into one ordinary share of Lithium Australia NL. The options can be (or were) converted at 20 cents per option.

Table B(2) – Series 2	Option Series	Number of options exercised	Number of LIT shares issued	Amount paid	Amount unpaid
B Dixon	Series 2	-	-	-	-
A Griffin	Series 2	325,000	325,000	62,500	-
G Bauk	Series 2	-	-	-	-
B Woodhouse	Series 2	-	-	-	-
Total		**325,000**	**325,000**	**62,500**	**-**

Table C(1) Series 3 - During the year, the following KMP became entitled to options / shares as a result of converting Performance Option Rights with a performance hurdle of a market capitalisation of $20m. These Performance Option Rights were valued at $0.025 per unit.

Table C(1) – Series 3	Option Series	Number granted	Number vested	% of grant vested	% of grant forfeited
B Dixon	Series 3	1,500,000	1,500,000	100%	0%
A Griffin	Series 3	3,000,000	3,000,000	100%	0%
G Bauk	Series 3	1,500,000	1,500,000	100%	0%
B Woodhouse	Series 3	1,600,000	1,600,000	100%	0%
Total		**7,600,000**	**7,600,000**		

Table C(2) – Series 3 - During the year, the no KMP exercised Series 3 options that were granted to them as part of their compensation. Each option converts into one ordinary share of Lithium Australia NL. The options can be (or were) converted at 30 cents per option.

Table C(2) – Series 3	Option Series	Number of options exercised	Number of LIT shares issued	Amount paid	Amount unpaid
B Dixon	Series 3	-	-	-	-
A Griffin	Series 3	-	-	-	-
G Bauk	Series 3	-	-	-	-
B Woodhouse	Series 3	-	-	-	-
Total		**-**	**-**	**-**	**-**

Table D Series - During the year, the following KMP became entitled to Performance Rights with a performance hurdle of a targeted controlled JORC compliant resources. These Performance Rights were valued at $0.075 per unit.

Table A(1) Series 4	Option Series	Number granted	Number vested	% of grant vested	% of grant forfeited
B Dixon	Series 1	4,050,000	-	0%	0%
A Griffin	Series 1	2,025,000	-	0%	0%
G Bauk	Series 1	2,025,000	-	0%	0%
B Woodhouse	Series 1	1,120,000	-	0%	0%
Total	**-**	**9,220,000**	**-**		

The performance hurdle has not been met at balance date.

Table E Series 5 - During the year, the following KMP became entitled to Performance Rights with a performance hurdle hurdle of a market capitalisation of $50m. These Performance Rights were valued at $0.088 per unit.
.

Table E(1) Series 5	Option Series	Number granted	Number vested	% of grant vested	% of grant forfeited
A Griffin	Series 5	2,000,000	2,000,000	100%	0%

The performance hurdle of a market capitalisation of $50m was met on 6 April 2016 and the 2,000,000 Performance Rights were converted and 2,000,000 shares were issued to Mr Adrian Griffin.

Table F Series 6 - During the year, the following KMP became entitled to Performance Rights with a performance hurdle hurdle of remaining as Director until 30 November 2016. These Performance Rights were valued at $0.105 per unit.
.

Table F(1) Series 6	Option Series	Number granted	Number vested	% of grant vested	% of grant forfeited
A Griffin	Series 6	1,000,000	0	0%	0%

The performance hurdle of defined service as Director has yet to be met.

The following table summarises the value of options granted and exercised during the financial year, in relation to options granted to KMP as part of their remuneration.

Name	Value of options granted at the date of grant (i)	Value of options exercised at the exercise date (ii)
B Dixon	$121,250	-
A Griffin	$242,500	$99,688
G Bauk	$121,250	$45,000
B Woodhouse	$147,200	$4,800
Total	**$632,200**	**$149,488**

(i) The value of options granted during the financial year is calculated as at the grant date using a modified Black-Scholes model. This grant date value is allocated to remuneration of key management personnel on a stratight line basis over the period from grant date to vesting date.

(ii) The value of options exercised during the financial year is calculated in proportionto the number of options exercised based on the fair value calculated at grant date.

The following table summarises the number of options that lapsed during the financial year in relation to options granted to KMP as part of their remuneration.

	Financial year in which options were granted	No. Of options lapsed during the current year
B Dixon	2013	(500,000)
A Griffin	2013	(2,250,000)
E Valenzuela	2013	(500,000)
Total		**(3,250,000)**

End of Remuneration Report

DIRECTORS' REPORT (Continued)

15. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company paid a premium of $6,681 to insure Directors and Officers of the Company. The Directors and Officers have indemnities in place with the Company whereby the Company has agreed to indemnify the Directors and Officers in respect of certain liabilities incurred by the Director or Officer while acting as a Director of the Company and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Company.

16. NON-AUDIT SERVICES

No non-audit services were provided to the consolidated entity in the year ended June 2016.

17. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and immediately follows the Directors' Report.

18. CORPORATE GOVERNANCE

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

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

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

Adrian Griffin
Managing Director

Perth, Western Australia
30 September 2016

Competent Persons Statement:

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

Bentleys
THINKING AHEAD

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To The Board of Directors

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

As lead audit director for the audit of the financial statements of Lithium Australia NL for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 30th day of September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	30 June 2016 $	30 June 2015 $
Continuing Operations			
Revenue	2	28,628	4,232
Occupancy costs		(78,927)	(38,500)
Professional fees		(119,587)	(189,735)
Corporate fees		(326,632)	(152,098)
Employee benefits expense		(1,829,401)	(555,651)
Option expense		-	(8,692)
Administration costs		(166,382)	(82,930)
Fair value of investments adjustment		27,005	(2,478)
Realised gains on financial assets		560,952	-
Unrealised gains on financial assets		1,045,714	-
Impairment of exploration right for Piedrecillas Chile		-	(196,239)
Depreciation and amortisation		(15,948)	-
Loss on disposal of subsidiary		(90,191)	-
Exploration and evaluation costs written off		(809,677)	(195,341)
Loss before income tax		(1,774,446)	(1,417,432)
Income tax expense	5	-	-
Loss from continuing operations		(1,774,446)	(1,417,432)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operation		91,890	(52,833)
Net fair value gain on available for sale financial assets		125,980	-
Total comprehensive income for the year		**(1,556,576)**	**(1,470,265)**
Loss for the year attributable to:			
Members of the controlling entity		(1,774,446)	(1,588,505)
Non controlling interest		-	171,073
		(1,774,446)	(1,417,432)
Total comprehensive income attributable to:			
Members of the controlling entity		(1,556,576)	(1,641,338)
Non controlling interest		-	171,073
		(1,556,576)	(1,470,265)
Basic loss per share (cents per share)	16	1.03	1.57

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	30 June 2016 $	30 June 2015 $
Current Assets			
Cash and cash equivalents	6	5,756,645	852,685
Trade and other receivables	7	317,221	91,328
Financial assets	8	3,385,822	-
Other assets	9	-	9,375
Total Current Assets		9,459,688	953,388
Non Current Assets			
Financial assets	8	288,496	3,322
Exploration Expenditure	10	147,050	22,000
Intangible assets	11	703,118	-
Property, plant and equipment		23,292	3,365
Total Non Current Assets		1,161,956	28,687
TOTAL ASSETS		10,621,644	982,075
Current Liabilities			
Trade and other payables	12	569,017	425,535
Total Current Liabilities		569,017	425,535
TOTAL LIABILITIES		569,017	425,535
NET ASSETS		**10,052,627**	**556,540**
Equity			
Issued capital	13	20,936,454	10,565,467
Reserves	14	814,791	35,583
Accumulated losses		(11,698,618)	(10,044,510)
Controlling entity interest		10,052,627	556,540
TOTAL EQUITY		**10,052,627**	**556,540**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
For the Year Ended 30 June 2016

	Note	30 June 2016 $	30 June 2015 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,774,902)	(779,008)
Payments for exploration and evaluation		(808,083)	(531,165)
Interest received		28,628	3,864
Net cash outflow from operating activities	17	(2,552,357)	(1,306,309)
Cash Flows from Investing Activities			
Payment for plant and equipment		(31,675)	(4,410)
Payment for intangible assets		(573,975)	(5,000)
Payment for other financial assets		(104,640)	-
Purchase of tenement		-	(10,000)
Net cash outflow from investing activities		(710,290)	(19,410)
Cash Flows from Financing Activities			
Proceeds from issue of shares and options		8,402,029	2,001,841
Payment for capital raising costs		(235,422)	(157,631)
Net cash inflows from financing activities		8,166,607	1,844,210
Net increase in cash held		4,903,960	518,492
Cash and cash equivalents at the beginning of the year		852,685	334,193
Cash and cash equivalents at the end of the year	6	5,756,645	852,685

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2016

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

The accompanying notes form part of these financial statements.

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non Controlling Interest	Total
Balance at 1 July 2014	8,567,085	457,094	(41,471)	(8,791,905)	(171,073)	19,730
Loss for the year	-	-	-	(1,588,505)	171,073	(1,417,432)
Other comprehensive income						
Exchange differences on translation of foreign subsidiary	-	-	(52,833)	-	-	(52,833)
Total comprehensive loss for the year	-	-	(52,833)	(1,588,505)	171,073	(1,470,265)
Transaction with owner, directly recorded in equity:						
Issue of shares	2,156,012	-	-	-	-	2,156,012
Capital raising costs	(157,630)	-	-	-	-	(157,630)
Issue of options	-	8,693	-	-	-	8,693
Options expired	-	(335,900)	-	335,900	-	-
Balance at 30 June 2015	**10,565,467**	**129,887**	**(94,304)**	**(10,044,510)**	**-**	**556,540**

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Due to the change of Company's direction and focus, the directors have resolved to a change the company name to Lithium Australia NL (formerly known as Cobre Montana NL) and resolution has been passed by shareholders at the General Meeting held on 15 July 2015. ASIC has issued the Certificate of Registration on Change of Name on the same date the General Meeting was passed. On 4 August 2015, ASX confirmed the new code being LIT.

These consolidated financial statements and notes represent those of Lithium Australia NL and controlled entities (the "consolidated entity"). Lithium Australia NL is a listed public company, incorporated and domiciled in Australia.

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

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

(a) Principles of consolidation

The consolidated financial statements comprise the finance statements of Lithium Australia NL and its subsidiaries ("the Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Lithium Australia NL has control.

(b) Exploration, Evaluation and Development Expenditure

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

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial Instruments

Financial instruments in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The consolidated entity determines the classification of its financial instruments after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(*ii) Held-to-maturity investments*
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the consolidated entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market
transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(v) Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment
At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

Derecognition

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

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the balance sheet.

(e) Trade and Other Receivables

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

(f) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Impairment of Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) **Intangible assets**

<u>Intangible assets acquired separately</u>

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

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

<u>Internally-generated intangible assets - research and development expenditure</u>

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

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

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

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

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (“ATO”). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

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

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Taxation

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

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

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

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

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

(k) Trade and Other Payables

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

(l) Share Based Payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

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

(m) Issued Capital

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

(n) Earnings Per Share

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***(o)* Critical Accounting Estimates and Judgments**

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

Key Estimates - Impairment

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

Key Estimates – Taxation

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

Key Judgment – Environmental Issues

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

***(p)* Fair Value of Assets and Liabilities**

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

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

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

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

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

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

(p) **Fair Value of Assets and Liabilities**

Valuation techniques

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

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

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

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

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

Fair value hierarchy

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

Fair Value of Assets and Liabilities

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) New Accounting Standards for Application in Future Periods

Application of new and revised Accounting Standards

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2016. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

NOTES TO THE FINANCIAL STATEMENTS

	2016	2015
	$	$
2. REVENUE		
- interest received from financial institutions	28,628	3,864
- other revenue	-	368
	28,628	4,232

3. LOSS FOR THE YEAR

	2016	2015
Loss before income tax includes the following specific expenses:		
Expenses		
Exploration expenditure written off	806,977	391,580
Employee equity settled benefits	1,012,402	70,872
Defined contribution fund payments	7,591	-

4. AUDITORS' REMUNERATION

	2016	2015
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	37,200	28,200
	37,200	28,200

5. INCOME TAX EXPENSE

	2016	2015
Current tax	-	-
Deferred tax	-	-

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2016	2015
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2015: 30%)	(532,334)	(425,230)
Add/(Less) tax effect of:		
Non-deductible expenses	318,580	65,082
Option expenses	-	2,608
Foreign expenditure	-	-
Interest accrual and other proceed	-	-
Deferred tax asset not brought to account	213,754	357,540
Income tax attributable to entity	-	-

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

The consolidated entity has deferred tax assets not brought to account and available for offset of deferred tax liabilities amounting to $1,720,356 (2015: $1,536,733), the benefits of which will only be realised if the conditions for deductibility set out in Note1(i) occur.

NOTES TO THE FINANCIAL STATEMENTS

	2016	2015
	$	$
6. CASH AND CASH EQUIVALENTS		
Cash at bank (AA rated institutions)	5,756,645	852,485
Petty cash	-	200
	5,756,645	852,685
7. TRADE AND OTHER RECEIVABLES		
Other debtors	188,900	63,825
GST receivable	128,321	27,503
	317,221	91,328
8. FINANCIAL ASSETS		
Current		
Warrants at fair value (i)	73,440	-
Equity swap at fair value (ii)	3,312,382	-
	3,385,822	
Non-current		
Available for sale Australian listed shares - Level 1 fair value	60,290	3,322
Available for sale Canadian listed shares - Level 1 fair value	228,206	-
	288,496	3,322

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

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

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

	2016	2015
Opening fair value	-	-
Additions	4,000,000	-
Fair value revaluation	1,606,668	-
Settlements	(2,294,286)	-
Closing fair value	3,312,382	-

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

	2016	2015
9. OTHER ASSETS		
Prepayments	-	4,375
Other	-	5,000
	-	9,375

NOTES TO THE FINANCIAL STATEMENTS

	2016	2015
	$	$
10. CAPITALISED EXPLORATION EXPENDITURE		
Opening balance	22,000	196,239
Electra Joint Venture Farm-in	125,050	-
Impairment of exploration right – Piedrecillas Chile	-	(196,239)
Options fees paid – Ravensthrope E74/0543	-	22,000
Closing balance	147,050	22,000

On 1 September 2014, the Company has executed the option to purchase with Dempsey Minerals Limited ("Vendor") to purchase the Exploration Licence on E74/0543, located in the Ravensthrope area of Western Australia and technical information under the terms of the Option to Purchase.

On the execution of the option agreement, the Company issued 300,000 ordinary shares to vendor. Additionally, the Company paid the Vendor the sum of $10,000 in consideration of acquiring the Exploration License.

This was deemed to be an acquisition of Exploration License and does not constitute a business combination.

On 11 May 2016, 500,000 shares and 500,000 partly paid shares were issued to Alix Resources Corp. for the initial 25% interest as part of the farm-in terms for the Electra Joint Venture entered into 8 February 2016. These shares were issued at the fair value of $0.25 per share and $0.0001 per partly paid share respectively.

11. INTANGIBLE ASSETS

	2016	2015
Licence Fee – Lithium process technology	105,000	-
Less Accumulated amortisation	(4,200)	-
Development costs	602,318	-
	703,118	-

	2016	2015
Opening balance	**-**	**-**
Transfer from other assets	5,000	
Expenditure during period (i)	702,318	-
Less: Amortisation of intangible asset	(4,200)	-
Closing balance	**703,118**	**-**

During the period, the company entered into a license arrangement for lithium processing technology for $105,000. During the period, the company spent $602,318 on development costs relating to the new lithium processing technology.

12. TRADE AND OTHER PAYABLES

	2016	2015
Current – unsecured		
Trade creditors	356,370	121,748
Other creditors and accrued expenses	131,787	81,075
Amounts payable to:		
'- Key management personnel related entities	80,860	222,712
	569,017	425,535

Outstanding balance to KMP relates to Directors' remuneration is $80,860 (2015: $222,712). This amount is to be settled by issuing ordinary shares in the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

13. ISSUED CAPITAL

		2016		2015	
		Number	**$**	**Number**	**$**
(a)	Share Capital				
	Ordinary Shares				
	Fully paid of no par value	231,573,560	20,934,934	129,855,715	10,564,297
(b)	Other equity securities				
	Partly-paid contributing shares – 5 cents	26,676	-	37,928,001	-
	Partly-paid contributing shares – 25 cents	133,199,048	1,520	11,700,000	1,170
	Total contributed equity	364,799,284	20,936,454	179,483,716	10,565,467

(c) Reconciliation of the number of Ordinary Shares

Movements in ordinary share capital of the Company during the past 2 years as follows:	**No. of shares**	**Value $**
Opening balance 1 July 2014	80,046,967	8,565,915
Shares issued during the year:		
18 July 2014 (1)	3,098,017	37,870
18 July 2014 (2)	106,638	5,503
18 July 2014 (3)	544,719	27,999
18 July 2014 (4)	116,944	5,999
4 September 2014 (5)	500,000	20,000
12 September 2014 (6)	100,000	4,000
27 November 2014 (7)	200,000	8,000
30 December 2014 (8)	22,857,143	800,000
7 January 2015 (9)	1,400,000	61,600
22 January 2015 (10)	2,869,297	70,872
22 January 2015 (11)	1,178,214	41,237
12 March 2015 (12)	85,968	3,562
12 March 2015 (13)	2,413,127	100,000
23 April 2015 (14)	1,204,820	50,000
14 May 2015 (15)	13,105,290	917,370
10 June 2015 (16)	28,571	2,000
Less: Transaction costs	-	(157,630)
Closing balance 30 June 2015	**129,855,715**	**10,564,297**

Opening balance 1 July 2015	**129,855,715**	**10,564,297**
Shares issued during the year:		
8 July 2015 (17)	1,794,868	99,974
8 July 2015 (18)	301,183	16,053
22 July 2015 (19)	375,000	30,000
31 July 2015 (20)	1,260,000	61,740
31 July 2015(21)	-	339,264
8 September 2015 (22)	-	73,615
23 Oct 2015 (23)	200,000	7,800
30 Oct 2015 (24)	576,779	22,494
13 November 2015 (25)	2,117,208	82,571
20 November 2015 (26)	-	364,108
3 December 2015 (27)	365,313	10,594
8 December 2015 (28)	851,649	24,698
24 December 2015 (29)	2,024,000	58,896
30 December 2015 (30)	789,646	22,900
11 January 2016 (31)	2,780,750	80,642
11 January 2016 (32)	855,000	24,795
15 January 2016 (33)	18,174,575	2,544,441

15 January 2016 (34)	30,000,000	4,200,000
20 January 2016 (35)	150,000	4,350
20 January 2016 (36)	1,485,403	126,103
22 January 2016 (37)	1,028,285	29,820
29 January 2016 (38)	1,563,462	45,340
5 February 2016 (39)	79,375	2,302
26 February 2016 (40)	2,160,445	62,653
4 March 2016 (41)	2,927,639	84,902
11 March 2016 (42)	1,242,004	36,018
17 March 2016 (43)	3,935,147	114,119
17 March 2016 (44)	600,000	60,000
17 March 2016 (45)	1,383,570	40,124
1 April 2016 (46)	2,768,894	80,298
1 April 2016 (47)	430,709	65,506
5 April 2016 (48)	2,000,000	176,000
8 April 2016 (49)	724,000	20,996
8 April 2016 (50)	650,000	65,000
12 April 2016 (51)	3,596,265	104,292
15 April 2016 (52)	2,667,542	77,359
15 April 2016 (53)	200,000	20,000
19 April 2016 (54)	466,761	13,536
19 April 2016 (55)	3,750,000	562,500
19 April 2016 (56)	100,000	10,000
20 April 2016 (57)	597,469	17,327
20 April 2016 (58)	200,000	20,000
20 April 2016 (59)	66,667	10,000
20 April 2016 (60)	325,000	65,000
20 April 2016 (61)	267,265	66,790
22 April 2016 (62)	241,434	7,002
22 April 2016 (63)	300,000	30,000
22 April 2016 (64)	534,531	133,579
27 April 2016 (65)	72,000	2,088
27 April 2016 (66)	250,000	25,000
29 April 2016 (67)	339,500	9,846
11 May 2016 (68)	600,000	60,000
11 May 2016 (69)	66,667	10,000
11 May 2016 (70)	500,000	125,000
10 June 2016 (71)	124,688	3,616
10 June 2016 (72)	100,000	10,000
10 June 2016 (73)	2,250	562
21 June 2016 (74)	10,000	290
21 June 2016 (75)	232,225	58,033
24 June 2016 (76)	2,500	64
24 June 2016 (77)	510,177	127,493
Transfer from option reserve on exercise of options	-	158,567
Less: Transaction costs	-	(435,423)
Closing balance 30 June 2016	**231,573,560**	**20,934,934**

(1) On 18 July 2014, the Company issued total 3,098,017 ordinary shares at $0.04 each as part of the shortfall to the non-renounceable pro rata Entitlement Offer pursuant to the prospectus dated 5 May 2014. A total amount of $86,050 was received in the 2014 financial year and shares were issued in this period.
(2) On 18 July 2014, the Company issued 106,638 ordinary shares at $ 0.0516 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.
(3) On 18 July 2014, the Company issued 544,719 ordinary shares at $ 0.0514 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.
(4) On 18 July 2014, the Company issued 116,944 ordinary shares at $ 0.0513 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.

NOTES TO THE FINANCIAL STATEMENTS

13(a). ISSUED CAPITAL (continued)

(5) On 4 September 2014, the Company issued 500,000 ordinary shares at $0.04 each as a share placement.
(6) On 12 September 2014, the Company issued 100,000 ordinary shares at $0.04 per share to Dempsey Minerals Limited as part of the acquisition fees of Option to Purchase the Exploration Licence E74/0543.
(7) On 27 November 2014, the Company issued 200,000 ordinary shares at $0.04 per share to Dempsey Minerals Limited as part of the acquisition fees of Option to Purchase the Exploration Licence E74/0543.
(8) On 30 December 2014, the Company issued 22,857,143 ordinary shares at $ 0.035 each as a share placement to sophisticated investors.

(9) On 7 January 2015, the Company issued 1,400,000 ordinary shares at $0.044 each in lieu of services provided.
(10) On 22 January 2015, the Company issued 2,869,297 ordinary shares at $ 0.0247 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.

(11) On 22 January 2015, the Company issued 1,178,214 ordinary shares at $0.035 each in lieu of services provided.

(12) On 12 March 2015, the Company issued 85,968 ordinary shares at $0.04144 each in lieu of services provided.

(13) On 12 March 2015, the Company issued 2,413,127 ordinary shares at $0.04144 each as a share placement.

(14) On 23 April 2015, the Company issued 1,204,820 ordinary shares at $0.0415 each as a share placement.

(15) On 14 May 2015, the Company issued 13,105,290 ordinary shares at $0.07 each as a share placement.

(16) On 10 June 2015, the Company issued 28,571 ordinary shares at $0.07 each as a share placement.
(17) On 8 July 2014, the Company issued 1,794,868 ordinary shares at $ 0.0557 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.
(18) On 8 July 2014, the Company issued 301,183 ordinary shares at $ 0.0553 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.
(19) On 22 July 2015, the Company issued 375,000 ordinary shares at $0.08 each in lieu of services provided.
(20) On 31 July 2015, the Company issued 1,260,000 ordinary shares at $0.049 each upon full payment of the $0.05 Contributing Shares.
(21) On 31 July 2015, the Company received funds for the conversion of its CXBCA's to LITCB's.
(22) On 8 September 2016, the Company received funds from the auction of the CXBCA's.
(23) On 23 October 2015, the Company issued 200,000 ordinary shares at $0.039 each upon full payment of the $0.05 Contributing Shares.
(24) On 30 October 2015, the Company issued 576,779 ordinary shares at $0.039 each upon full payment of the $0.05 Contributing Shares.
(25) On 13 November 2015, the Company issued 2,117,208 ordinary shares at $0.039 each upon full payment of the $0.05 Contributing Shares.
(26) On 20 November 2015, the Company received funds for the conversion of its LITCB's to LITCC's.
(27) On 3 December 2015, the Company issued 365,313 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(28) On 8 December 2015, the Company issued 851,649 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(29) On 24 December 2015, the Company issued 2,024,000 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(30) On 30 December 2015, the Company issued 789,646 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(31) On 11 January 2016, the Company issued 2,780,750 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(32) On 15 January 2016, the Company issued 855,000 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(33) On 15 January 2016, the Company issued 18,174,175 ordinary shares at $0.14 each as a share placement to sophisticated investors.
(34) On 15 January 2016, the Company issued 30,000,000 ordinary shares at $0.14 each as a share placement to sophisticated investors. Further information in relation to this transaction is at Note 8.
(35) On 20 January 2016, the Company issued 150,000 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(36) On 20 January 2016, the Company issued 1,485,403 ordinary shares at $0.0849 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.
(37) On 22 January 2016, the Company issued 1,028,285 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(38) On 29 January 2016, the Company issued 1,563,462 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(39) On 5 February 2016, the Company issued 79,375 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(40) On 26 February 2016, the Company issued 2,160,445 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.
(41) On 4 March 2016, the Company issued 2,927,639 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

NOTES TO THE FINANCIAL STATEMENTS

13(a). ISSUED CAPITAL (continued)

(42) On 11 March 2016, the Company issued 1,242,004 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(43) On 17 March 2016, the Company issued 3,935,147 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(44) On 17 March 2016, the Company issued 600,000 ordinary shares at $0.10 each upon conversion of $0.10 options.

(45) On 24 March 2016, the Company issued 1,383,570 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(46) On 1 April 2016, the Company issued 2,768,894 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(47) On 1 April 2016, the Company issued 430,709 ordinary shares at $0.1521 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.

(48) On 5 April 2016, the Company issued 2,000,000 ordinary shares at $0.088 each under pursuant to the $50m market capitalisation as approved by shareholders in general meeting.

(49) On 8 April 2016, the Company issued 724,000 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(50) On 8 April 2016, the Company issued 650,000 ordinary shares at $0.10 each upon conversion of $0.10 options.

(51) On 12 April 2016, the Company issued 3,596,265 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(52) On 15 April 2016, the Company issued 2,667,542 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(53) On 15 April 2016, the Company issued 200,000 ordinary shares at $0.10 each upon conversion of $0.10 options.

(54) On 15 April 2016, the Company issued 466,761 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(55) On 19 April 2016, the Company issued 3.75m ordinary shares at $0.15 each upon conversion of $0.15 options.

(56) On 19 April 2016, the Company issued 100,000 ordinary shares at $0.10 each upon conversion of $0.10 options.

(57) On 20 April 2016, the Company issued 597,469 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(58) On 20 April 2016, the Company issued 200,000 ordinary shares at $0.10 each upon conversion of $0.10 options.

(59) On 20 April 2016, the Company issued 66,667 ordinary shares at $0.15 each upon conversion of $0.15 options.

(60) On 20 April 2016, the Company issued 325,000 ordinary shares at $0.20 each upon conversion of $0.20 options.

(61) On 20 April 2016, the Company issued 267,265 ordinary shares at $0.2499 each upon full payment of the $0.25 Contributing Shares.

(62) On 22 April 2016, the Company issued 241,434 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(63) On 22 April 2016, the Company issued 300,000 ordinary shares at $0.10 each upon conversion of $0.10 options.

(64) On 22 April 2016, the Company issued 534,531 ordinary shares at $0.2499 each upon full payment of the $0.25 Contributing Shares.

(65) On 27 April 2016, the Company issued 72,000 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(66) On 27 April 2016, the Company issued 250,000 ordinary shares at $0.10 each upon conversion of $0.10 options.

(67) On 29 April 2016, the Company issued 339,500 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(68) On 11 May 2016, the Company issued 600,000 ordinary shares at $0.10 each upon conversion of $0.10 options.

(69) On 11 May 2016, the Company issued 66,667 ordinary shares at $0.15 each upon conversion of $0.15 options.

(70) On 11 May 2016, the Company issued 500,000 ordinary shares at $0.25 each and 500,000 0.25 contributing shares, deemed to be paid to $0.0001 and $0.2499 unpaid as part of the earn-in consideration for the Alix Joint Venture.

(71) On 10 June 2016, the Company issued 124,688 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(72) On 10 June 2016, the Company issued 100,000 ordinary shares at $0.10 each upon conversion of $0.10 options.

(73) On 10 June 2016, the Company issued 2,250 ordinary shares at $0.2499 each upon full payment of the $0.25 Contributing Shares.

(74) On 21 June 2016, the Company issued 10,000 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(75) On 21 June 2016, the Company issued 232,225 ordinary shares at $0.2499 each upon full payment of the $0.25 Contributing Shares.

(76) On 24 June 2016, the Company issued 2,500 ordinary shares at $0.029 each upon full payment of the $0.05 Contributing Shares.

(77) On 24 June 2016, the Company issued 510,177 ordinary shares at $0.2499 each upon full payment of the $0.25 Contributing Shares.

NOTES TO THE FINANCIAL STATEMENTS

13(b). ISSUED CAPITAL (continued)

Reconciliation of the number of contributing shares – 5 cent partly paid shares

Movements in partly paid contributing shares of the Company during the the past 2 years is as follows:

	No. of shares	Value $
Opening balance 1 July 2014	-	-
24 July 2014 (i)	35,034,453	-
28 July 2014 (ii)	2,399,548	-
4 September 2014 (iii)	494,000	-
Closing balance 30 June 2015	**37,928,001**	**-**
Opening balance 1 July 2015	37,928,001	-
31 July 2015 See note 1(a)(20)	(1,260,000)	-
23 October 2015 See note 13(a)(21)	(200,000)	-
23 October 2015 See note 13(a)(22)	(576,779)	-
13 November 2015 See note 13(a)(23)	(2,117,208)	-
3 December 2015 See note 13(a)(24)	(365,313)	-
8 December 2015 See note 13(a)(25)	(851,649)	-
24 December 2015 See note 13(a)(26)	(2,024,000)	-
30 December 2015 See note 13(a)(27)	(789,646)	-
11 January 2016 See note 13(a)(28)	(2,780,750)	-
15 January 2016 See note 13(a)(29)	(855,000)	-
20 January 2016 See note 13(a)(32)	(150,000)	-
22 January 2016 See note 13(a)(34)	(1,028,285)	-
29 January 2016 See note 13(a)(35)	(1,563,462)	-
5 February 2016 See note 13(a)(36)	(79,375)	-
26 February 2016 See note 13(a)(37)	(2,160,445)	-
4 March 2016 See note 13(a)(38)	(2,927,639)	-
11 March 2016 See note 13(a)(39)	(1,242,004)	-
17 March 2016 See note 13(a)(40)	(3,935,147)	-
24 March 2016 See note 13(a)(42)	(1,383,570)	-
1 April 2016 See note 13(a)(43)	(2,768,894)	-
8 April 2016 See note 13(a)(43)	(724,000)	-
12 April 2016 See note 13(a)(48)	(3,596,265)	-
15 April 2016 See note 13(a)(49)	(2,667,542)	-
19 April 2016 See note 13(a)(51)	(466,761)	-
20 April 2016 See note 13(a)(54)	(597,469)	-
22 April 2016 See note 13(a)(59)	(241,434)	-
27 April 2016 See note 13(a)(62)	(72,000)	-
29 April 2016 See note 13(a)(64)	(339,500)	-
10 June 2016 See note 13(a)(68)	(124,688)	-
21 June 2016 See note 13(a)(71)	(10,000)	-
24 June 2016 See note 13(a)(71)	(2,500)	-
Closing balance 30 June 2016	**26,676**	-

(i) On 24 July 2014, the Company issued 35,034,453 Partly Paid Shares at $0.05 each as part of the non-renounceable bonus offer of Partly Paid Shares, with a deemed paid up contribution of $0.001.

(ii) On 28 July 2014, the Company issued 2,399,548 Partly Paid Shares at $0.05 each as part of the non-renounceable bonus offer of Partly Paid Shares, with a deemed paid up contribution of $0.001.

(iii) On 4 September 2014, the Company issued 494,000 Partly Paid Shares at $0.05 each as part of the non-renounceable bonus offer of Partly Paid Shares, with a deemed paid up contribution of $0.001.

NOTES TO THE FINANCIAL STATEMENTS

13(b). ISSUED CAPITAL (continued)

Reconciliation of the number of contributing shares – 25 cent partly paid shares

Movements in $0.25 partly paid contributing shares of the Company during the period as follows:

	No. of shares	**Value $**
Opening balance 1 July 2014	11,700,000	1,170
Closing balance 30 June 2015	**11,700,000**	**1,170**
Opening balance 1 July 2015	11,700,000	1,170
22 July 2015 – See note 13(b)(i) below	3,000,000	300
20 April 2016 - See note 13(a)(58)	(267,265)	-
22 April 2016 - See note 13(a)(61)	(534,531)	-
11 May 2016 - See Note 13(a)(67)	500,000	50
11 May 2016 See note 13(b)(ii) below	119,545,496	-
10 June 2016 - See note 13(a)(70)	(2,250)	-
21 June 2016 - See note 13(a)(72)	(232,225)	-
24 June 2016 - See note 13(a)(74)	(510,177)	-
Closing balance 30 June 2016	**133,199,048**	**1,520**

(i) On 22 July 2015, 3,000,000 $0.25 contributing shares, deemed to be paid to $0.0001 and $0.2499 unpaid were issued for services provided as approved by shareholders in general meeting on 15 July 2015.

(ii) On 11 May 2016, a total of 119,545,496 LITCEs were issued as a bonus to shareholders at nil consideration.

Outstanding amount per partly paid ordinary shares at 30 June 2016 is $0.2498 (2015: $0.0964).

The partly paid ordinary shares are issued with 133,226,024 outstanding calls of 24.986 cents each. The dates for the future calls are not before 30 June 2016. The partly paid shares carry a right to a dividend on the same basis as holders of Ordinary Shares. Partly paid shares carry the right to vote in proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). The Company has the power to forfeit any shares where the call remains unpaid 14 days after the call was payable. The Company must then offer the shares forfeited for public auction within six weeks of the call becoming payable.

(c) Capital Management

Management controls the capital of the consolidated entity in order to ensure that the consolidated entity can fund its operations and continue as a going concern. Management of capital for an exploration consolidated entity will assist in providing the shareholders with adequate returns. The consolidated entity's capital includes ordinary share capital. There are no externally imposed capital requirements.

	2016	**2015**
	$	**$**
Cash and cash equivalents	5,756,645	852,685
Trade and other receivables	317,221	91,328
Held for trading financial assets	3,674,318	3,322
Trade and other payables	(569,017)	(425,535)
	9,179,167	521,800

(d) Options

The movement of options over unissued ordinary shares of the Company for the year ended 30 June 2016 was:

	Number	Exercise Price
Options outstanding 1 July 2015	**12,298,867**	
Options outstanding 1 July 2015	12,298,867	
Forfeited 2 September 2015	(3,250,000)	$0. 0875
Forfeited 9 September 2015	(4,548,867)	$0.1000
Forfeited 9 September 2015	(1,500,000)	$0.2500
Converted 19 October 2015	8,200,000	$0.1500
Converted 19 October 2015	8,200,000	$0.2000
Converted 8 December 2015	9,200,000	$0.2500
Exercised on 17 March 2016	(600,000)	$0.1000
Exercised on 1 April 2016	(650,000)	$0.1000
Exercised on 15 April 2016	(200,000)	$0.1000
Exercised on 19 April 2016	(100,000)	$0.1000
Exercised on 19 April 2016	(3,750,000)	$0.1500
Exercised on 20 April 2016	(200,000)	$0.1000
Exercised on 20 April 2016	(66,667)	$0.1500
Exercised on 20 April 2016	(325,000)	$0.2000
Exercised on 21 April 2016	(300,000)	$0.1000
Exercised on 27 April 2016	(250,000)	$0.1000
Exercised on 11 May 2016	(600,000)	$0.1000
Exercised on 11 May 2016	(66,667)	$0.1500
Exercised on 10 June 2016	(100,000)	$0.1000
Options outstanding as at 30 June 2016	**21,391,666**	

(e) Performance Option Rights

Unlisted performance option rights on issue as at 30 June 2016 is as follows:

	Number
Performance Option Rights outstanding 1 July 2015	-
Issued 15 July 2015	16,000,000
Issued 15 October 2015	9,600,000
19 October 2015 - Converted to Options on hurdle of $12m market capitalisation	(8,200,000)
19 October 2015 - Converted to Options on hurdle of $15m market capitalisation	(8,200,000)
8 December Converted to Options on hurdle of $20m market capitalisation	(9,200,000)
Performance Option Rights outstanding as at 30 June 2016	-

(f) Performance Rights

Unlisted performance rights on issue as at 30 June 2016 as follows:

	Number	Hurdle
Performance Rights outstanding 1 July 2015	-	
Issued 15 July 2015	4,050,000	1mt LCE equivalent
Issued 15 July 2015	2,025,000	2mt LCE equivalent
Issued 15 July 2015	2,025,000	5mt LCE equivalent
Issued 15 October 2015	640,000	1mt LCE equivalent
Issued 15 October 2015	800,000	2mt LCE equivalent
Issued 15 October 2015	800,000	5mt LCE equivalent
Issued 30 November 2015	1,000,000	12 months service
Issued 30 November 2015	2,000,000	$50m market capitalisation
$50m market capitalisation reached on 6 April 2016	(2,000,000)	
Performance Rights outstanding as at 30 June 2016	**1,340,000**	

14. RESERVES

	2016	2015
	$	$
Option reserve	634,382	129,887
Investment revaluation reserve	125,980	-
Foreign currency translation reserve	(2,414)	(94,304)
Performance Option Rights Reserve	-	-
Performance Rights Reserve	56,843	-
	814,791	35,583

Option Reserve		
Balance at the beginning of the financial period	129,887	457,094
Transfer options to issued capital on exercise of options	(158,567)	-
Conversion of performance option rights	779,400	-
Transfer from Performance Option Rights Achieved	4,000	-
Options expired	(120,338)	(335,900)
Unlisted options issued	-	8,693
Balance at the end of the financial year	634,382	129,887

The option reserve records funds received for options issued and items recognised as expenses on valuation of share options issued.

	2016	2015
Foreign exchange translation reserve	$	$
Balance at the beginning of the financial period	(94,304)	(41,471)
Exchange differences arising on translating foreign subsidiary	91,890	(52,833)
Balance at the end of the financial year	(2,414)	(94,304)

Performance Option Rights Reserve		
Balance at the beginning of the financial period	-	-
Issue of Performance Option RIghts	779,400	
Performance Option Rights Achieved	(779,400)	-
Balance at the end of the financial year	-	-

Performance Rights Reserve		
Balance at the beginning of the financial period	-	-
Issue of Performance Rights	60,843	-
Performance Option Rights Achieved	(4,000)	-
Balance at the end of the financial year	56,843	-

Investment Revaluation Reserves		
Balance at the beginning of the financial period	-	-
Net gain arising on revaluation of available for sale financial assets	125,980	-
Balance at the end of the financial year	125,980	-

NOTES TO THE FINANCIAL STATEMENTS

15. *FINANCIAL INSTRUMENTS*

a. Financial Risk Management Policies

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

(i) Financial Risk Exposures and Management

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

Interest rate risk

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

Credit risk

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

Liquidity Risk

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

(ii) Fair Values

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

(iii) Sensitivity Analysis

Interest Rate Risk

The consolidated entity has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2016, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2016	**2015**
	$	**$**
Change in loss		
- Increase in interest rate by 100 basis points	57,566	8,525
- Decrease in interest rate by 100 basis points	(57,566)	(8,525)
Change in equity		
- Increase in interest rate by 100 basis points	57,566	8,525
- Decrease in interest rate by 100 basis points	(57,566)	(8,525)

NOTES TO THE FINANCIAL STATEMENTS

15. *FINANCIAL INSTRUMENTS (continued)*

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

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

Interest rate 2% per annum

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

	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Non-interest bearing	Total 2015
	$	$	$	$
2015				
Financial assets				
Cash and cash equivalents	852,495	-	190	852,685
Held for trading financial assets	-	-	3,322	3,322
Trade and other receivables	-	-	91,328	91,328
Total financial assets	852,495	-	94,840	947,335
Financial liabilities				
Trade and other payables (i)	-	-	425,535	425,535
Total financial liabilities	-	-	425,535	425,535

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

Interest rate 2% per annum

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

16. LOSS PER SHARE

		2016	2015
		$	$
(a)	Loss used in the calculation of basic EPS	(1,774,446)	(1,588,505)
		Number of shares	***Number of shares***
(b)	Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share:	171,569,173	100,960,730

NOTES TO THE FINANCIAL STATEMENTS

17. CASH FLOW INFORMATION

Reconciliation of cash flows from operating activities with loss after income tax	2016 $	2015 $
- Loss used after income tax	(1,774,446)	(1,417,432)
Non-cash flows in loss for the year		
- Depreciation	15,948	1,532
- (Profit) / Loss on disposal of subsidiaries	90,191	-
- Changes in financial assets	(127,993)	-
- Share option expense	-	8,692
- Fair value adjustment to investments	-	2,478
- Unrealised / realised gain on equity swap	(1,606,666)	-
- Director fees sacrifice share plan	-	148,864
- Share based payment expense	1,012,416	-
- Creditors' stock redemption	-	142,172
- Decrease/(increase) in receivables & prepayments	(36,993)	(61,613)
- Impairment of exploration right - Piedrecillas Chile	-	196,239
- (Increase)/decrease in other assets	4,375	-
- Increase/(decrease) in trade and other creditors, accruals and employee entitlements	(129,189)	(327,241)
Net cash outflows from Operating Activities	**(2,552,357)**	**(1,306,309)**

18. OPERATING SEGMENTS

(i) Segment performance

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

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

Types of reportable segments:

(i) Tenement exploration and evaluation
The exploration of current projects and the evaluation of new ones are reported in this segment. Segment assets, including acquisition costsof exploration licences and all expenses related to the tenements are reported in this segment.
(ii) Processing technology
The development of processing technology for litium extraction is reported in this segment.

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

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

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

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

18. OPERATING SEGMENTS (continued)

Unallocated items

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

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

30 June 2016

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

Reconciliation of segment result to consolidated entity net loss	
(i) Unallocated items	
- Interest revenue	59,286
- Other income	1,6265,570
- Fair value of investment adjustment	-
- Occupancy	(78,927)
- Professional	(119,587)
- Compliance & Regulatory	(326,632)
- Personnel	(1,829,401)
- Administration	(159,790)
- Depreciation	15,948)
Net loss from continuing operations	**(1,774,446)**

(i) Segment performance (continued)

30 June 2015

	Exploration $	Total $
Revenue		
Expenses	(391,580)	(391,580)
Total segment loss	**391,580**	**391,580**

Reconciliation of segment result to consolidated entity net loss	
(i) Unallocated items	
- Interest revenue	4,232
- Other income	-
- Option expense	(8,692)
- Impairment assets	-
- Share of losses from associated companies	-
- Fair value of investment adjustment	(2,478)
- Occupancy	(38,500)
- Professional	(189,735)
- Compliance & Regulatory	(152,098)
- Personnel	(555,651)
- Administration	(82,930)
Net loss from continuing operations	**(1,417,432)**

NOTES TO THE FINANCIAL STATEMENTS

18. OPERATING SEGMENTS (continued)

(ii) Segment assets

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

30 June 2015	Processing Technology $	Exploration $	Total $
Segment Assets	5,000	22,000	27,000
Unallocated assets			
- Cash and cash equivalents			852,685
- Trade and other receivables			91,328
- Other			11,062
Total company assets			**982,075**

(iii) Segment liabilities

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

30 June 2015	Processing Technology $	Exploration $	Total $
Unallocated liabilities			
- Trade and other payables			425,535
Total company liabilities			**425,535**

19. EVENTS SUBSEQUENT TO REPORTING DATE

On 25 July 2016, the Company issued 500,000 shares and 500,000 partly paid shares, paid to $0.0001 and unpaid $0.2499 (LITCE) as consideration for the purchase of Lithophile Pty Ltd.

On 25 July 2016, the Company issued 749,519 shares following the payment of the balance of $0.2499 per share on these LITCEs .

On 31 July 2016, the Company issued 278,306 shares following the payment of the balance of $0.2499 per share on these LITCEs.

On 17 August 2016, the Company issued 41,000 shares following the payment of the balance of $0.2499 per share on these LITCEs.

On 17 August 2016, the Company issued 26,676 shares following the payment of the balance of $0.029 per share on these LITCDs. This issue completed the five cent partly paid share program.

On 2 September 2016, the Company issued 93,373 shares following the payment of the balance of $0.2499 per share on these LITCEs.

On 2 September 2016, the Company issued 804,005 shares under the Director & Senior Management Fee & Remuneration Sacrifice Share Plan.

NOTES TO THE FINANCIAL STATEMENTS

19. EVENTS SUBSEQUENT TO REPORTING DATE (continued)

No matters or circumstances have arisen since the end of the financial year which significantly affected or which may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

20. RELATED PARTY TRANSACTIONS

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated. There were no other related party transactions other than transactions disclosed in Note 20.

21. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Key Management Person	**Position**
Bryan Dixon	Non-executive Director
Adrian Griffin	Managing Director
George Bauk	Non-executive Chairman (appointed 15 July 2015)
Eduardo Valenzuela	Non-executive Chairman (resigned 15 July 2015)
Amanda Wilton-Heald	Company Secretary (resigned 15 August 2015)
Barry Woodhouse	Company Secretary (appointed 15 August 2015)

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

	2016 $	2015 $
Short-term benefits	399,785	272,191
Post-employment benefits	-	-
Share based payments	850,225	70,872
	1,250,010	**343,063**

22. EXPENDITURE COMMITMENTS

(i) Exploration expenditure obligations

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

	2016 **$**	**2015** **$**
Within 1 year	668,382	548,391
1 to 2 years	668,382	548,391
Total	1,336,764	1,096,782

23. SHARE BASED PAYMENTS

There were shares issued to the Directors of the consolidated entity for the director fees in respect to the salary sacrifice arrangement. For details refer to the Remuneration Report section of the Directors' Report.

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

	Number	Weighted average exercise price
Options outstanding as at 30 June 2014	**11,648,867**	**$0.15**
Granted	3,000,000	$0.10
Expired	(2,350,000)	$0.25
Options outstanding as at 30 June 2015	**12,298,867**	**$0.15**
Granted by:		
Conversion on $12m market capitalisation	8,200,000	$0.15
Conversion on $15m market capitalisation	8,200,000	$0.20
Conversion on $20m market capitalisation	9,200,000	$0.30
Expired	(9,298,867)	$0.30
Exercised	(7,208,334)	various
Options outstanding as at 30 June 2016	**21,391,666**	**$0.23**

The weighted average remaining contractual life of options outstanding at year end was 3 years (2015: 0.42 years).
The weighted average exercise price of outstanding options at reporting date was $0.23 (2015: $0.11).

There were performance option rights and performance rights issued to the Directors of the consolidation entity as part of the performance based remuneration. For details refer to the Remuneration Report section of the Directors' Report.

Fair value of equity instruments granted in the year
The weighted average fair value of the equity instruments granted during the financial year is $0.0471 (2015: nil). Equity instruments were priced using a a modified Black-Scoles option pricing model. Where relevant, the expectedlife used in the modelhas beenadjusted based on management's best estimate for the non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historicalshare price volatility over the past 3 years. To allow for effects of early exercise, it was assumed that executives would exercise the options after vesting datewhen the share price is/was at a premium to the exercise price.

The inputs to the model are listed below.
PR – Performance Rights
POR - Performance Option Rights

Description	**PR Tranche 1**	**PR Tranche 2A**	**PR Tranche 2B**	**POR $12m**	**POR $15m**	**POR $20m**
Exercise price ($)	-	-	-	0.15	0.20	0.30
Spot price ($)	0.075	0.105	0.105	0.075	0.075	0.075
Barrier ($)	N/a	N/a	0.244	0.059	0.073	0.098
Dividend yield(%)	0%	0%	0%	0%	0%	0%
Life (years)	N/a	N/a	1.0	4.0	4.0	4.0
Risk free rate (%)	N/a	N/a	2.2%	2.1%	2.1%	2.1%
Volatility (%)	N/a	N/a	85%	85%	85%	85%
Assessed value ($)	0.075	0.105	0.05	0.036	0.031	0.025

24. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets outstanding at the end of the year.

There are no contingent liabilities outstanding at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

25. *CONTROLLED ENTITY*

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

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

Name	Country of Incorporation	Percentage Interest Held % 2016	Percentage Interest Held % 2015	Date Acquired/ Incorporated	Date of Deregistered/ Deconsolidated
Subsidiaries of Lithium Australia NL					
Greater African Resources (i)	Mauritius	100%	100%	26 January 2012	-
Tyler Ray (Pty) Ltd (ii)	South Africa	74%	74%	26 January 2012	-
Midwinter Chile SpA (v)	Chile	0%	100%	25 September 2013	-
Capricorn Iron Limited (iii)	Guernsey	0%	100%	22 March 2013	31 March 2015
Capricorn Iron (Pty) Ltd (iv)	South Africa	0%	0%	22 March 2013	1 January 2015

(i) On 26 January 2012, the Company registered Greater African Resources, a company incorporated in Mauritius. Greater African Resources had no assets or liabilities at the date of acquisition and at 30 June 2016.

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

(iii) Capricorn Iron Limited has been deregistered.

(iv) As of 1 January 2015, Capricorn Iron Limited has transferred its 70% interest to the existing shareholders and Capricorn Iron (Pty) Ltd is no longer the subsidiary of Capricorn Iron Limited. Loss on disposal of subsidiary was deemed immaterial.

(v) Midwinter Chile SpA, a company incorporated in Chile to hold the 55% shares in Piedrecillas Company. Midwinter Chile SpA held 55% investment in Piedrecillas Company in asset and no liabilities at the date of incorporation and at 30 June 2015. Please note at the date of the Annual Report, the Company is the process of disposing its 55% interest in Piedrecillas Company.

26. *PARENT ENTITY DISCLOSURES*

	Parent 2016	Parent 2015
Assets		
Current assets	9,619,465	925,296
Non current assets	873,460	28,688
Total Assets	**10,492,925**	**953,984**
Liabilities		
Current liabilities	440,696	398,032
Total Liabilities	**440,696**	**398,032**
Net Assets	**10,052,229**	**555,952**
Equity		
Issued Capital	20,936,454	10,565,467
Reserves	814,791	129,885
Accumulated losses	(11,699,016)	(10,139,400)
Total Equity	**10,052,229**	**555,952**
Income/(Loss) for the period	(1,559,616)	(1,377,836)
Other comprehensive income	-	-
Total comprehensive income for the financial year	**(1,559,616)**	**(1,377,836)**

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Lithium Australia NL, the Directors of the company declare that:

1. the financial statements and notes, as set out on pages 20 to 50, are in accordance with the Corporations Act 2001 and:
    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
    b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;
2. 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; and
3. the Directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

On behalf of the Directors

Adrian Griffin
Managing Director

Perth, 30 September 2016

Independent Auditor's Report

To the Members of Lithium Australia NL

Bentleys
THINKING AHEAD

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We have audited the accompanying financial report of Lithium Australia NL ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 control relevant to the entity's preparation of the financial report that gives a true and fair view 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 control. 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*.

Opinion

In our opinion:

a. The financial report of Lithium Australia NL is in accordance with the *Corporations Act 2001*, including:

   i. 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

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

b. The financial statements also comply 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 Lithium Australia NL for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 30th day of September 2016

ADDITIONAL SHAREHOLDER INFORMATION AS REQUIRED BY LISTING RULE 4.10

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

2. *Shareholding*
   (a) The name of the substantial shareholder in the Company, and the number of equity securities to which each substantial shareholder has a relevant interest as disclosed in substantial holding notice given to the Company is listed below.

Shareholder	` Number of shares	%
Lanstead Capital L.P.	30,000,000	12.95%

   (b) The number of holders of each class of equity security is outlined below as well as a distribution schedule of the number of holders of each class of equity security is outlined below.

Distribution of equity securities	**Fully Paid Ordinary Shares**	**Partly Paid Ordinary Shares**
1-1,000	130	160
1,001 - 5,000	1,297	1,213
5,001 – 10,000	1,001	595
10,001 - 100,000	1,975	1,092
100,001 and over	302	170
TOTALS	**4,705**	**3,230**

(c) The voting rights of each class of equity security

Ordinary Shares

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

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

(d) The number of holders holding less than a marketable parcel of the Company's fully paid ordinary shares is 657 shareholders as at 27 September 2015 at the closing market price of 19 cents per share.

ADDITIONAL SHAREHOLDER INFORMATION AS REQUIRED BY LISTING RULE 4.10 (CONTINUED)

(e) The names of the 20 largest holders of each class of quoted security

The names of the twenty largest fully paid ordinary (LIT) shareholders as at 27 September 2016 are as follows:

Fully Paid Ordinary Shares		Number Held	% Held
1.	Citicorp Nominees Pty Limited	11,959,176	5.11
2.	Mr Dennis Bell	10,125,249	4.33
3.	Mr Adrian Christopher Griffin	7,562,842	3.23
4.	BNP Paribas Nominees Pty Ltd <Global Prime Omni DRP>	5,987,338	2.56
5.	JP MorganNominees Australia Limited	5,569,483	2.38
6.	Buzz Monty Pty Ltd <Buzz Monty Super Fund A/C>	4,982,150	2.13
7.	Alan Jenks	3,750,000	1.6
8.	Apollinax Inc	3,275,000	1.4
9.	Horn Resources Pty Ltd	3,154,048	1.35
10.	Gasmere Pty Ltd	3,008,888	1.29
11.	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,284,138	0.98
12.	Davsms Investments Pty Ltd <D & A Koutsantonis S/F A/C>	1,701,847	0.73
13.	M & K Korkidas Pty Ltd <M&K Korkidas P/L S/Fund A/C>	1,540,000	0.66
14.	Warrior Strategic Pty Ltd	1,519,871	0.65
15.	Steda Nominees Pty Ltd <Steda Super Fund A/C>	1,489,973	0.64
16.	Mr Michael Andrew Harris	1,390,000	0.59
17.	Mr Patrick Bernard McManus & Mrs Vivienne Edwina McManus <McManus Super Fund A/C>	1,337,760	0.57
18.	Mr Craig Bartle	1,335,000	0.57
19.	Lastrane Pty Ltd	1,320,000	0.56
20.	Clive Jones <The Alyse Investment A/C>	975,000	0.42
		75,144,114	32.12

The names of the twenty largest partly paid ordinary (LITCE) shareholders as at 27 September 2016 are as follows:

Partly Paid Ordinary Shares		Number Held	% Held
1.	Citicorp Nominees Pty Limited	7,362,540	5.56
2.	Mr Dennis Bell	6,867,628	5.18
3.	Mr Adrian Christopher Griffin	5,291,718	3.99
4.	TR Nominees Pty Ltd	4,000,000	3.02
5.	BNP Paribas Nominees Pty Ltd <Global Prime Omni DRP>	3,229,933	2.44
6.	Clive Jones <The Alyse Investment A/C>	1,987,500	1.50
	HSBC Custody Nominees (Australia) Limited	2,710,924	2.05
7.	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,065,343	1.56
8.	Alan Jenks	1,875,000	1.41
9.	Kingsreef Pty Ltd <NB & DL Family A/C>	1,794,550	1.35
10.	Davsms Investments Pty Ltd <D & A Koutsantonis S/F A/C>	1,667,924	1.26
11.	Apollinax Inc	1,637,500	1.24
12.	Gasmere Pty Ltd	1,504,444	1.14
13.	RM Corporate Finance Pty Ltd	1,451,200	1.09
14.	Kingsreef Pty Ltd <NB & DL Family A/C>	1,403,346	1.06
15.	Martin James Pyle + Georgina Isla Pyle <The Pyle Family A/C>	1,403,143	1.06
16.	Horn Resources Pty Ltd	1,402,900	1.06
17.	Bainpro Nominees Pty Limited	1,236,380	0.93
18.	Ms Jodie Marwick <Dixon Investment A/C>	1,143,750	0.86
19.	Mr Lang Xu	830,321	0.63
20.	Widerange Corporation Pty Ltd	749,163	0.57
		51,615,207	38.96

ADDITIONAL SHAREHOLDER INFORMATION AS REQUIRED BY LISTING RULE 4.10 (CONTINUED)

3. The name of the Company's secretary is Mr Barry Woodhouse.

4. The address of the Company's registered office (and its principal administrative office) is Level 1, 675 Murray Street West Perth WA 6005 and its telephone number is (08) 6145 0288.

5. The address of the office at which its register of its securities is kept is Advanced Share Registry, 150 Stirling Highway Nedlands WA 6009 and its telephone number is (08) 9322 6451.

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

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

8. For each class of unquoted securities, the number of equity securities that are on issue and the number of holders. In addition, if a person holds 20% or more of the equity securities in an unquoted class, the name of the holder and the number of the equity securities held, unless the equity securities were issued or acquired under an employee incentive scheme+. These details are outlined below.

Details of unquoted securities are as follows:

25cents ordinary partly paid shares paid to $0.001	133,199,048
Performance Option Rights expiring on or before 1 July 2019	16,000,000
Holders of more than 20% of this class	3+
Performance Rights expiring on or before 1 July 2019	8,100,000
Holders of more than 20% of this class	3+

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

10. There is no current on-market buy-back.

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations*.

In line with the above, the Board has set out the way forward for the Company in its implementation of its Principles of Good Corporate Governance and Recommendations. The approach taken by the board was to set a blueprint for the Company to follow as it introduces elements of the governance process. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the recommendations approved via the board charter. Where the Company has not adhered to the recommendations it has stated that fact in this Corporate Governance Statement however has set out a mandate for future compliance when the size of the Company and the scale of its operations warrants the introduction of those recommendations. Date of last review and Board approval: 30 September 2016.

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight			
Recommendation 1.1			
A listed entity should disclose: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	Yes	Board Charter Code of Conduct, Independent Professional Advice Policy Website	To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge it responsibilities and duties. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment. The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out those delegated duties. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company. To assist the Board carry its functions, it has developed a Code of Conduct to guide the Directors. In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board

			include the following.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
Recommendation 1.1 (continued)			
			• Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board. • Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company. • Overseeing Planning Activities: the development of the Company's strategic plan • Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company as well as ensuring timely and balanced disclosures of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the entity's securities. • Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company. • Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting along with ensuring the integrity of the Company's financial and other reporting. • Human Resources: reviewing the performance of Executive Officers and monitoring the performance of senior management in their implementation of the Company's strategy. • Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure

			the well-being of all employees. • Delegation of Authority: delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board. • Monitoring the effectiveness of the Company's corporate governance practices.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
Recommendation 1.1 (continued)			
			Full details of the Board's and Company Secretary's roles and responsibilities are contained in the Board Charter. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at $2,000), to assist them to carry out their responsibilities.
Recommendation 1.2			
A listed entity should: a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re- elect a Director.	Yes, however the full information of new Directors for election was not included in all notices of meeting but will be included in future notices of meeting	Director Selection Procedure Website	Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's operations. The Company's current Directors all have relevant experience in the operations. In addition, Directors should have the relevant blend of personal experience in: • Accounting and financial management; and • Director-level business experience. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. In determining candidates for the Board, the Nomination Committee follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are

			identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting. Each Non-executive Director has a written agreement with the Company that covers all aspects of their appointment including term, time commitment required, remuneration, disclosure of interests that may affect independence, guidance on complying with the Company's corporate governance policies and the right to seek independent advice, indemnity and insurance arrangements, rights of access to the Company's information and ongoing confidentiality obligations as well as roles on the Company's committees.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
Recommendation 1.2 (continued)			
			Each Executive Director's agreement with the Company includes the same details as the Non-executive Directors' agreements but also includes a position description, reporting hierarchy and termination clauses. The Nomination Committee is responsible for implementing a program to identify, assess and enhance Director competencies. In addition, the Nomination Committee puts in place succession plans to ensure an appropriate mix of skills, experience, expertise and diversity are maintained on the Board.
Recommendation 1.3			
A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Yes	Kept at registered office, Independent Professional Advice Policy	The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at $2,000), to assist them to carry out their responsibilities.
Recommendation 1.4			
The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Board Charter Website	Full details of the Board's and Company Secretary's roles and responsibilities are contained in the Board Charter.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
Recommendation 1.5			
A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary of it; and	Yes	Diversity Policy Website	The Company recognises and respects the value of diversity at all levels of the organisation. The Company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation. The Diversity Policy was re-adopted during the year and the Company set the following objectives for the employment of women: • to the Board – 25% by 2017 • to senior management – no target set • to the organisation as a whole – 30% by 2017 As at the date of this report, the Company has the following proportion of women appointed: • to the Board – 0% • to senior management (including Company Secretary) – 0% • to the organisation as a whole – 10% The Company recognises that the mining and exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills will be limited in some instances. The Company recognises that diversity extends to matters of age, disability, ethnicity, marital/family status, religious/cultural background and sexual orientation. Where possible, the Company will seek to identify suitable candidates for positions from a diverse pool.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
Recommendation 1.5 (continued)			
c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.			

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
Recommendation 1.6:			
A listed entity should: a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual Directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Board, Committee & Individuals Performance Evaluation Procedure Website	It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the Board and its members was formally carried out. From this evaluation, a few areas for improvement were noted but the important conclusion drawn was that there was no overlapping skillset in the Board.
Recommendation 1.7:			
A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Board, Committee & Individuals Performance Evaluation Procedure Website	It is the policy of the Board to conduct evaluation of individuals' performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the individuals was formally carried out. From this evaluation, a few areas for improvement were noted.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 2: Structure the board to add value			
Recommendation 2.1			
The board of a listed entity should: a) have a nomination committee which: 1) has at least three members, a majority of whom are independent Directors; and 2) is chaired by an Independent Director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	No	Nomination Committee Charter, Independent Professional Advice Policy Website	The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a nomination committee are discussed at a separate meeting when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. The Board as a whole met as the Nomination Committee once during the year and all Board members were in attendance. To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 2: Structure the board to add value (continued)			
Recommendation 2.2			
A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Internal management document	The Company has reviewed the skill set of its Board to determine where the skills lie and any relevant gaps in skills shortages. The Company is working towards filling these gaps through professional development initiatives as well as seeking to identify suitable Board candidates for positions from a diverse pool.
Recommendation 2.3			
A listed entity should disclose: a) the names of the Directors considered by the board to be Independent Directors; b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each Director.	Yes	Board Charter, Independence of Directors Assessment Website	The independent Directors of the Company are George Bauk (appointment 15 July 2015) and Bryan Dixon (appointment 7 December 2009). Both George Bauk and Bryan Dixon are independent as they are non-executive directors who are not members of management and who 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. The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter, for assessing the materiality of matters: • Balance sheet items are material if they have a value of more than 10% of pro-forma net asset. • Profit and loss items are material if they will have an impact on the current year operating result of 10% or more. • Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company’s rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 2: Structure the board to add value (continued)			
Recommendation 2.3 (continued)			
			• Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests. The Non-independent Director of the Company is Adrian Griffin (appointment 31 January 2011), who is Managing Director and is deemed not to be independent.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 2: Structure the board to add value (continued)			
Recommendation 2.4			
A majority of the board of a listed entity should be Independent Directors.	Yes	Independence of Directors Assessment Website	The Board has a majority of Directors who are independent.
Recommendation 2.5			
The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	Independence of Directors Assessment Website	The Chairperson is an independent Director who is not the CEO / Managing Director.

Recommendation 2.6			
A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	Yes	Director Induction Program, Ongoing Education Framework Website	It is the policy of the Company that each new Director undergoes an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include: • details of the roles and responsibilities of a Director; • formal policies on Director appointment as well as conduct and contribution expectations; • a copy of the Corporate Governance Statement, Charters, Policies and Memos and • a copy of the Constitution of the Company. In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. The Board has implemented an Ongoing Education Framework.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 3: Act ethically and responsibly			
Recommendation 3.			
A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.	Yes	Code of Conduct Website	As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole.
Principle 4: Safeguard integrity in corporate reporting			
Recommendation 4.1			
The board of a listed entity should: (a) have an audit	No	Audit and Risk Committee Charter Website	The Board has not established a separate Audit Committee, and therefore it is not structured in

committee which: a) has at least three members, all of whom are non-executive directors and a majority of whom are Independent Directors; and 1) is chaired by an Independent Director, who is not the chair of the board, and disclose: 2) the charter of the committee; 3) the relevant qualifications and 4) experience of the members of the committee; and 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or			accordance with Recommendation 4.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are discussed at a separate meeting when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions. The Board as a whole met as the Audit Committee twice during the year and all Board members were in attendance. To assist the Board to fulfil its function as the Audit Committee, the Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee. All of the Directors consider themselves to be financially literate and possess relevant industry experience. The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). 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 Audit Committee (or its equivalent) and any recommendations are made to the Board.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 4: Safeguard integrity in corporate reporting (continued)			
Recommendation 4.1 (continued)			

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.			
Recommendation 4.2			
The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Kept at registered office	The Managing Director and the Chief Financial Officer provide a declaration to the Board in accordance with section 295A of the Corporations Act for each financial report and assure the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 4: Safeguard integrity in corporate reporting (continued)			
Recommendation 4.3			
A listed entity that has an	Yes	AGM	The external auditor is invited to attend every AGM for

AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.			the purpose of answering questions from security holders relevant to the audit.
Principle 5: Make timely and balanced disclosure			
Recommendation 5.1			
A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.	Yes	Continuous Disclosure Policy Website	The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information: 1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and 2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.
Principle 6: Respect the rights of security holders			
Recommendation 6.1			
A listed entity should provide information about itself and its governance to investors via its website.	Yes	Website Disclosure Policy Website	The Company's website includes the following: • Corporate Governance policies, procedures, charters, programs, assessments, codes and frameworks • Names and biographical details of each of its directors and senior executives • Constitution • Copies of annual, half yearly and quarterly reports • ASX announcements • Copies of notices of meetings of security holders • Media releases • Overview of the Company's current business,

			structure and history

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 6: Respect the rights of security holders (continued)			
Recommendation 6.1 (continued)			
			• Details of upcoming meetings of security holders • Summary of the terms of the securities on issue • Historical market price information of the securities on issue • Contact details for the share registry and media enquiries • Share registry key security holder forms
Recommendation 6.2			
A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Shareholder Communication Policy, Social Media Policy Website	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, information mailed to shareholders and the general meetings of the Company; • giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; • requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report of future Annual Reports. The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

Recommendation 6.3			
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Shareholder Communication Policy Website	The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to making it easy for shareholders to participate in shareholder meetings of the Company. The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 6: Respect the rights of security holders (continued)			
Recommendation 6.4			
A listed entity should give security holders the option to receive communications from and send communications to, the entity and its security registry electronically.	Yes	Shareholder Communication Policy Website	Shareholders are regularly given the opportunity to receive communications electronically.
Principle 7: Recognise and manage risk			
Recommendation 7.1			
The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: 1) has at least three members, a majority of whom are independent Directors; and 2) is chaired by an Independent Director, and	No	Risk Management Policy Website	The Board has not established a separate Risk Committee, and therefore it is not structured in accordance with Recommendation 7.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the Board performs the role of Risk Committee. Items that are usually required to be discussed by a Risk Committee are discussed at a separate meeting when required. When the Board convenes as the Risk Committee it carries out those functions which are delegated to it in the Company's Risk Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Risk Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.

disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or			The Board as a whole did not meet as the Risk Committee during the year. Risk identification and risk management discussions occurred at several Board meetings throughout the year. To assist the Board to fulfil its function as the Risk Committee, the Company has adopted a Risk Management Policy.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 7: Recognise and manage risk (continued)			
Recommendation 7.1 (continued)			
b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.			
Recommendation 7.2			
The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	Yes	Risk Management Policy Website	The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control. Under the policy, the Board delegates day-to-day management of risk to the Managing Director**,** who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any

b) disclose, in relation to each reporting period, whether such a review has taken place.			material changes, with the approval of the Board. In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 7: Recognise and manage risk (continued)			
Recommendation 7.2 (continued)			
			In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks: • the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval; • the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and • the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices. During the year, management regularly reported to the Board on the following categories of risks affecting the Company as part of the Company's systems and processes for managing material business risks: operational, financial reporting, sovereignty and market-related risks. The insights gained from this review comprise.
Recommendation 7.3			
A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluating	No	Audit and Risk Committee Charter Website	The Board performs the role of Audit Committee. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter which include reviewing the Company's internal financial control system. Due to the nature and size of the Company's operations, and the Company's ability to derive substantially all of the benefits of an independent internal audit function, the expense of an independent internal auditor is not considered to be appropriate.

and continually improving the effectiveness of its risk management and internal control processes.			

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 7: Recognise and manage risk (continued)			
Recommendation 7.4			
A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Corporate Governance Statement	The Company has considered its economic, environmental and social sustainability risks by way of internal review and has concluded that it is not subject to material economic, environmental and social sustainability risks.
Principle 8: Remunerate fairly and responsibly			
Recommendation 8.1			
The board of a listed entity should: a) have a remuneration committee which: 1) has at least three members, a majority of whom are independent Directors; and 2) is chaired by an Independent Director, and disclose: 3) the charter of the committee; 4) the members of the committee;	No	Remuneration Committee Charter, Independent Professional Advice Policy Website	The Board has not established a separate Remuneration Committee, and therefore it is not structured in accordance with Recommendation 8.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are discussed at a separate meeting when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions. The Board as a whole met as the Remuneration Committee once during the year and all Board members were in attendance. To assist the Board to fulfil its function as the Remuneration Committee, the

and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or			Company has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee. To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 8: Remunerate fairly and responsibly (continued)			
<u>Recommendation 8.1 (continued)</u>			
b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.			
<u>Recommendation 8.2</u>			
A listed entity should separately disclose its policies and practices regarding the remuneration of Non-executive Directors and the remuneration of Executive Directors and other senior executives.	Yes	Remuneration Policy Website	Details of remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms of part of the Annual Report. The remuneration of Non-executive Directors is set by reference to payments made by other companies of similar size and industry, and by reference to the Director's skills and experience. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to non-Executive

			Directors, subject to obtaining the relevant approvals. The Remuneration Policy is subject to annual review. All of the Directors' option holdings are fully disclosed. Executive pay and rewards consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.
Recommendation 8.3			
A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	Yes	Remuneration Policy Website	Executives and Non-Executive Directors are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

SCHEDULE OF MINERAL TENEMENTS

TENEMENT	PROJECT	GRANT DATE
E09/2168	YINNIETHARRA	PENDING
E09/2172	**YALBRA GRAPHITE**	**PENDING**
E09/2191	THOMAS RIVER	PENDING
E09/2200	MOUNT JAMES 2	PENDING
E09/2201	MOUNT JAMES 1	PENDING
E09/2203	MOUNT JAMES 3	PENDING
M15/664	**COOLGARDIE**	**14/09/1993**
M15/1809	**COOLGARDIE**	**4/02/2013**
P15/5519	**COOLGARDIE**	**3/02/2011**
P15/5574	**COOLGARDIE**	**10/08/2011**
P15/5575	**COOLGARDIE**	**10/08/2011**
P15/5625	**COOLGARDIE**	**9/08/2013**
P15/5626	**COOLGARDIE**	**14/12/2011**
P15/5629	**COOLGARDIE**	**9/08/2013**
P15/5739	**COOLGARDIE**	**17/01/2013**
P15/5740	**COOLGARDIE**	**17/01/2013**
P15/5741	**COOLGARDIE**	**17/01/2013**
P15/5742	**COOLGARDIE**	**17/01/2013**
P15/5743	**COOLGARDIE**	**17/01/2013**
P15/5749	**COOLGARDIE**	**3/04/2013**
E45/2232	**PILGANGOORA**	**17/11/2005**
E45/2241	**PILGANGOORA**	**24/04/2002**
M45/78	**PILGANGOORA**	**28/11/1984**
M45/333	**PILGANGOORA**	**17/06/1988**
M45/511	**PILGANGOORA**	**11/09/1991**
E45/4654	HILLSIDE 1	PENDING
E45/4655	HILLSIDE 2	PENDING
E45/4660	HILLSIDE 3	PENDING
E45/4668	HILLSIDE 4	PENDING
E45/4627	KANGAN	PENDING
E45/4630	MUNGALEENA	PENDING
E45/4684	STRELLEY	PENDING
P45/3004	KAGAN	PENDING

TENEMENT	PROJECT	GRANT DATE
E63/1777	MT DAY	PENDING
E63/1805	MT DAY A	PENDING
E63/1806	MT DAY B	PENDING
E63/1807	MT DAY C	PENDING
E63/1808	MT DAY D	PENDING
E63/1809	LAKE JOHNSON SOUTH	PENDING
P63/2059	MT DEANS	PENDING
P63/2060	MT DEANS	PENDING
P63/2061	MT DEANS	PENDING
P63/2062	MT DEANS	PENDING
E66/95	**NORTHERN GULLY GRAPHITE**	**PENDING**
E70/4690	GREENBUSHES	PENDING
E70/4777	GREENBUSHES	PENDING
E70/4778	**GREENBUSHES**	**19/04/2016**
E70/4788	**GREENBUSHES KANGAROO**	**1/07/2016**
E70/4789	**GREENBUSHES KOALA**	**1/07/2016**
E70/4790	**GREENBUSHES SOUTH**	**1/07/2016**
E70/4811	**KAURING 1 GREENHILLS GRAPHITE**	**26/08/2016**
E70/4812	**KAURING 2 GREENHILLS GRAPHITE**	**26/08/2016**
E70/4823	**CARLOTTA DONELLY GRAPHITE**	**PENDING**
E70/4824	**YANMAH DONELLY GRAPHITE**	**22/09/2016**
E70/4825	**MANJIMUP DONELLY GRAPHITE**	**PENDING**
E70/4903	**KAURING 3 GREENHILLS GRAPHITE**	**PENDING**
E70/4888	GREENBUSHES A	PENDING
E70/4889	GREENBUSHES B	PENDING
E70/4890	GREENBUSHES C	PENDING
E74/0543	**RAVENSTHORPE**	**24/01/2014**
E77/1853	**LAKE SEABROOK**	**22/09/2011**
E77/1854	**LAKE SEABROOK**	**22/09/2011**
E77/1855	**LAKE SEABROOK**	**22/09/2011**
E77/2021	**LAKE SEABROOK**	**26/06/2012**
E77/2022	**LAKE SEABROOK**	**26/06/2012**
E77/2035	**LAKE SEABROOK**	**5/09/2012**
E77/2279	**LAKE SEABROOK**	**27/07/2015**
E80/5002	**OSMOND RANGE GRAPHITE**	**PENDING**
EL 30897	**ANGERS**	**22/03/2016**
EPM 26252	CAPE YORK PROJECT 1	PENDING
EPM 26253	CAPE YORK PROJECT 2	PENDING
EPM 26254	CAPE YORK PROJECT 5	PENDING
EPM 26255	CAPE YORK PROJECT 6	PENDING
EPM 26257	CAPE YORK PROJECT 7	PENDING