LITHIUM AUSTRALIA NL

ACN 126 129 413

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

CONTENTS PAGE

CORPORATE DIRECTORY

Directors

Adrian Griffin
Managing Director

George Bauk
Non-executive Chairman

Bryan Dixon
Non-executive Director

Company secretary

Barry Woodhouse

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Auditors

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Share registry

Advanced Share Registry
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Nedlands WA 6009

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Stock exchange listing

The Company is listed on the Australian Securities Exchange Limited ('the ASX')
Home exchange – Perth
ASX codes: **LIT**, **LITCE** and **LITO**

CHAIRMAN'S LETTER

Dear shareholders

In 2019, Lithium Australia NL ('Lithium Australia' or 'the Company') achieved a world first by successfully converting waste rock, sourced from a mine site close to Kalgoorlie in Western Australia, into a lithium chemical at its SiLeach® Gen-2 pilot plant at the ANSTO Minerals facility in Lucas Heights, New South Wales. That chemical subsequently went to the Company's 100%-owned VSPC Ltd ('VSPC') facility to be used in the manufacture of a test lithium-ion battery (LIB). The performance of that battery compared very favourably with those manufactured using battery-grade lithium carbonate.

The final step in closing the loop on the energy-metals cycle involves recovering the energy metals in spent batteries and e-waste through recycling.

By uniting resources and innovation, Lithium Australia seeks to vertically integrate lithium extraction and processing in an ethical and sustainable manner.

Over the longer term, Lithium Australia aims to procure a reliable supply of lithium chemicals while reducing pressure on the environment. Why? Because, based on global commitments to date, some 3.5 million tonnes of lithium carbonate equivalent ('LCE' – a common measure of value employed in the lithium industry) will be required annually just to power the number of electric vehicles needed to meet the legislative requirements in place from 2030 or thereabouts. Currently, global lithium production is only about 300,000 tonnes of LCE per annum, with demand for the product growing at 15% annually.

So, where will all the 'new' lithium come from? Current mining expansion will not meet lithium demand longer term and, as mines mature, their production will dwindle. New mines targeting lower grades can help fill demand gaps but alternative sources of lithium may prove more attractive as genuine supply shortages put pressure on conventional production. As Earth's 'throwaway society' matures and (hopefully) develops a culture of custodianship for the planet, recycling will replace new materials as the preferred source of supply. When the market matures to the point of product saturation, with continual expansion no longer required, demand for – and the recycling of – lithium will synchronise. If that does occur, newly mined material will only be necessary to top up that regained through recycling.

In the short term, the reality of the lithium commodity cycle is clear. Companies that committed to lithium in the first lithium 'boom' seven years ago are in the best position to take advantage of the second iteration of that boom. As in all commodity cycles, survivors of short-term downturns benefit when supply constraints return to equilibrium.
Ergo, Lithium Australia's combination of technical excellence and vertically integrated model should gain it exposure to enormous growth across the energy-metals sector, conservatively estimated to be around a $5 billion industry worldwide.

Looking ahead to 2020, the Company aims to commercially produce cathode material and secure funding to commercialise its LieNA® and SiLeach® processing technologies and recycling infrastructure.

Lithium Australia appreciates its shareholders' support in 2019 and hopefully well into the future.

George Bauk
Chairman

DIRECTORS' REPORT

The directors present their report on Lithium Australia and its controlled entities ('the Consolidated Group') for the financial year ended 30 June 2019 ('the Year').

Board of directors

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

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

Information on directors

Adrian Griffin (Managing Director)

Qualifications
Bsc(Honours),GSA,MAusIMM

Experience
Mr Griffin has extensive expertise in the resources sector, accumulated over 40 years. He has held directorships in a number of private and listed resource companies and been responsible for operating large, integrated mining and processing facilities, including the Bulong nickel-cobalt operation in the late 1990s. Mr Griffin also 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.

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

George Bauk (Non-executive Chairman)

Qualifications
MBA, BBus, FCPA

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

Other current directorships in listed entities
Managing Director – Northern Minerals Limited
Non-executive Director – BlackEarth Minerals NL

Bryan Dixon (Non-executive Director)

Qualifications
BCom, CA, ACIS

Experience
Mr Dixon has over 25 years' experience in the mining sector. A chartered accountant, he has extensive expertise in the management of public and listed companies, specialising in project feasibility, development, project acquisition and financing of mining projects. Until 1 May 2019, Mr Dixon was managing director of Blackham Resources Ltd, a West Australian gold producer, having previously been employed by Resolute Limited, an international accounting firm, and Archipelago Resources Plc. A joint winner of the Asia-Pacific Mining Executive of the Year in 2017, he has also held numerous directorial and management roles with emerging resource companies.

Company secretary

Barry Woodhouse

Qualifications
BCom, BLaws, CPA, FCIS, FGIA

Experience
Mr Woodhouse, a CPA and Fellow of the Governance Institute of Australia, has 30 years' experience in the mineral exploration, mineral production, mining services and manufacturing sectors in private and public companies, both within Australian and overseas. Roles he has held include CFO, company secretary, director and chairman.

Principal activities

The principal activities of the Consolidated Group during the Year were project acquisition, mineral exploration and process development, primarily related to lithium.

There were no significant changes to the nature of the Consolidated Group's principal activities during the Year, other than as outlined in the Chairman's letter and Review of operations.

Results of operations

The operating loss after income tax of the Consolidated Group for the year ended 30 June 2019 was $11,566,780 (2018: a loss of $8,093,005).

No dividend was paid during, or is recommended, for the financial period ended 30 June 2019.

Financial position

The Consolidated Group's working capital surplus, being current assets less current liabilities, was $2,471,696 as at 30 June 2019 (2018: a working capital surplus $13,697,269).

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

Review of operations

Lithium Australia aims to provide the battery industry with **ethical and sustainable products**. This approach not only improves the viability of existing mining operations by extending resource life but also provides an opportunity to enhance energy security in jurisdictions in which conventional sources of battery minerals are scarce or non-existent.

The Company has advanced its goal of vertical integration – that is, capitalising on all major sectors of the lithium supply chain – and, in so doing, closing the loop on the energy-metals cycle. Its strategy is summarised in the diagram below, which clearly outlines Lithium Australia's business divisions.

Lithium Australia's strategy for low-energy processing of all lithium minerals includes the following.

- **VSPC's unique process** for the production of LIB cathode powders. The subject of international patents, VSPC's nanotechnology is broadly applicable to most LIB chemistries, since the intellectual property covers *how* the powders are made, *not* what they are made of.

- **LieNA®**. A caustic conversion process for spodumene and petalite, it operates under conditions similar to those used to produce alumina from bauxite, inducing a phase change in the mineral concentrates being processed. In so doing, LieNA® converts the relevant concentrates to readily leachable minerals, from which the lithium is easily dissolved and precipitated as a phosphate. Subsequently, lithium hydroxide or carbonate can be produced as required.

- **SiLeach®**. Designed to recover lithium from micas, this is a fluorine-assisted acid-digest process that recovers lithium as a phosphate. Successfully pilot-tested, SiLeach® has application in the recovery of lithium from tailings generated via the mining of tin, tantalum, tungsten and lithium, as well as certain types of clay deposits.

- **Production of lithium phosphate** ('LP'). This is a common thread in the Company's lithium recovery processes, since LP can become direct feed for **lithium-iron-phosphate** ('LFP') cathode powders, without the need to produce lithium hydroxide or carbonate (although producing the latter two remains an option).

- **Battery recycling**. The Company is developing a hydrometallurgical process that recovers all metals, including lithium, from spent LIBs, which contain very high concentrations of critical metals. When processed appropriately, they can provide the materials required to re-birth LIB cathodes, creating an ethical and sustainable supply of materials while reducing negative impacts on the environment**.**

Lithium Australia has successfully recovered the base metals (as mixed sulphides) from spent LIBs, precipitating the lithium as a phosphate. This provides the opportunity to integrate the lithium recovery process with material generated by SiLeach® and LieNA® – in a manner completely compatible with the production of cathode powders using the VSPC process.

Meanwhile, by integrating its SiLeach® and VSPC processes, the Company aims to establish a pathway from mine waste to LIB manufacture. In the December 2018 quarter, Lithium Australia achieved a world first by transforming waste rock into a LIB, the performance of which compared very favourably with batteries manufactured using battery-grade lithium carbonate.

Australian research and development policy and effect on funding

In a multi-industry collaboration, Lithium Australia was one of many companies that made known its views on proposed changes to Australia's research and development rebate policy, which included an annual $4 million cap on the rebate. The mooted change prompted the Company to review both its strategy and funding arrangements this Year. While the change is yet to be implemented, audit activity by the Australian Taxation Office has increased, with many companies unfairly targeted. This discourages active research and development in the critical minerals space.

As a result, Lithium Australia's funding arrangement with Arena Investments LLC was finalised by the repayment of $5 million. The Company, which completed a rights issue early in July 2019, continues to review its funding strategy.

Projects

Lithium Australia has many lithium projects underway. Outlined below are those presently being evaluated for cost-effectiveness. 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. Having reviewed a number of projects, some have failed to meet the required criteria. Importantly, Lithium Australia now has a range of JORC Resources in Australia and Germany, which can provide it with alternate source of lithium should its intended primary source – waste streams from active and inactive mines – fail to eventuate.

The Company's Australian projects include the following.

- Lake Johnston, Western Australia
- Kangaroo Island, South Australia
- Ravensthorpe, Western Australia
- Greenbushes, Western Australia
- Gascoyne, Western Australia
- Pilbara, Western Australia
- Cape York, Queensland
- Bynoe, Northern Territory
- Youanmi project, Western Australia – lithium pegmatites with vanadium Mineral Resource reported in accordance with JORC (Table 1).

Category	Material type	Mt	% V_2O_5
Inferred	Oxide	96	0.34-
Inferred	Fresh	88	0.33
Total		**185**	**0.33**

Table 1: Youanmi Mineral Resource estimate (as at 21 May 2019).*

*(*Mineral Resource estimated by Company consultant John Doepel, based on 41 reverse circulation drill holes completed by Australian Gold Resources Ltd in 1999.)*

Lithium Australia's global projects are located in the following countries.

- Mexico – Electra Joint Venture
- Alaska
- Germany – Eichigt project, and the Sadisdorf project with JORC Resource (Table 2)
- Southern Africa

Classification	Domain	Tonnes (Mt)	Li (%)	Li_2O (%)
Inferred	Inner greisen	17	0.22	0.47
Inferred	Outer greisen	8	0.20	0.43
Inferred	Total	25	0.21	0.45
Note: Mineral Resource estimated within constraining wireframe solids defined above (with nominal 0.15% lithium cut-off). The Mineral Resource is reported from all blocks within those wireframe solids. Differences may occur due to rounding.				

Table 2. Inferred Mineral Resource estimate for Sadisdorf.

Strategic relationships

- ANSTO Minerals
- Curtin University
- Murdoch University
- University of Queensland
- University of Newcastle

Investments

- VSPC (a wholly-owned subsidiary)
- Resource Conservation and Recycling Corporation Pty Ltd (a wholly-owned subsidiary)
- Soluna Australia Pty Ltd (a 50%-owned subsidiary)
- BlackEarth Minerals NL – 11.1 million shares and 1 million partly paid shares
- MetalsTech Ltd – 1 million shares
- Infinite Lithium Corp. (formerly Alix Resources Corporation Inc.) – 0.5 million shares

Intellectual property

- VSPC proprietary processes
- Recycling processes
- SiLeach® and SiLeach® Patent Cooperation Treaty (PCT) application
- LieNa® and LieNa® PCT application
- Phosphate PCT application
- L-Max® WA Exclusive Licence
- L-Max® International Licence number 1
- L-Max® International Licence number 2

Competent Persons' Statement – Lithium Mineral Resources, Sadisdorf
The information in this announcement that relates to in situ lithium Mineral Resources for Sadisdorf is based on and fairly represents information compiled by Mr Thomas Branch, under the direction and supervision of Dr Andrew Scogings, in accordance with the requirements of the Joint Ore Reserves Committee (JORC) Code 2012. Dr Scogings was an employee of CSA Global Pty Ltd at the time of the resource estimation and takes overall responsibility for the Mineral Resources estimate and associated report. Dr Scogings is a member of both the Australian Institute of Geoscientists and Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity undertaken, to qualify as a Competent Person in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves *('JORC Code 2012'). Dr Scogings consents to the inclusion of such information in this report in the form and context in which it appears. Lithium Australia confirms that it is not aware of any new information or data that materially affects the information included in this report and, in the case of the Sadisdorf Mineral Resources estimate, confirms that all material assumptions and technical parameters underpinning the estimates in the 7 December 2017 and 1 June 2018 Company announcements continue to apply and have not materially changed.*

Competent Person's Statement – vanadium Mineral Resources, Australia
The information in this report as it relates to Mineral Resources is based on information compiled by John Doepel, a member of the Australasian Institute of Mining and Metallurgy. Mr Doepel has sufficient experience in mineral resource estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as

a Competent Person, as defined in the JORC Code 2012. Mr Doepel consents to the inclusion in this report of the information in the form and context in which it appears. Lithium Australia confirms that it is not aware of any new information or data that materially affects the information included in this report and, in the case of the vanadium Mineral Resource estimates, confirms that all material assumptions and technical parameters underpinning the estimates in the 22 May 2019 Company announcement continue to apply and have not materially changed.

Competent Person's Statement – lithium Mineral Resources, Australia
The information in this report that relates to Australian Exploration Results, together with any related assessments and interpretations, is based on information compiled by Mr Adrian Griffin on behalf of Lithium Australia. Mr Griffin is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the styles of mineralisation under consideration, and to the activity undertaken, to qualify as a Competent Person, as defined in the JORC Code 2012. Mr Griffin consents to the inclusion in the report of the matters based on the information in the form and context in which they appear. Lithium Australia is not aware of any new information or data that materially affects that contained herein.

Significant changes in state of affairs

During the 2019 financial year, there were no significant changes in the state of affairs of the Consolidated Group.

Future developments

Lithium Australia is the only company actively pursuing the production of battery-grade lithium chemicals from all lithium silicates by way of cost-competitive processing techniques, giving the Company a significant 'first mover' advantage.

Meanwhile, the Company continues to assess other projects worldwide and is reviewing opportunities in Africa, Europe, the Americas and Australia.

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

Subsequent events

(a) On 4 July 2019, the Company issued 45,843,083 ordinary shares and 31,921,238 $0.12 options pursuant to the Company's renounceable entitlement issue prospectus dated 11 June 2019.
(b) On 17 July 2019, the Company issued 833,333 ordinary shares and 416,666 $0.12 options pursuant to the shortfall under the Company's renounceable entitlement issue prospectus dated 11 June 2019 to raise $50,000.
(c) On 17 July 2019, the Company issued 1,575,000 ordinary shares pursuant to the exercise of performance rights.
(d) On 17 July 2019, the Company issued 1,830,974 ordinary shares under the Lithium Australia Fee and Remuneration Sacrifice Share Plan.
(e) On 17 July 2019, the Company issued 1,175,046 ordinary shares to suppliers as settlement for services rendered.
(f) On 19 August 2019, the Company issued 1,208,460 ordinary shares as consideration for the acquisition of a further 4.63% of Enivrostream Australia shares, bringing the total number of Envirostream Australia shares held by the Company to 18.92%.
(g) On 19 August 2019, the Company issued 2,000,000 partly-paid shares as part consideration for the Southern Africa Engagement and Joint Venture Agreement.

Directors' meetings

The number of meetings attended by each of the directors of the Consolidated Group during the Year was as follows:

	Board meetings	
	Number held and entitled to attend	Number attended
Adrian Griffin	6	6
George Bauk	6	5
Bryan Dixon	6	5

Environmental issues

The Consolidated Group's exploration activities are subject to various state and federal statutes relating to mining and environmental protection. The board believes the Consolidated Group has adequate systems in place to manage its environmental responsibilities. The Consolidated Group aims to ensure that the appropriate standards of environmental care are achieved and, in so doing, is aware of and complies with all environmental legislation. Directors of the Consolidated Group are not aware of any breach of environmental legislation for the Year, apart from those involving the Ravensthorpe investigations that occurred during the Year. The Company has responded to Western Australian and Commonwealth investigations, which are now complete. Regarding an inspection by a DMIRS environmental officer, conditions were found to be inconsistent with the approved mining proposal, constituting a breach. A fine was imposed and paid. A Commonwealth investigation based on a draft referral and the provision of supporting documentation available at the time concluded that: "… it appears unlikely that the action will have an impact on protected matters and, as a result, no further compliance action will be taken in regard to this matter."

Currently, the Company is rehabilitating two areas within its Ravensthorpe project: one has already undergone rehabilitation, with that programme to continue, while in the other project area the Company will, subject to dry weather conditions, commence rehabilitation in November 2019, with that programme to also be ongoing.

Share options

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

Grant date	Date of expiry	Exercise price ($)	Number under option	Fair value ($)
16 October 2015	1 July 2019	0.15	4,316,666	0.036
16 October 2015	1 July 2019	0.20	7,875,000	0.031
23 December 2015	1 July 2019	0.30	9,200,000	0.025
3 May 2018	2 May 2021	0.1938	8,484,849	0.077
24 May 2018	23 May 2021	0.1756	15,167,602	0.072
4 July 2019	4 July 2021	0.12	31,921,238	–
17 July 2019	17 July 2021	0.12	416,666	–
			77,382,021	

Other than outlines above, no new options have been issued subsequent to the end of the Year.

Performance rights

Unlisted performance rights on issue as at 30 June 2019 are as follows.

	Issue date	Cancellation date	Exercised date	Number exercised	Number remaining	Fair value ($)
Tranche 1a	15 July 2015				4,050,000	–
Tranche 1b	15 July 2015				2,025,000	–
Tranche 1c	15 July 2015				2,025,000	–
Tranche 1a	15 October 2015				640,000	–
Tranche 1b	15 October 2015				800,000	–
Tranche 1c	15 October 2015				800,000	–
Class A	28 November 2016		13/06/2019	750,000	250,000	42,500
Class B	28 November 2016				2,000,000	184,504
Class C	28 November 2016				3,000,000	130,433
Class D	28 November 2016				4,000,000	19,182
Class A	1 December 2016		13/06/2019	125,000	125,000	20,625
Class B	1 December 2016				500,000	44,737
Class C	1 December 2016				750,000	31,613
Class D	1 December 2016				1,000,000	4,648
Class A	20 December 2016		13/06/2019	125,000	–	–
Class B	20 December 2016				250,000	18,217
Class C	20 December 2016				375,000	12,837
Class D	20 December 2016				500,000	1,885
Class A(2)	30 April 2018		13/06/2019	700,000	200,000	27,000
Class B(2)	30 April 2018		13/06/2019	700,000	200,000	27,000
Class C(2)	30 April 2018				900,000	100,155
Class D(2)	30 April 2018				2,250,000	92,512
Class E(2)	30 April 2018				2,250,000	4,632
Class A(2)	31 December 2018		13/06/2019	400,000	400,000	37,600
Class B(2)	31 December 2018		13/06/2019	200,000	400,000	37,600
Class C(2)	31 December 2018				600,000	37,600
Class D(2)	31 December 2018				1,500,000	28,138
Class E(2)	31 December 2018				1,500,000	1,111
Performance rights outstanding as at 30 June 2019				**3,000,000**	**33,290,000**	**904,529**

Performance hurdles/restrictions

	Number of rights	Hurdle
Tranche 1a	4,690,000	A targeted controlled JORC Resource containing 1,000,000 tonnes LCE
Tranche 1b	2,825,000	A targeted controlled JORC Resource containing 5,000,000 tonnes LCE
Tranche 1c	2,825,000	A targeted controlled JORC Resource containing 10,000,000 tonnes LCE
Tranche 1d	1,000,000	12 months' service
Tranche 1d	(1,000,000)	12 months' service reached
Class A	1,500,000	Successful pre-feasibility study ('PFS') on SiLeach® technology
Class B	3,000,000	Procurement of feed to support 17,000 tonnes per annum lithium carbonate from SiLeach® plant
Class C	4,500,000	Decision to commit to large-scale pilot facility
Class D	6,000,000	Financial investment decision for a commercial-scale plant to produce cathode material ('Commercial Plant')

Class A(2)	900,000	Successful pilot plant recommissioning of VSPC
Class B(2)	900,000	Product quality specification produced by plant equal to or greater than industry-accepted reference standards
Class C(2)	900,000	Delivery of PFS supporting decision to proceed to definitive feasibility study ('DFS') for the construction of a Commercial Plant
Class D(2)	2,250,000	Delivery of DFS for the construction of a Commercial Plant that supports an investment decision to proceed to construction
Class E(2)	2,250,000	Commencement of construction of Commercial Plant
	32,540,000	

No new performance rights have been issued subsequent to 30 June 2019.

Proceedings on behalf of the Consolidated Group

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

Remuneration report (audited)

The report outlines the remuneration arrangements in place for directors and key management personnel ('KMP') of Lithium Australia in accordance with the *Corporations Act 2001* and its Regulations. For the purposes of this report, KMP are defined as those having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Group, directly or indirectly, including any directors of the Consolidated Group.

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 Group. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold securities in the Company.

The Consolidated Group aims to remunerate at a level that will attract and retain high-calibre directors, officers and employees. Company officers and directors are remunerated to a level consistent with the size of the Consolidated Group.

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 Group 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 security incentive plan to encourage the alignment of personal and shareholder returns. The intention of this programme is to align the objectives of directors/executives with that of the business and its shareholders. In addition, all directors and executives are encouraged to hold shares in the Company.

Details of remuneration for the Year

Remuneration for each director and executive officer of the Consolidated Group during the period was as follows.

Directors' and executive officers' emoluments								
	Short-term benefits			**Post employment**	**Share-based payments**		**Total**	**Performance rights as % of total remuneration**
	Salary and fees	**Bonus/leave paid out**	**Non-monetary**	**Super-annuation**	**Performance rights**	**Equity**	**($)**	**(%)**
	Adrian Griffin – Managing Director							
2019	351,599	59,589	3,130	39,063	181,479	–	634,860	29
2018	357,033	50,000	3,219	30,922	263,565	–	704,737	37
	George Bauk – Non-executive Chairman							
2019	90,000	–	–	–	66,536	–	156,536	43
2018	82,500	–	–	–	125,365	–	207,865	60
	Bryan Dixon – Non-executive Director							
2019	60,000	–	–	–	66,536	–	126,536	53
2018	60,000	–	–	–	125,365	–	185,365	68
	Barry Woodhouse – Company Secretary							
2019	275,000	–	587	25,000	45,188	–	345,775	13
2018	190,335	–	1,479	6,272	48,528	57,965	304,578	16
	Total							
2019	**776,599**	**59,589**	**3,717**	**64,063**	**359,739**	–	**1,263,707**	**28**
2018	**689,868**	**50,000**	**4,698**	**37,194**	**562,823**	**57,965**	**1,402,548**	**40**

Employment contracts of directors and senior executives

Managing Director Mr Adrian Griffin is employed under contract. The currently on-foot contract, which commenced on 1 November 2015 and has a term of 3 years, is under review; Mr Griffin will continue on the previous contract until this is finalised. The contract provides Mr Griffin with a salary of $385,000 per annum, inclusive of superannuation. On 7 June 2019, Mr Griffin was paid out $59,589, exclusive of superannuation, for 44 days in lieu of annual leave. The Company may terminate the employment contract at any time and without prior notice if serious misconduct has occurred. In that event remuneration is only payable up until the date of the termination. The Company may terminate the employment contract for any reason by giving no less than 6 months' notice or, in lieu of the notice period, paying Mr Griffin an amount equal to the total remuneration Mr Griffin received in the 12-month period prior to the termination, subject to all applicable laws.

Formal contracts have been entered into with all non-executive directors. Non-executive directors are paid under the terms agreed under contract at the rates detailed below.

Director's fees of $60,000 were paid, or were due and payable to, Warrior Strategic Pty Ltd. Mr Brian Dixon is a director and shareholder of Warrior Strategic Pty Ltd.

Director's fees of $90,000 were paid, or were due and payable, to Mr George Bauk.

Directors' interests in shares and options

The numbers of ordinary shares held by KMP of the entity during the financial period are as follows.

	Balance 30/06/2018	Received as compensation	Options exercised	Net change: other	Balance 30/06/2019
Adrian Griffin	9,782,980	–	1,500,000	–	11,282,980[1]
George Bauk	620,250	–	650,000	–	1,270,250[1]
Bryan Dixon	2,675,993	–	–	–	2,675,993[1]
Barry Woodhouse	523,230	271,773	525,000	(521,445)	798,558
	13,602,453	**271,773**	**2,675,000**	**(521,445)**	**16,027,781**

[1] Included in the closing balance are shares indirectly held by a related third party.

The numbers of 25 cent partly-paid shares held by KMP of the entity during the financial year are as follows.

	Balance 30/06/2018	Received as compensation	Options exercised	Net change: other	Balance 30/06/2019
Adrian Griffin	5,935,869	–	–	–	5,935,869
George Bauk	460,125	–	–	–	460,125[2]
Bryan Dixon	2,039,490	–	–	–	2,039,490[2]
Barry Woodhouse	33,334	–	–	300,000	333,334
	8,468,818	–	–	**300,000**	**8,768,818**

[2] Included in the closing balance are partly paid shares held by a related third party.

The numbers of performance rights held by each KMP of the entity during the financial year are as follows.

	Balance 30/06/2018	Received as compensation	Options exercised	Net change: other	Balance 30/06/2019
Adrian Griffin	13,050,000	–	(1,500,000)	–	11,550,000
George Bauk	6,125,000	–	(650,000)	–	5,475,000
Bryan Dixon	6,125,000	–	–	–	6,125,000
Barry Woodhouse	2,370,000	1,600,000	(525,000)	–	3,445,000
	27,670,000	**1,600,000**	**(2,675,000)**	–	**26,595,000**

The numbers of listed and unlisted options held by each KMP of the entity during the year are as follows.

	Balance 30/06/2018	Granted as compensation	Options exercised or expired	Balance 30/06/2019	Total vested 30/06/2019	Total exercisable 30/06/2019	Total unexercisable 30/06/2019
Adrian Griffin	5,175,000	–	–	5,175,000	–	5,175,000	–
George Bauk	2,750,000	–	–	2,750,000	–	2,750,000	–
Bryan Dixon	4,000,000	–	–	4,000,000	–	4,000,000	–
Barry Woodhouse	4,666,666	–	–	4,666,666	–	4,666,666	–
	16,591,666	–	–	**16,591,666**	–	**16,591,666**	–

Options issued as part of remuneration

During the Year, the following share-based payment options arrangements were in existence with KMP.

Option series	Number granted	Grant date	Grant date fair value ($)	Expiry date	Exercise price ($)	Vesting date
Unlisted Series 1 Table A	2,716,666	15/07/2016	0.036	01/07/2019	0.15	1/07/2019
Unlisted Series 2 Table B	6,275,000	15/07/2016	0.031	01/07/2019	0.20	1/07/2019
Unlisted Series 3 Table C	7,600,000	15/07/2016	0.025	01/07/2019	0.30	1/07/2019
	16,591,666					

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

	Number granted	Number vested	% of grant vested	% of grant forfeited
Bryan Dixon	1,250,000	–	0	0
Barry Woodhouse	1,466,666	–	0	0
	2,716,666			

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

	Number granted	Number vested	% of grant vested	% of grant forfeited
Adrian Griffin	2,175,000	–	0	0
George Bauk	1,250,000	–	0	0
Bryan Dixon	1,250,000	–	0	0
Barry Woodhouse	1,600,000	–	0	0
	6,275,000			

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

	Number granted	Number vested	% of grant vested	% of grant forfeited
Adrian Griffin	3,000,000	–	0	0
George Bauk	1,500,000	–	0	0
Bryan Dixon	1,500,000	–	0	0
Barry Woodhouse	1,600,000	–	0	0
	7,600,000			

Table D Series 4 – during the period, the following KMP were entitled to options with a fair value of $0.135 per unit.

	Number granted	Number vested	% of grant vested	% of grant forfeited
Adrian Griffin	4,000,000	–	0	0
George Bauk	1,600,000	–	0	0
Bryan Dixon	1,600,000	–	0	0
	7,200,000			

No new options had been issued or exercised during the Year.

Performance rights Issued as part of remuneration
During the Year, the following share-based payment arrangements were in existence with KMP.

Performance rights	Number granted	Grant date	Grant date fair value ($)	Expiry date	Vesting date	Fair value ($)
Tranche 1a Table A	3,020,000	15/07/2015	0.075	1/07/2019	1/07/2019	–
Tranche 1b Table B	3,100,000	15/07/2015	0.088	1/07/2019	1/07/2019	–
Tranche 1c Table C	3,100,000	15/07/2015	0.105	1/07/2019	30/11/2019	–
Class A Table D	250,000	28/11/2016	0.17		21/11/2018	42,500
Class B Table E	2,000,000	28/11/2016	0.17		31/03/2020	184,504
Class C Table F	3,000,000	28/11/2016	0.17		15/12/2020	130,433
Class D Table G	4,000,000	28/11/2016	0.17		30/06/2021	19,182
Class A Table D	–	1/12/2016	0.165		21/11/2018	–
Class B Table E	250,000	1/12/2016	0.165		31/03/2020	22,369
Class C Table F	375,000	1/12/2016	0.165		15/12/2020	15,806
Class D Table G	500,000	1/12/2016	0.165		30/06/2021	2,324
Class A(2) Table H	200,000	30/04/18	0.135		5/09/2018	27,000
Class B(2) Table I	200,000	30/04/18	0.135		20/05/2019	27,000
Class C(2) Table J	900,000	30/04/18	0.135		30/09/2019	100,155
Class D(2) Table K	2,250,000	30/04/18	0.135		31/03/2020	92,512

Performance rights	Number granted	Grant date	Grant date fair value ($)	Expiry date	Vesting date	Fair value ($)
Class A(2) Table H	–	31/12/2018	0.094		5/09/2018	–
Class B(2) Table I	–	31/12/2018	0.094		20/05/2019	–
Class C(2) Table J	200,000	31/12/2018	0.094		30/09/2019	12,533
Class D(2) Table K	500,000	31/12/2018	0.094		31/03/2020	9,379
Class E(2) Table L	500,000	31/12/2018	0.094		28/02/2022	370
	26,595,000					**690,699**

Table A Tranche 1a – during the period, the following KMP were entitled to performance rights with a performance hurdle of a targeted controlled JORC Resource containing 1,000,000 tonnes LCE.

	Number granted	Grant date fair value ($)	Number vested	% of grant vested	% of grant forfeited
Adrian Griffin	1,350,000	0.075	–	0	0
George Bauk	675,000	0.075	–	0	0
Bryan Dixon	675,000	0.075	–	0	0
Barry Woodhouse	320,000	0.075	–	0	0
	3,020,000				

Table B Tranche 1b – during the period, the following KMP were entitled to performance rights with a performance hurdle of a targeted controlled JORC Resource containing 5,000,000 tonnes LCE.

	Number granted	Grant date fair value ($)	Number vested	% of grant vested	% of grant forfeited
Adrian Griffin	1,350,000	0.088	–	0	0
George Bauk	675,000	0.088	–	0	0
Bryan Dixon	675,000	0.088	–	0	0
Barry Woodhouse	400,000	0.088	–	0	0
	3,100,000				

Table C Tranche 1c – during the period, the following KMP were entitled to performance rights with a performance hurdle of a targeted controlled JORC Resource containing 10,000,000 tonnes LCE.

	Number granted	Grant date fair value ($)	Number vested	% of grant vested	% of grant forfeited
Adrian Griffin	1,350,000	0.105	–	0	0
George Bauk	675,000	0.105	–	0	0
Bryan Dixon	675,000	0.105	–	0	0
Barry Woodhouse	400,000	0.105	–	0	0
	3,100,000				

Table D Class A – during the period, the following KMP became entitled to performance rights with a performance hurdle of a successful PFS on SiLeach® technology.

	Number granted	Grant date fair value ($)	Number exercised	% of grant exercised	% of grant forfeited
Adrian Griffin	500,000	0.17	(500,000)	100	0
George Bauk	250,000	0.17	(250,000)	100	0
Bryan Dixon	250,000	0.17	–	0	0
Barry Woodhouse	125,000	0.165	(125,000)	100	0
	1,125,000		**(875,000)**		

Table E Class B – during the period, the following KMP became entitled to performance rights with a performance hurdle of the procurement of feed to support 17,000 tonnes per annum of lithium carbonate from the SiLeach® plant.

	Number granted	Grant date fair value ($)	Number exercised	% of grant exercised	% of grant forfeited
Adrian Griffin	1,000,000	0.17	–	0	0
George Bauk	500,000	0.17	–	0	0
Bryan Dixon	500,000	0.17	–	0	0
Barry Woodhouse	250,000	0.165	–	0	0
	2,250,000				

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

	Number granted	Grant date fair value ($)	Number exercised	% of grant exercised	% of grant forfeited
Adrian Griffin	1,500,000	0.17	–	0	0
George Bauk	750,000	0.17	–	0	0
Bryan Dixon	750,000	0.17	–	0	0
Barry Woodhouse	375,000	0.165	–	0	0
	3,375,000				

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

	Number granted	Grant date fair value ($)	Number exercised	% of grant exercised	% of grant forfeited
Adrian Griffin	2,000,000	0.17	–	0	0
George Bauk	1,000,000	0.17	–	0	0
Bryan Dixon	1,000,000	0.17	–	0	0
Barry Woodhouse	500,000	0.165	–	0	0
	4,500,000				

Table H Class A(2) – during the period, the following KMP became entitled to performance rights with a performance hurdle of the successful pilot plant recommissioning of VSPC.

	Number granted	Grant date fair value ($)	Number exercised	% of grant exercised	% of grant forfeited
Adrian Griffin	500,000	0.135	(500,000)	100	0
George Bauk	200,000	0.135	(200,000)	0	0
Bryan Dixon	200,000	0.135	–	100	0
Barry Woodhouse	200,000	0.094	(200,000)	100	
	1,100,000		**(900,000)**		

Table I Class B(2) – during the period, the following KMP became entitled to performance rights with a performance hurdle of product quality specification produced by the plant being equal to or greater than industry accepted reference standards.

	Number granted	Grant date fair value ($)	Number exercised	% of grant exercised	% of grant forfeited
Adrian Griffin	500,000	0.135	(500,000)	100	0
George Bauk	200,000	0.135	(200,000)	100	0
Bryan Dixon	200,000	0.135	–	0	0
Barry Woodhouse	200,000	0.094	(200,000)	100	0
	1,100,000		**(900,000)**		

Table J Class C(2) – during the period, the following KMP became entitled to performance rights with a performance hurdle of the delivery of a PFS supporting the decision to proceed to a DFS for the construction of a Commercial Plant.

	Number granted	Grant date fair value ($)	Number exercised	% of grant exercised	% of grant forfeited
Adrian Griffin	500,000	0.135	–	0	0
George Bauk	200,000	0.135	–	0	0
Bryan Dixon	200,000	0.135	–	0	0
Barry Woodhouse	200,000	0.094	–	0	0
	1,100,000				

Table K Class D(2) – during the period, the following KMP became entitled to performance rights with a performance hurdle of the delivery of a DFS for the construction of a Commercial Plant that supports an investment decision to proceed to construction.

	Number granted	Grant date fair value ($)	Number exercised	% of grant exercised	% of grant forfeited
Adrian Griffin	1,250,000	0.135	–	0	0
George Bauk	500,000	0.135	–	0	0
Bryan Dixon	500,000	0.135	–	0	0
Barry Woodhouse	500,000	0.094	–	0	0
	2,750,000				

Table L Class E(2) – During the period, the following KMP became entitled to performance rights with a performance hurdle of the commencement of construction of a Commercial Plant.

	Number granted	Grant date fair value ($)	Number exercised	% of grant exercised	% of grant forfeited
Adrian Griffin	1,250,000	0.135	–	0	0
George Bauk	500,000	0.135	–	0	0
Bryan Dixon	500,000	0.135	–	0	0
Barry Woodhouse	500,000	0.094	–	0	0
	2,750,000				

(End of remuneration report)

Indemnification and insurance of directors and officers

The Company paid a premium of $22,090 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 or officer of the Company and to insure the director or officer against certain risks the director or officer is exposed to as a director or officer of the Company.

Corporate governance

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

The board recognises the recent recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Lithium Australia complies with those guidelines. During the Year, shareholders continued to receive the benefit of an efficient and cost-effective Corporate Governance Policy for the Consolidated Group. The Consolidated Group's Corporate overnance statement and disclosures are contained in the annual report.

Non-audit services

No non-audit services were provided to the Consolidated Group during the year ended 30 June 2019.

Auditor's independence declaration

Section 307C of the *Corporations Act 2001* requires our auditors, Bentleys Audit & Corporate (WA) Pty Ltd, to provide the directors of the Consolidated Group with an independence declaration in relation to the audit of the financial report. This Independence declaration is set out on page 19 and forms part of this Directors' report for the Year.

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

Adrian Griffin
Managing Director

Dated at Perth this 16th day of September 2019

Bentleys
THINKING AHEAD

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To The Board of Directors

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

As lead audit partner for the audit of the financial statements of Lithium Australia NL for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 16th day of September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	30 June 2019 ($)	30 June 2018 ($)
Continuing operations			
Revenue	2	176,857	113,995
Other revenue	3	2,028,684	2,047,010
Occupancy costs		(282,137)	(128,672)
Professional fees		(960,981)	(957,382)
Corporate fees		(643,085)	(617,245)
Laboratory/plant expense		(236,427)	(55,993)
Employee benefits expense	5(a)	(4,116,041)	(2,829,809)
Administration costs		(582,365)	(815,173)
Depreciation and amortisation	5(b)	(1,980,773)	(681,006)
Exploration and evaluation costs written off	5(b)	(2,087,915)	(2,760,384)
Finance costs		(2,793,993)	(1,408,346)
Impairment of patents	11	(12,066)	–
Disposal of fixed assets	12	(76,538)	–
Loss before income tax		(11,566,780)	(8,093,005)
Income tax expense	6	–	–
Loss from continuing operations		(11,566,780)	(8,093,005)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operation		87,225	(23,832)
Items that may not be reclassified subsequently to profit or loss			
Net fair value gain/(loss) on financial assets		(484,381)	3,212,341
Total comprehensive income for the year		**(11,963,936)**	**(4,904,496)**
Loss for the year attributable to:			
Members of the controlling entity		(11,478,572)	(8,087,136)
Non-controlling interest		–	(5,869)
		(11,478,572)	(8,093,005)
Total comprehensive income attributable to:			
Members of the controlling entity		(11,963,936)	(4,898,627)
Non-controlling interest			(5,869)
		(11,963,936)	(4,904,496)
Basic loss per share (cents per share)	19	2.51	2.30

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	30 June 2019 ($)	30 June 2018 ($)
Current assets			
Cash and cash equivalents	7	2,705,722	18,339,857
Trade and other receivables	8	1,229,159	362,207
Financial assets	9	132,079	90,247
Total current assets		4,066,960	18,792,311
Non current assets			
Financial assets	9	1,165,901	1,905,954
Exploration Expenditure	10	6,322,191	2,915,044
Intangible assets	11	16,821,573	15,870,997
Property, plant and equipment	12	632,093	449,068
Total Non current assets		24,941,758	21,141,063
TOTAL ASSETS		29,008,718	39,933,374
Current liabilities			
Trade and other payables	13	1,595,264	1,689,083
Convertible note	14	–	3,405,959
Total current liabilities		1,595,264	5,095,042
TOTAL LIABILITIES		1,595,264	5,095,042
NET ASSETS		**27,413,454**	**34,838,332**
Equity			
Issued capital	15	56,050,985	51,386,424
Reserves	17	3,523,273	3,904,663
Accumulated losses		(32,160,804)	(20,446,886)
Controlling entity interest		27,413,454	34,844,201
Non-controlling interest		–	(5,869)
TOTAL EQUITY		**27,413,454**	**34,838,332**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Issued capital ($)	Share-based payment reserve ($)	Foreign currency translation reserve ($)	Investment revaluation reserve ($)	Accumulated losses ($)	Non-controlling interest ($)	Total ($)
Balance at 1 July 2017	**29,221,087**	**1,085,918**	**(2,414)**	**1,114,776**	**(16,290,873)**	**–**	**15,128,494**
Loss for the year	–	–	–	–	(8,087,136)	(5,869)	(8,093,005)
Other comprehensive income							
Net fair value gain on financial assets	–	–	–	3,212,341	–	–	3,212,341
Effects of exchange rates on foreign currency translation	–	–	(23,832)	–	–	–	(23,832)
Total comprehensive loss for the year	–	–	(23,832)	3,212,341	(8,087,136)	(5,869)	(4,904,496)
Transaction with owner, directly recording in equity:							
Issue of shares	23,014,385	–	–	–	–	–	23,014,385
Capital-raising costs	(849,048)	–	–	–	–	–	(849,048)
Issue of share-based payments	–	2,448,997	–	–	–	–	2,448,997
Transfer from investment revaluation reserve	–	–	–	(3,931,123)	3,931,123	–	–
Balance at 30 June 2018	**51,386,424**	**3,534,915**	**(26,246)**	**395,994**	**(20,446,886)**	**(5,869)**	**34,838,332**

	Issued capital $	Share-based payment reserve $	Foreign currency translation reserve $	Investment revaluation reserve $	Accumulated Losses $	Non-controlling interest $	Total $
Balance at 1 July 2018	**51,386,424**	**3,534,915**	**(26,246)**	**395,994**	**(20,446,886)**	**(5,869)**	**34,838,332**
Loss for the year	–	–	–	–	(11,566,780)	–	(11,566,780)
Other comprehensive income							
Net fair value gain/(loss) on financial assets	–	–	–	(484,381)	–	–	(484,381)
Effects of exchange rates on foreign currency translation	–	–	87,225	–	–	–	87,225
Total comprehensive loss for the year	–	–	87,225	(484,381)	(11,566,780)	–	(11,963,936)
Transaction with owner, directly recording in equity:							
Issue of shares	4,664,561	–	–	–	–	–	4,664,561
Capital-raising costs	–	–	–	–	–	–	–
Movement in share-based payments	–	(125,503)	–	–	–	–	(125,503)
Transfer from non-controlling interest	–	–	–	–	(5,869)	5,869	–
Transfer from investment revaluation reserve	–	–	––	141,269	(141,269)	–	–
Balance at 30 June 2019	**56,050,985**	**3,409,412**	**60,979**	**52,882**	**(32,160,804)**	**–**	**27,413,454**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Note	30 June 2019 ($)	30 June 2018 ($)
Cash flows from operating activities			
Payments to suppliers and employees		(5,536,171)	(3,651,373)
Payments for exploration and evaluation		(2,454,420)	(2,150,550)
Proceeds from R&D tax rebate		1,850,495	2,391,035
Interest received		179,893	113,995
Net cash used in operating activities	18	(5,960,203)	(3,296,893)
Cash flows from investing activities			
Cash acquired from acquisition		–	68,271
Purchase of property, plant and equipment		(392,869)	(81,740)
Payment for intangible assets		(2,975,058)	(2,187,203)
Proceeds from sale of financial assets		655,902	7,266,973
Acquisition of exploration and evaluation		(1,020,338)	(102,937)
Payments for other financial assets		(442,413)	(219,288)
Net cash (used in)/from investing activities		(4,174,776)	4,744,076
Cash flows from financing activities			
Proceeds from issue of shares		–	7,530,000
Payment for capital-raising costs		–	–
Proceeds from borrowings		10,107	7,395,000
Payment for convertible notes financing cost		(608,549)	(595,000)
Payment of convertible notes		(5,000,000)	–
Net cash generated by/(used in) financing activities		(5,598,442)	14,330,000
Net increase/(decrease) in cash held		(15,733,421)	15,777,183
Cash and cash equivalents at the beginning of the period		18,339,857	2,586,506
Effects of exchange rates on consolidation of foreign subsidiary		99,286	(23,832)
Cash and cash equivalents at the end of the period	**7**	2,705,722	18,339,857

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

These consolidated financial statements and notes represent those of Lithium Australia and the Consolidated Group. Lithium Australia is a no liability company, incorporated and domiciled in Australia.

The Consolidated Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements for the Year were approved and authorised for issue by the board on 16 September 2019.

1. Statement of significant accounting policies

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

(a) *Basis of preparation*

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

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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

(i) Going concern

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

The Consolidated Group incurred a loss of $11,566,780 (2018: $8,093,005), net cash outflows from operating and investment activities of $10,134,979 (2018: inflows: $1,447,183) during the Year. As at balance date the Consolidated Group had a working capital surplus of $2,471,696 (30 June 2018: $13,697,269).

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

The directors have prepared a cash-flow forecast that indicates the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash-flow forecasts and other factors referred to above, the directors are satisfied that the going-concern basis of preparation is appropriate, given the following.

- The Consolidated Group has the ability to defer discretionary costs as and when required.
- The Consolidated Group has raised $2.8 million pursuant to the Company's renounceable entitlement issue, as disclosed in note 23.
- The Consolidated Group, if required, can realise its investments in listed entities, as disclosed in note 9.
- The Consolidated Group has the ability to raise additional capital through the Acuity Controlled Placement Agreement, which provides the Consolidated Group with up to $12.5 million of standby equity capital.
- In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Consolidated Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

(ii) 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 Consolidated 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 Consolidated Group during the financial period.

AASB 15 – Revenue from Contracts with Customers and related amending standards
In the current year, the Consolidated Group has applied AASB 15 – Revenue from Contracts with Customers (as amended), which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a five-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

There was no material impact on adoption of the standard and no adjustment to current or prior period amounts.

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

AASB 16 – Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019
When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117 – Leases and Related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new standard are as follows.

- Recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets).
- Depreciation of right-of-use assets in line with AASB 116 – Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components.
- Inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date.
- Application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease.
- Inclusion of additional disclosure requirements.

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

Although the directors anticipate that the adoption of AASB 16 will impact the Consolidated Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact. Refer to note 28 for the Consolidated Group's operating leases, which will be required to be booked on the balance sheet.

(b) *Principles of consolidation*

The Consolidated financial statements comprise the financial statements of the Consolidated 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 Consolidated Group and cease to be consolidated from the date on which control is transferred out of the Consolidated Group.

(c) *Exploration, evaluation and development expenditure*

Exploration and evaluation costs are expensed in the period they are incurred, apart from mineral acquisition costs, which are capitalised and carried forward where right to tenure of the area of interest is current and they are expected to be recouped through the 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 in which 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 that it is deemed they will not be recoverable in the future.

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

(d) *Financial instruments*

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instruments. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instruments is classified as 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. 'Fair value' represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method, and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or, when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carry amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value, with a consequential recognition of an income or expense in profit or loss. The Consolidated Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

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(i) Financial assets at fair value through profit and loss or through other comprehensive Income

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

(ii) Financial liabilities

The Consolidated Group's financial liabilities include trade and other payables, loans and borrowings, provisions for cash bonuses and other liabilities that include deferred cash consideration and deferred equity consideration for acquisition of subsidiaries and associates. All financial liabilities are recognised initially as at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Fair value

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

Derecognition

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

(e) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts.

(f) *Trade and other receivables*

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

(g) *Revenue*

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

(h) *Impairment of assets*

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

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

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

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

(i) *Intangible assets*

(i) Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the average remaining life of patents. 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 is 4.2 years as at balance date.

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

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

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

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

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

(j) *Property, plant and equipment*

IT equipment and other equipment

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

The following useful lives are applied.

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

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

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

(k) *GST*

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

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

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

(l) *Taxation*

The Consolidated Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.
Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

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

(m) *Trade and other payables*

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

(n) *Share-based payments*

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Group's estimate of shares that will eventually vest.
For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(o) *Issued capital*

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

(p) *Earnings per share*

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

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

(q) *Critical accounting estimates and judgements*

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 Group.

Key estimates – impairment
The Consolidated Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated Group 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 Group 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 judgement – 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 Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

(r) *Fair value of assets and liabilities*

The Consolidated 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 Consolidated Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

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

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

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

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

Valuation techniques
In the absence of an active market for an identical asset or liability, the Consolidated Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Consolidated 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 technique selected by the Consolidated 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 Consolidated 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:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

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

Level 3
Measurements based on unobservable inputs for the asset or liability.

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

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

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

When a change in the categorisation occurs, the Consolidated 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.

2. Revenue

	2019 ($)	2018 ($)
Interest revenue from financial institutions	176,857	113,995
	176,857	**113,995**

3. Other revenue

	2019 ($)	2018 ($)
Miscellaneous income	2,185	
Sale of tenements	–	200,000
R&D rebate	1,850,495	1,790,380
Administration fee	176,004	54,582
Profit from sale of fixed asset	–	2,048
	2,028,684	**2,047,010**

4. Remuneration of auditors

	2019 ($)	2018 ($)
Remuneration of the auditor for:		
auditing or reviewing the financial report	41,872	49,057
	41,872	**49,057**

5. Loss from ordinary activities

	2019 ($)	2018 ($)
(a) **Employee benefits expense**		
Share-based payments	284,896	832,337
Defined contribution fund payments	256,680	102,904
Other employee benefits expense	3,574,465	1,894,568
Total employee benefits expense from ordinary activities	**4,116,041**	**2,829,809**
(b) **Other expense**		
Depreciation and amortisation	1,980,773	681,006
Exploration and evaluation costs written off	2,087,915	2,760,384
Total other expense from ordinary activities	**4,068,688**	**3,441,390**

6. Income tax expense

	2019 ($)	2018 ($)
(a) **Major components of income tax expense are as follows.**		
Current income tax expense/(benefit)	–	–
Deferred income tax expense/(benefit)	–	–
Income tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	–	––
(b) **The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows.**		
Profit from ordinary activities before income tax expense	(11,566,780)	(8,093,005)
Prima facie tax benefit on profit from ordinary activities before income tax at 27.5% (2018: 27.5%)	(3,180,865)	(2,225,576)
Tax effect of permanent differences:		
Share-based expense	78,346	228,893
Donations	550	138
Entertainment	5,857	3,188
R&D incentive expenditure	1,224,300	982,205
R&D rebate received	(508,886)	(492,355)
Foreign entity losses	189,823	380,900
Tax losses not recognised	2,190,875	1,122,607
	–	–
(c) **Deferred tax assets and (liabilities) are attributable to the following.**		
Legal fees	96,573	134,441
Accrued expenses	7,838	7,260
Payroll liabilities	34,372	3,603
Provisions	45,637	61,556
Plant and equipment	(71,572)	(14,052)
Unrealised gains	14,543	(102,663)
Intangible assets	(2,692,300)	(2,636,235)
Tax losses	2,564,909	2,546,090
	–	–

		2019 ($)	2018 ($)
(d)	**Unrecognised deferred tax assets**		
	Deferred tax assets have not been recognised in respect of the following items, as the directors do not believe it appropriate to regard realisation of future tax benefits as probable.		
	Tax losses	8,918,850	3,103,924
	Capital losses	–	777,852
		8,918,850	3,881,776

7. Cash and cash equivalents

	2019 ($)	2018 ($)
Cash at bank (AA-rated institutions)	2,705,772	18,339,857
	2,705,722	18,339,857

8. Trade and other receivables

	2019 ($)	2018 ($)
Other debtors	25,609	19,855
Prepayments[(a)]	1,059,650	41,702
GST receivable	143,900	300,650
	1,229,159	362,207

(a) As disclosed in note 15 (iv), the Company issued 12,500,000 ordinary shares as prepayment for the acquisition of $1,000,000 of inventory.

9. Financial assets

	2019 ($)	2018 ($)
Current		
Fixed-term deposits	132,079	90,247
	132,079	90,247
Non-current		
Australian listed shares – Level 1 fair value	729,401	1,659,834
Australian unlisted shares – Level 2 fair value	400,000	-
Canadian listed shares – Level 1 fair value	36,500	246,120
	1,165,901	1,905,954

10. Capitalised exploration expenditure

	2019 ($)	2018 ($)
Opening balance	2,915,044	2,977,849
Additions:		
Interest in Tin International		76,986
Interest in Youanmi lithium project	210,390	–
Lithium rights at Lake Johnston		(78,750)
Interest in rights of Buckland		(111,991)
Acquisition of E27/562 exploration licence	36,684	–
Moolyella acquisition		50,950
Sadisdorf acquisition	3,160,073	–
	6,322,191	2,915,044

The value of the Consolidated Group's interest in capitalised exploration expenditure is dependent upon the following.

- Continuance of the Consolidated Group's rights to tenure of the areas of interest.
- Results of future exploration.
- Recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

11. Intangible assets

	2019				2018			
	Patents ($)	Development costs ($)	Intellectual property	Total ($)	Patents ($)	Development costs ($)	Intellectual property	Total ($)
Opening balance	380,573	5,904,115	9,586,309	15,870,997	96,600	3,603,345	–	3,699,945
Acquisition	–	–	–	–	–	–	10,192,597	10,192,597
Expenditure during the period	–	2,810,108	–	2,810,108	–	2,300,770	–	2,300,770
Additions through acquisition	–	–	–	–	288,173	–	–	288,173
Less: impairment of intangible asset	(12,066)	–	–	(12,066)	–	–	–	–
Less: amortisation of intangible asset	(33,571)	–	(1,813,895)	(1,847,466)	(4,200)	–	(606,288)	(610,488)
Closing balance	334,936	8,714,223	7,772,414	16,821,573	380,573	5,904,115	9,586,309	15,870,997

12. Property, plant and equipment

2019	Motor vehicles ($)	Office equipment ($)	Computer equipment ($)	Furniture and fittings ($)	Laboratory construction, equipment and tools ($)	Total ($)
Gross carrying amount						
Balance at 30 June 2018	45,455	70,324	67,874	32,850	2,668,064	2,884,567
Additions	–	46,836	95,616	2,715	247,703	392,870
Disposals	–	–	(29,989)	–	(225,782)	(255,771)
Balance at 30 June 2019	45,455	117,160	133,501	35,565	2,689,985	3,021,666
Accumulated depreciation						
Balance at 30 June 2018	36,562	43,966	34,488	25,328	2,295,155	2,435,499
Disposals	–	–	(21,850)	(18,681)	(138,702)	(179,233)
Depreciation expense	1,150	10,273	29,582	5,933	86,369	133,307
Balance at 30 June 2019	37,712	54,239	42,220	12,580	2,242,822	2,389,573
Net book value as at 30 June 2019	**7,743**	**62,921**	**91,281**	**22,985**	**447,163**	**632,093**

2018	Motor vehicles ($)	Office equipment ($)	Computer equipment ($)	Furniture and fittings ($)	Laboratory construction, equipment and tools ($)	Total ($)
Gross carrying amount						
Balance at 30 June 2017	20,455	63,551	45,482	10,782	–	140,229
Additions	–	3,719	22,392	995	–	27,106
Additions through acquisition	25,000	5,709	–	21,073	2,668,064	2,719,846
Disposals	–	(2,614)	–	–	–	–
Balance at 30 June 2018	45,455	70,324	67,874	32,850	2,668,064	2,884,567
Accumulated depreciation						
Balance at 30 June 2017	8,939	18,934	18,577	1,237	–	47,687
Depreciation expense	27,623	25,032	15,911	24,091	2,295,155	2,387,812
Balance at 30 June 2018	36,562	43,966	34,488	25,328	2,295,155	2,435,499
Net book value as at 30 June 2018	**8,893**	**26,358**	**33,386**	**7,522**	**372,909**	**449,068**

13. Trade and other payables

Current – unsecured	2019 ($)	2018 ($)
Trade payables	794,360	818,953
Employees' annual leave provisions	200,156	96,987
Other creditors and accrued expenses	600,748	773,143
	1,595,264	1,689,083

14. Convertible notes

	2019 ($)	2018 ($)
Opening balance	3,405,959	–
Issue of convertible notes at face value	–	8,500,000
Transaction costs	2,185,443	(3,448,613)
Conversion to equity	(591,402)	(2,921,148)
Amortisation of transaction costs	–	1,275,720
Repayment of convertible notes	(5,000,000)	–
Closing balance	–	3,405,959

On 23 February 2018 Lithium Australia entered into a Convertible Note Deed with Arena Investors, LP ('Arena').

The terms of the agreement were as follows.

- The issue of up to 21,000,000 convertible notes at a face value of $21,000,000, with a discount rate of 13%.
- A conversion period within 12 months of the issue date of each convertible note tranche, to be settled by Lithium Australia via the issue of fully paid ordinary shares or by cash, at the Company's discretion.
- The face value of the convertible notes = $1 per convertible note.
- Interest = 2% per annum.
- Transaction fee equal to 2% of the face value of the convertible notes issued.
- Issue of options to Arena for each convertible note tranche issued.
- The exercise price of each option = 130% of the volume weighted average price of Lithium Australia shares.
- Expiry date = 3 years after issue of the convertible notes.
- The company to pay a fee equal to 5% of the face value of the convertible notes issued to a separate, unrelated external party.
- The convertible notes to be unsecured.

During the year ending 2018, the Consolidated Group issued two tranches of convertible notes and options pursuant to the above agreement, as follows.

- 3,500,000 convertible notes on 9 March 2018 ('Tranche 1')
- 5,000,000 convertible notes on 23 May 2018 ('Tranche 2')
- 8,484,849 options issued on 1 May 2018 and 15,167,602 options issued on 23 May 2018 ('Tranche Options')

The options were valued at $1,748,613 using the Black-Scholes option-pricing model in the 2018 financial year.

During the year, Arena issued conversion notices for convertible notes with a face value of $1,400,000 (2018: $2,100,000), which were converted to ordinary shares as per Note 15.

On 14 February, the parties agreed to the termination of the Arena note facility and the convertible note with a face value of $5,000,000 was repaid on the 30 May 2019.

15. Issued capital

	2019		2018	
	Number	**($)**	**Number**	**($)**
Fully paid ordinary shares				
Opening balance	428,476,552	50,528,434	284,457,338	29,219,467
Issue of shares to directors and staff (i)	1,018,830	109,635	2,302,261	348,527
Issue of shares in lieu of payment (ii)	1,367,637	154,256	5,009,178	702,926
Issue of shares (iii)	21,325,531	2,362,869	–	–
Issue of shares (iv)	12,500,000	1,000,000	–	–
Issue of shares on conversion of performance/option rights (v)	3,000,000	410,400	–	–
Issue of shares	–	–	58,250,000	8,379,047
Issue of shares	–	–	61,133,540	9,781,367
Issue of shares	–	–	165,653	25,000
Issue of shares (vi)	14,117,391	591,402	17,158,582	2,921,148
Transaction costs	–	–	–	(849,048)
Closing balance	**481,805,941**	**55,156,996**	**428,476,552**	**50,528,434**

(i) 271,775 shares were issued to KMP.

(ii) Share-based payments are determined with reference to the fair value of goods or services provided by consultants and settled based on the preceding 5-day volume weighted average price.

(iii) On 13 September 2018, the Company issued 21,325,531 fully paid ordinary shares as consideration for the acquisition of the Sadisdorf and Hegelshöhe Exploration Permits.

(iv) On 09 May 2019, the Company issued 12,500,000 ordinary shares as prepayment for the acquisition of $1,000,000 of inventory pursuant to the agreement with DLG Holdings.

(v) On 13 June 2019, the Company issued 3,000,000 ordinary shares on conversion of performance rights.

(vi) On 1 March 2018, the Company secured an $18,270,000 (face value $21,000,000) convertible note facility with a leading institutional investor, Arena Investors LP. Pursuant to the convertible note agreement, the company issued the following shares.

- 19 April 2018– 702,879 fully paid ordinary shares.
- 24 April 2018 – 2,141,048 fully paid ordinary shares.
- 07 May 2018 – 2,226,632 fully paid ordinary shares.
- 17 May 2018 – 1,531,784 fully paid ordinary shares.
- 23 May 2018 – 1,539,263 fully paid ordinary shares.
- 31 May 2018 – 1,675,333 fully paid ordinary shares.
- 14 June 2018 – 2,605,006 fully paid ordinary shares.
- 26 June 2018 – 4,736,637 fully paid ordinary shares;
- 26 July 2018 – 7,043,681 fully paid ordinary shares.
- 10 September –2018 2,527,609 fully paid ordinary shares.
- 19 September 2018 – 4,546,101 fully paid ordinary shares.

Partly-paid contributing shares – 25 cents				
Opening balance	168,416,918	857,989	132,850,148	1,620
Issue of shares (i)	1,500,000	36,000	30,566,770	855,869
Issue of shares in lieu of payment			5,000,000	500
Closing balance	**169,916,918**	**893,989**	**168,416,918**	**857,989**

(i) On 13 September 2018, the Company issued 1,500,000 partly paid ordinary as consideration for the acquisition of Exploration Licence E27/562.

16. Capital management

The board's policy is to maintain a strong capital base, in order to maintain investor, creditor and market confidence and sustain the future development of the business. There were no changes to the Consolidated Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The board effectively manages the Consolidated Group's capital by assessing the financial risks of the Consolidated Group and adjusting its capital structure in response to changes in those risks and the market. That response includes management of debt levels by share issues.

17. Reserves

	2019 ($)	2018 ($)
Option reserve	2,504,883	2,504,883
Investment revaluation reserve	52,882	395,994
Foreign currency translation reserve	60,979	(26,246)
Performance rights reserve	904,529	1,030,032
	3,523,273	3,904,663
Option reserve		
Opening balance	2,504,883	756,270
Issue of options pursuant to the convertible note agreement	–	1,748,613
Closing balance	2,504,883	2,504,883
Investment revaluation reserve		
Opening balance	395,994	1,114,776
Net gain/(loss) arising on revaluation of available-for-sale financial assets	(343,112)	(718,782)
Closing balance	52,882	395,994
Foreign currency translation reserve		
Opening balance	(26,246)	(2,414)
Exchange differences arising on translating foreign subsidiary	87,225	(23,832)
Closing balance	60,979	(26,246)
Performance rights reserve		
Opening balance	1,030,032	329,648
Issue/amortisation of performance rights	284,897	700,384
Performance option rights achieved	(410,400)	–
Closing balance	904,529	1,030,032

18. Financial instruments

Financial risk management policies
The Consolidated Group's financial instruments consist solely of deposits with banks. No financial derivatives are held.

(i) Financial risk exposures and management

The main risk to which the Consolidated Group is exposed 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 from 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 Group does not have any material credit risk exposure to any single receivable or company of receivables under financial instruments entered into by the Consolidated Group.

Liquidity risk
The Consolidated Group manages liquidity risk by monitoring forecast cash flows. The Consolidated Group does not have any significant liquidity risk as it does not have any collateral debts.

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.

Sensitivity analysis
Interest rate risk
The Consolidated Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date.

Note 18. Financial Instruments (continued)

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

Interest rate sensitivity analysis

At 30 June 2019, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant, would be as follows.

	2019 ($)	2018 ($)
Change in loss:		
Increase in interest rate by 100 basis points	27,058	183,399
Decrease in interest rate by 100 basis points	(27,058)	(183,399)
Change in equity:		
Increase in interest rate by 100 basis points	27,058	183,339
Decrease in interest rate by 100 basis points	(27,058)	(183,339)

2019	Floating interest rate ($)	Fixed interest rate maturing in 1 year or less ($)	Non-interest-bearing ($)	Total ($)
Financial assets				
Cash and cash equivalents	2,705,722	–	–	2,705,722
Financial assets – level 1	–	–	765,901	765,901
Financial assets – level 2	–	–	400,000	400,000
Trade and other receivables	–	132,079	1,229,159	1,361,238
Total financial assets	2,705,722	132,079	2,395,060	5,232,861
Financial liabilities				
Trade and other payables (i)	–	–	1,595,264	1,595,264
Total financial liabilities	–	–	1,595,264	1,595,264

Financial assets – level 2 fair value have been valued using the market approach. The valuation technique uses prices and other relevant information generated by market transactions or other, similar assets or liabilities. The interest rate is 2% per annum.

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

2018	Floating interest rate ($)	Fixed interest rate maturing in 1 year or less ($)	Non-interest-bearing ($)	Total ($)
Financial assets				
Cash and cash equivalents	18,339,857	–	–	18,339,857
Financial assets – level 1	–	–	1,905,954	1,905,954
Trade and other receivables	–	90,247	362,207	452,454
Total financial assets	18,339,857	90,247	2,268,161	20,698,265
Financial liabilities				
Trade and other payables	–	–	1,689,083	1,689,083

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. The interest rate is 2% per annum.

19. Loss per share

	2019 ($)	2018 ($)
Loss used in calculation of basic earnings per share	(11,566,780)	(8,087,136)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding during the year, used in the calculation of basic earnings per share	460,375,771	351,031,490

20. Cash-flow information

Reconciliation of cash flows from operating activities with loss after income tax	**2019 ($)**	**2018 ($)**
Loss after income tax	(11,566,780)	(8,093,005)
Adjustments for non-cash income and expense items:		
Depreciation	1,981,169	681,006
(Profit)/loss on disposal of asset	88,208	–
Share-based payment expense	284,896	1,614,454
Provisions	19,001	–
Convertible note financing costs	2,793,993	1,275,719
Sale of tenements	–	(200,000)
Changes in assets and liabilities:		
(Increase)/decrease in receivables and prepayments	133,628	675,930
(Decrease)/increase in accounts payable, accruals and employee entitlements	305,913	749,003
(Increase)/decrease in other assets	(230)	–
(Increase)/decrease in financial assets		–
Net cash outflows from operating activities	**(5,960,203)**	**(3,296,893)**

Convertible Note	**Liability 1/07/2018**	**Cash outflow**	**Transaction costs**	**Conversions to equity**	**Liability 30/06/2019**
	3,405,959	(5,000,000)	2,185,443	(591,402)	–

21. Segment information

(a) Segment performance

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

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

Types of reportable segments

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

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

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

Unless stated otherwise, all amounts reported to the board as the chief decision-makers with respect to operating segments are determined in accordance with accounting policies that are consistent with 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 most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Note 21. Segment Information (continued)

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 Consolidated Group as a whole and are not allocated.

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

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

22. Operating segments

(i) Segment revenues and results

30 June 2019

	Processing technology ($)	**Exploration ($)**	**Total ($)**
Revenue	–	–	–
Loss	(1,847,465)	(2,087,915)	(3,935,380)
Total segment loss	**(1,847,465)**	**(2,087,915)**	**(3,935,380)**
Unallocated items:			
Interest revenue			176,857
Other revenue			2,028,684
Fair value of investments adjustment			323
Realised losses on assets			(88,208)
Occupancy			(282,137)
Professional			(960,981)
Compliance and regulatory			(643,085)
Personnel			(4,116,041)
Administration			(582,688)
Laboratory/plant			(236,427)
Depreciation			(133,704)
Finance cost			(2,793,993)
Net loss from continuing operations			**(11,566,780)**

30 June 2018

	Processing technology ($)	**Exploration ($)**	**Total ($)**
Revenue	–	–	–
Expenses	(620,278)	(2,760,384)	(3,380,662)
Total segment loss	**(620,278)**	**(2,760,384)**	**(3,380,662)**
Reconciliation of segment result to Consolidated Group net loss			
Unallocated items:			
Interest revenue			113,995
Other income			2,047,010
Fair value of investment adjustment			(2,262)
Realised losses on financial assets			(128,672)
Unrealised losses on financial assets			(957,382)
Occupancy			(617,245)
Professional			(2,829,809)
Compliance and regulatory			(812,911)
Personnel			(55,993)
Administration			(60,728)
Depreciation			(1,408,346)
Net loss from continuing operations			**(8,093,005)**

(ii) Segment assets

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

30 June 2018	Processing technology ($)	Exploration ($)	Total ($)
Segment assets	15,870,997	2,915,044	18,786,041
Unallocated assets			
Cash and cash equivalents			18,339,857
Trade and other receivables			362,207
Other			2,445,269
Total company assets			**39,933,374**

(iii) Segment liabilities

30 June 2019	Processing technology ($)	Exploration ($)	Total ($)
Segment liabilities	246,740	251,213	497,953
Unallocated liabilities			
Trade and other payables			1,097,311
Total company liabilities			**1,595,264**

30 June 2018	Processing technology ($)	Exploration ($)	Total ($)
Segment liabilities	317,215	208,943	526,158
Unallocated liabilities			
Trade and other payables			1,162,925
Convertible note			3,405,959
Total company liabilities			**5,095,042**

23. Subsequent events

a) On 4 July 2019, the Company issued 45,843,083 ordinary shares and 31,921,238 $0.12 options pursuant to the Company's renounceable entitlement issue prospectus dated 11 June 2019, raising $2,750,585.
b) On 17 July 2019, the Company issued 833,333 ordinary shares and 416,666 $0.12 options pursuant to the shortfall under the Company's renounceable entitlement issue prospectus dated 11 June 2019 to raise $50,000.
c) On 17 July 2019, the Company issued 1,575,000 ordinary shares pursuant to the exercise of Performance Rights.
d) On 17 July 2019, the Company issued 1,830,974 ordinary shares under the Lithium Australia Fee and Remuneration Sacrifice Share Plan.
e) On 17 July 2019, the Company issued 1,175,046 ordinary shares to suppliers as settlement for services rendered.
f) On 19 August 2019, the Company issued 1,208,460 ordinary shares as consideration for the acquisition of a further 4.63% of Enivrostream shares, bringing the total shares held to 18.92%.
g) On 19 August 2019, the Company issued 2,000,000 partly paid shares as part consideration for Southern Africa Engagement and Joint Venture Agreement.

24. 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 related-party transactions other than those disclosed in Note 25.

25. KMP compensation

Names and positions held of the Consolidated Group KMP in office at any time during the financial period are as follows.

KMP	**Position**
George Bauk	Non-executive Chairman
Adrian Griffin	Managing Director
Bryan Dixon	Non-executive Director
Barry Woodhouse	CFO and Company Secretary

KMP remuneration has been included in the Remuneration report section of the Directors' Report.

The totals of remuneration paid to KMP of the Consolidated Group during the year are as follows.

	2019 **($)**	**2018** **($)**
Short-term benefits	839,905	744,567
Share-based payments	359,739	620,788
Post-employment benefits	64,063	37,193
	1,263,707	1,402,548

26. Contingent assets

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

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

a) Proof of concept: MetalsTech will issue the Company with 500,000 Shares upon the Company achieving representative >90% lithium extraction from bench-scale testing using spodumene sourced from a MetalsTech project.
b) Quality tests: MetalsTech will issue the Company with 500,000 shares upon the Company achieving representative >95% lithium carbonate purity precipitated from leach liquors, using spodumene sourced from a MetalsTech project.
c) Pilot tests: MetalsTech will issue the Company with 1,000,000 shares and 500,000 options upon the Company achieving representative extraction >90% lithium recovery and >85% from leach liquor in a continuous plant operation, using spodumene sourced from a MetalsTech project.
d) Scoping study: MetalsTech will issue the Company with 1,000,000 shares and 500,000 options upon MetalsTech delivering a scoping study on one of the MetalsTech projects demonstrating that, using the technology, MetalsTech can produce a lithium carbonate product or lithium hydroxide product on cost-competitive terms.
e) DFS: MetalsTech will issue the Company with 1,000,000 shares and 500,000 options upon MetalsTech delivering a DFS on one of the MetalsTech projects demonstrating that, using the technology, MetalsTech can produce a lithium carbonate product or lithium hydroxide product on cost-competitive terms.
f) Offtake: MetalsTech will issue the Company with 500,000 options upon MetalsTech executing a binding offtake agreement(s) for the supply of >5,000 tpa of lithium carbonate and/or lithium hydroxide from a processing plant using the technology.
g) Commencement of plant construction: MetalsTech will issue the Company with 500,000 options upon MetalsTech commissioning construction of a full-scale processing plant using the technology (excluding pilot plant construction).
h) First commercial production: MetalsTech will issue the Company with 500,000 options upon MetalsTech achieving first commercial production and sales of lithium carbonate and/or lithium hydroxide from a full-scale processing plant using the technology.

27. Contingent liabilities

The Consolidated Group has the following contingent liabilities as at 30 June 2019.
Acquisition of Lithophile Pty Ltd.

On the 1st July 2016, Lithium Australia NL acquired 100% shareholding in Lithophile Pty Ltd for the consideration of $26,726 cash payment, 500,000 Shares, 500,000 Partly Paid Shares as well as Deferred Consideration Shares as listed below. The deferred consideration is not probable, and therefore the Group has not provided for such amounts in this financial report.

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

28. Commitments

(a) Exploration expenditure

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

	2019 ($)	2018 ($)
Within 12 months	1,925,600	2,767,440
12 months or longer and not longer than 5 years	1,925,600	2,767,440
Longer than 5 years	–	–
Total	**3,851,200**	**5,534,880**

29. 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	% interest held 2019	% interest held 2018	Date acquired/ incorporated
(i)	Greater African Resources	Mauritius	100	100	26 January 2012
(ii)	Tyler Ray (Pty) Ltd	South Africa	74	74	26 January 2012
(iii)	Lithophile Pty Ltd	Australia	100	100	01 July 2016
(iv)	Resource Conservation and Recycling Corporation Pty Ltd	Australia	100	80	10 December 2016
(v)	Trilithium Erzgebirge GmbH	Germany	100	100	07 February 2017
(vi)	Stanifer Pty Ltd	Australia	100	100	23 August 2017
(vii)	VSPC Ltd	Australia	100	100	28 February 2018

(i) On 26 January 2012, Lithium Australia registered Greater African Resources, a company incorporated in Mauritius. Greater African Resources had no assets or liabilities at the date of acquisition.
(ii) Greater African Resources owns 74% of the issued ordinary shares of Tyler Ray (Pty) Ltd.
(iii) On 1 July 2016, the Company acquired Lithophile Pty Ltd, a company incorporated in Australia. Lithophile had assets of $33,964 and liabilities of $34,012 at the date of acquisition.
(iv) On 10 December 2016, the Company registered Resource Conservation and Recycling Corporation Pty Ltd, a company incorporated in Australia. Resource Conservation and Recycling Corporation had no assets or liabilities at the date of incorporation.
(v) On 07 February 2017, the Company registered Trilithium Erzgebirge GmbH, a company incorporated in Germany. Trilithium Erzgebirge GmbH had no assets or liabilities at the date of incorporation.
(vi) On 23 August 2017, the Company registered Stanifer Pty Ltd, a company incorporated in Australia. Stanifer had no assets or liabilities at the date of incorporation.
(vii) On 28 February 2018, the Company acquired 100% of the ordinary share capital and voting rights in VSPC and its subsidiaries, in accordance with a share sale agreement executed on 23 February 2018. VSPC is the holder of intellectual property and a pilot plant designed to produce complex metal oxides/phosphate powders for the production of LIBs. VSPC had $444,639 net assets and $10,192,597 intellectual property at the date of acquisition.

30. Parent entity information

	Parent 2019 ($)	Parent 2018 ($)
Assets		
Current assets	13,475,183	20,896,101
Non-current assets	14,429,068	18,260,714
Total assets	**27,904,251**	**39,156,815**
Liabilities		
Current liabilities	490,798	4,318,483
Total liabilities	**490,798**	**4,318,483**
Equity		
Issued capital	56,050,985	51,386,423
Reserves	3,459,880	3,928,495
Accumulated losses	(32,097,411)	(20,476,586)
Total equity	**27,413,454**	**34,838,332**
Loss for the period	(14,515,548)	(4,185,713)
Total comprehensive loss for the period	**(14,515,548)**	**(4,185,713)**

31. Share-based payments

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

OPTIONS

Series	Grant date	Date of expiry	Exercise price ($)	Number under option	Fair value ($)
Series 1	16 October 2015	1 July 2019	0.15	4,316,666	0.036
Series 2	16 October 2015	1 July 2019	0.20	7,875,000	0.031
Series 3	23 December 2015	1 July 2019	0.30	9,200,000	0.025
Series 4	3 May 2018 (i)	2 May 2021	0.1938	8,484,849	0.077
Series 5	24 May 2018 (i)	23 May 2021	0.1756	15,167,602	0.072
				45,044,117	

The weighted average remaining contractual life of options outstanding at year's end was 1 years (2018: 2 years).

The weighted average exercise price of outstanding options at reporting date was $0.21 (2018: $0.21).

1) Options issued to Arena Investors; LP pursuant to the Convertible Note deed were valued at $1,748,613. Refer to Note 14.

PERFORMANCE RIGHTS

Tranche 1	Issue date	Date of expiry	Number issued	Fair value ($)
Tranche 1a	15 July 2015	01 July 2019	4,050,000	–
Tranche 1b	15 July 2015	01 July 2019	2,025,000	–
Tranche 1c	15 July 2015	01 July 2019	2,025,000	–
			8,100,000	**–**

Tranche 1	Issue date	Date of expiry	Number issued	Fair value ($)
Tranche 1a	15 October 2015	01 July 2019	640,000	–
Tranche 1b	15 October 2015	01 July 2019	800,000	–
Tranche 1c	15 October 2015	01 July 2019	800,000	–
			2,240,000	–

Note 31. Share-based payments (continued)

Class 1	Issue date	Date of expiry	Number issued	Number exercised	Fair value ($)
Class A	28 November 2016	1 July 2021	1,000,000	(750,000)	42,500
Class B	28 November 2016	1 July 2021	2,000,000	–	184,504
Class C	28 November 2016	1 July 2021	3,000,000	–	130,433
Class D	28 November 2016	1 July 2021	4,000,000	–	19,182
			10,000,000	**(750,000)**	**376,619**

Class 2	Issue date	Date of expiry	Number issued	Number exercised	Fair value ($)
Class A	1 December 2016	1 July 2021	375,000	(125,000)	20,625
Class B	1 December 2016	1 July 2021	750,000	–	44,737
Class C	1 December 2016	1 July 2021	1,125,000	–	31,613
Class D	1 December 2016	1 July 2021	1,500,000	–	4,648
			3,750,000	**(125,000)**	**101,623**

Class 3	Issue date	Date of expiry	Number issued	Number exercised	Fair value ($)
Class A	20 December 2016	1 July 2021	125,000	(125,000)	–
Class B	20 December 2016	1 July 2021	250,000	–	18,217
Class C	20 December 2016	1 July 2021	375,000	–	12,837
Class D	20 December 2016	1 July 2021	500,000	–	1,885
			1,250,000	**(125,000)**	**32,939**

Class 4	Issue date	Date of expiry	Number issued	Number exercised	Fair value ($)
Class A(2)	30 April 2018	30 April 2023	900,000	(700,000)	27,000
Class B(2)	30 April 2018	30 April 2023	900,000	(700,000)	27,000
Class C(2)	30 April 2018	30 April 2023	900,000	–	100,156
Class D(2)	30 April 2018	30 April 2023	2,250,000	–	92,512
Class E(2)	30 April 2018	30 April 2023	2,250,000	–	4,632
			7,200,000	**(1,400,000)**	**251,300**

Class 5	Issue date	Date of expiry	Number issued	Number exercised	Fair value ($)
Class A(2)	31 December 2018	31 December 2023	800,000	(400,000)	37,600
Class B(2)	31 December 2018	31 December 2023	600,000	(200,000)	37,600
Class C(2)	31 December 2018	31 December 2023	600,000	–	37,600
Class D(2)	31 December 2018	31 December 2023	1,500,000	–	28,138
Class E(2)	31 December 2018	31 December 2023	1,500,000	–	1,111
			5,000,000	**(600,000)**	**142,049**

Fair value of equity instruments granted in the Year

The weighted average fair value of the equity instruments granted during the Year is $0.043 (2018: $0.016). Equity instruments were priced using a modified Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option) and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 3 years. To allow for the effects of early exercise, it was assumed that executives would exercise the options after vesting date when the share price is/was at a premium to the exercise price.

Note 31. Share-based payments (continued)

The inputs to the model are listed below.

	Option series				
	Series 1	**Series 2**	**Series 3**	**Series 4**	**Series 5**
Exercise price	$0.15	$0.20	$0.30	$0.1938	$0.1756
Expected volatility	85%	85%	85%	98.03%	98.03%
Option life	4 years	4 years	4 years	3 years	3 years
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	2.1%	2.1%	2.1%	1.95%	1.95%

	Performance rights					
	Tranche 1	**Class1**	**Class 2**	**Class 3**	**Class 4**	**Class 5**
Grant-date share price	$0.075	$0.17	$0.165	$0.135	$0.135	$0.094
Exercise price	$–	$–	$–	$–	$–	$–
Expected volatility	N/A	N/A	N/A	N/A	N/A	N/A
Performance right life	4 years	4.5 years	4.5 years	4.5 years	5 years	5 years
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	N/A	N/A	N/A	N/A	N/A	N/A

DIRECTORS' DECLARATION

The Directors of Lithium Australia declare that:

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

   (a) comply with International Financial Reporting Standards as disclosed in note1(a), and
   (b) give a true and fair view of the Consolidated Group's financial position as at 30 June 2019 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the period ended on that date, and

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

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

Adrian Griffin
Managing Director

Dated at Perth this 16th day of September 2019

Independent Auditor's Report

Bentleys
THINKING AHEAD

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To the Members of Lithium Australia NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lithium Australia NL ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity 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 2019 and of its financial performance for the year then ended; and

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Regarding Continuation as a Going Concern

We draw attention to Note 1(a)(i) in the financial report which indicates that the Consolidated Entity incurred a net loss of $11,566,780 during the year ended 30 June 2019. As stated in Note 1(a)(i), these events or conditions, along with other matters as set forth in Note 1(a)(i), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Intangible Assets **$16,821,573** (refer to Note 11) Intangible assets of $16,821,573, as disclosed in Note 11 is considered to be a key audit matter due to the significance to the consolidated statement of financial position and the specific criteria that are required to be met for capitalisation. This involves significant management judgement with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably.	Our procedures amongst others included: Assessing the recognition criteria for development costs; – Evaluating the key assumptions used for estimates made in capitalising development costs related to the development of the various lithium extraction technologies and the generation of probable future economic benefits; – testing additions to capitalised development expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records and the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of *AASB 138 Intangible Assets*; – We considered whether there were any impairment triggers, through discussions with management and review of reports; and – We assessed the adequacy of the disclosures in Note 11.

Key audit matter	How our audit addressed the key audit matter

Exploration Expenditure - $6,322,191
 	
(refer to Note 10)
 	
Exploration expenditure is a key audit matter due to:
 	
– The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset; and
 	
– The assessment of impairment of exploration and evaluation expenditure being inherently difficult.
	Our procedures included, amongst others:
	
	– Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Consolidated Entity holds an interest and the exploration programmes planned for those tenements.
	
	– We agreed terms within acquisition agreements and on a sample basis corroborated rights to tenure to government registries and relevant agreements as applicable;
	
	– We tested the additions to capitalised expenditure for the year to underlying records and assessed the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6;
	
	– We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest.
	
	– We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure:
	
	  – the licenses for the right to explore expiring in the near future or are not expected to be renewed;
	
	  – substantive expenditure for further exploration in the specific area is neither budgeted or planned
	
	  – decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and
	
	  – data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.
	
	– We assessed the appropriateness of the related disclosures in Note 10 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Share Based Payments (Refer to Note 31) As disclosed in Note 31, the Consolidated Entity has various performance shares on issue to related parties and employees which are subject to various performance and service conditions. These are subject to the measurement and recognition criteria of *AASB 2 "Share-based payments.* We have identified this as a key audit matter as it involves significant assumptions made by Management in determining the probability of certain performance conditions being met and the significant amount of share based payments during the year.	Our procedures included amongst others: – Reconciliation of Performance Shares obtained; – Assessing the underlying terms and conditions of the Performance Shares and Rights on issue; – Ascertain whether Performance Shares have been valued correctly in accordance with AASB 2 based on the terms and conditions of the Performance Shares; – Assessed Management's assumptions made on the probabilities of the performance conditions being satisfied; – We assessed the adequacy of the disclosures in Note 31.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Lithium Australia NL, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

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

Dated at Perth this 16th day of September 2019

ADDITIONAL ASX INFORMATION

1. Corporate governance statement

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

2. Substantial shareholders

There are no substantial holders as at 11 September 2019.

3. Issued capital

The issued capital of the company as at 11 September 2019 consists of the following.

Quoted/unquoted	Class	Number of units	Number of holders
Quoted	Fully paid ordinary shares	534,271,837	9,071
Quoted	Partly-paid contributing shares	171,916,918	3,277
Quoted	$0.12 options	32,337,904	1,770
Unquoted	$0.1938 options	8,484,849	1
Unquoted	$0.1756 options	15,167,602	1
Unquoted	Performance rights	9,000,000	6
Unquoted	Performance rights	12,375,000	6

4. Voting rights

Ordinary shares

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

Partly-paid ordinary shares

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

5. Holders holding less than a marketable parcel

The number of holders holding less than a marketable parcel of the entity's main class of securities as at 28 August 2019 are as follows.

Number of holders	Number of units
4,467	24,371,283

6. Distribution of shareholders

The distribution of shareholders as at 28 August 2019 is as follows.

Distribution of equity securities	Fully paid ordinary shares	Partly paid ordinary shares	$0.12 options	$0.1938 options	$0.1756 options	Performance rights	Performance rights
0–1,000	288	161	712				
1,001– 5,000	2,086	1,195	642				
5,001–10,000	1,978	587	183				
10,001– 100,000	3,979	1,129	190				
100,001 and over	740	205	43	1	1	6	6
TOTALS	**9,071**	**3,277**	**1,770**	**1**	**1**	**6**	**6**

7. 20 largest shareholders, partly paid shareholders and listed option holders

The names of the 20 largest holders of ordinary shares as at 11 September 2019 are as follows.

Fully-paid ordinary shares		Number held	% held
1.	JP Morgan Nominees Australia Limited	27,761,717	5.20
2.	Adrian Griffin	15,345,187	2.87
3.	Tin International AG	14,217,021	2.66
4.	Acuity Capital Investment Management Pty Ltd	13,420,342	2.51
5.	Citicorp Nominees Pty Limited	12,756,547	2.39
6.	DLG Holdings Limited	12,500,000	2.34
7.	HSBC Custody Nominees	10,787,283	2.02
8.	BNP Paribas Noms Pty Ltd	6,821,494	1.28
9.	Parkway Minerals NL	6,469,044	1.21
10.	MCN Investments Pty Ltd	5,285,251	0.99
11.	Mr Cornelius Daniel Neil Griffin	4,661,255	0.87
12.	Resource & Land Management Services Pty Ltd	4,658,526	0.87
13.	Alan Jenks	3,750,000	0.70
14.	Mr Poh Seng Tan	3,300,000	0.62
15.	Sker Holdings Pty Ltd	3,177,572	0.59
16.	Xavier Group Pty Ltd	3,086,552	0.58
17.	Tisselle Pty Ltd	2,958,579	0.55
18.	Kingscote Pty Ltd	2,868,535	0.54
19.	Ian Edney	2,674,830	0.50
20.	Buzz Monty Pty Ltd	2,312,508	0.43
		158,812,243	**29.72**

The names of the 20 largest holders of partly paid shares as at 11 September 2019 are as follows.

Partly-paid ordinary shares		Number held	% held
1.	Gasmere Pty Ltd	8,715,792	5.07
2.	TR Nominees Pty Ltd	7,500,000	4.36
3.	J P Morgan Nominees Australia Pty Limited	5,721,061	3.33
4.	Mr Adrian Christopher Griffin	5,291,718	3.08
5.	Citicorp Nominees Pty Limited	3,543,993	2.06
6.	BNP Paribas Noms Pty Ltd	3,022,790	1.76
7.	Widerange Corporation Pty Ltd	2,736,663	1.59
8.	MCN Investments Pty Limited	2,642,626	1.54
9.	Resource & Land Management Services Pty Ltd	2,329,262	1.35
10.	Terea Africa Ltd	2,000,000	1.16
11.	TA Securities Holdings Berhad	2,000,000	1.16
12.	Alan Jenks	1,875,000	1.09
13.	Kingsreef Pty Ltd	1,794,550	1.04
14.	Mr Robert Peter Van Der Laan	1,676,552	0.98
15.	DAVSMS Investments Pty Ltd	1,667,924	0.97
16.	Mr Denis Maxwell Fraser + Mrs Wendy Elena Fraser	1,665,000	0.97
17.	Apollinax Inc.	1,637,500	0.95
18.	BNP Paribas Nominees Pty Ltd	1,605,274	0.93
19.	Sker Holdings Pty Ltd	1,588,784	0.92
20.	Cameron Mining Pty Ltd	1,524,652	0.89
		60,539,141	**35.21**

The names of the 20 largest holders of listed options as at 11 September 2019 are as follows.

Listed options		Number held	% held
1.	HMS Superannuation Fund	5,065,985	15.67
2.	CPS Capital No.3 Pty Ltd	2,700,000	8.35
3.	Acuity Capital Investment Management Pty Ltd	1,461,324	4.52
4.	Mr Adrian Christopher Griffin	1,196,203	3.70
5.	M&K Korkidas Pty Ltd	1,148,575	3.55
6.	Rookharp Investments Pty Ltd	1,000,000	3.09
7.	Mr Adrian Christopher Griffin	596,218	1.84
8.	Macbeth Genealogical Services Pty Ltd	560,220	1.73
9.	Bond Street Custodians Limited	500,000	1.55
10.	Mrs Zi Juan Qi	500,000	1.55
11.	Mr Ertan Karakis	500,000	1.55
12.	Mrs Yan Wang	500,000	1.55
13.	Miss Ching Fong Wan	483,330	1.49
14.	Macbeth Genealogical Services Pty Ltd	439,780	1.36
15.	Proactive Investors Australia Pty Ltd	416,666	1.29
16.	Mr Poh Seng Tan	400,000	1.24
17.	Mr Alfred Krendl	390,000	1.21
18.	Toltech Holdings Pty Ltd	333,334	1.03
19.	Mr Robert Peter Van Der Laan	325,000	1.01
20.	JP Morgan Nominees Australia Pty Ltd	317,509	0.98
		18,834,144	**58.26**

8. Company secretary

The Company Secretary is Barry Woodhouse.

9. Registered office and principle administrative office

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

10. Register of securities

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

11. Other stock exchanges

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

12. Restricted securities or securities subject to voluntary escrow

The number and class of restricted securities is 7,108,510 ordinary fully paid shares. The number and class of securities subject to voluntary escrow is 7,108,510 ordinary fully paid shares.

13. Unquoted securities

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

Class	Holder	Number of units	% Held
$0.1938 Options	Arena Investors LP	8,484,849	100%
$0.1756 Options	Arena Investors LP	15,167,602	100%
Performance Rights	Adrian Griffin	3,000,000	33%
Performance Rights	Adrian Griffin	4,500,000	36%

14. Review of operations

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

15. On market buy backs

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

16. Schedule of mineral tenements

Tenement ID	Name	Location	State	Interest
E09/2168	Yinnietharra	Gascoyne	WA	100%
E09/2191	Thomas River	Gascoyne	WA	100%
E09/2200	Mount James 2	Gascoyne	WA	100%
E09/2201	Mount James 1	Gascoyne	WA	100%
E09/2203	Mount James 3	Gascoyne	WA	100%
E27/562	Gindalbie	Gindalbie	WA	100%
E45/4660	Hillside 3	Pilbara	WA	100%
E45/4766	Moolyella	Pilbara	WA	100%
E57/978	Youanmi	Murchison	WA	100%
E57/1049	Youanmi	Murchison	WA	100%
E57/1056	Youanmi	Murchison	WA	100%
E63/1777	Lake Johnson	Dundas	WA	100%
E63/1805	Mt Day	Dundas	WA	100%
E63/1806	Mt Day A	Dundas	WA	100%
E63/1807	Mt Day B	Dundas	WA	100%
E63/1808	Mt Day C	Dundas	WA	100%
E63/1809	Lake Johnson	Dundas	WA	100%
E63/1866	Lake Johnson	Dundas	WA	100%
E63/1870	Lake Johnson	Dundas	WA	100%
E63/1903	Lake Johnson	Dundas	WA	100%
E70/4690	Greenbushes	Greenbushes	WA	100%
E70/4777	Greenbushes	Greenbushes	WA	100%
E70/4778	Greenbushes	Greenbushes	WA	100%
E70/4888	Greenbushes A	Greenbushes	WA	100%
E70/4889	Greenbushes B	Greenbushes	WA	100%
E70/4890	Greenbushes C	Greenbushes	WA	100%
E70/5023	Bridgetown	Stanifer	WA	100%
E70/5024	Boyup Brook	Stanifer	WA	100%
E70/5024	Boyup Brook	Stanifer	WA	100%
E70/5025	Boyup Brook	Stanifer	WA	100%
E70/5032	Manjimup	Stanifer	WA	100%
E70/5036	Nannup	Stanifer	WA	100%
E70/5047	Nannup	Stanifer	WA	100%
E70/5198	Mt Lawrence	Mt Lawrence	WA	100%
E74/0543	Ravensthorpe	Ravensthorpe	WA	100%
E77/2279	Lake Seabrook	Yilgarn	WA	100%
E77/2484	Lake Seabrook	Yilgarn	WA	100%
ELA30897	Angers	Bynoe	NT	100%
EL 6212	Dudley 1 Sa	Kangaroo Island	SA	100%
EL 6213	Dudley 2 Sa	Kangaroo Island	SA	100%
EPM 26252	Cape York 1	Cape York	QLD	100%
EPM 26253	Cape York 2	Cape York	QLD	100%
EPM 26254	Cape York 3	Cape York	QLD	100%

Tenement ID	Name	Location	State	Interest
EPM 26255	Cape York 4	Cape York	QLD	100%
EPM 26257	Cape York 5	Cape York	QLD	100%
EPM 26395	Amber 3	Amber	QLD	100%
EPM 26733	Croydon	Croydon	QLD	100%
M15/1809	Coolgardie	Coolgardie	WA	80%[4]
P15/5574	Coolgardie	Coolgardie	WA	80%[4]
P15/5575	Coolgardie	Coolgardie	WA	80%[4]
P15/5576	Coolgardie	Coolgardie	WA	80%[4]
P15/5625	Coolgardie	Coolgardie	WA	80%[4]
P15/5626	Coolgardie	Coolgardie	WA	80%[4]
P15/5629	Coolgardie	Coolgardie	WA	80%[4]
P15/5738	Coolgardie	Coolgardie	WA	80%[4]
P15/5739	Coolgardie	Coolgardie	WA	80%[4]
P15/5740	Coolgardie	Coolgardie	WA	80%[4]
P15/5741	Coolgardie	Coolgardie	WA	80%[4]
P15/5742	Coolgardie	Coolgardie	WA	80%[4]
P15/5743	Coolgardie	Coolgardie	WA	80%[4]
P15/5749	Coolgardie	Coolgardie	WA	80%[4]

[4] *Coolgardie Rare Metals Venture*

Electra Lithium Project	Tecolote	Mexico		54%[5]
	Tule	Mexico		54%[5]
	Agrua Fria	Mexico		54%[5]
Sadisdorf Project	Saxony	Germany		100%
Hegelshoehe Project	Saxony	Germany		100%
Eichigt Project	Saxony	Germany		100%

5 Electra Joint Venture - TSXV listed Infinite Lithium Corp (previously Alix Resources)

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: **16 September 2019**.

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 its responsibilities and duties. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgement. 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:

Principle/recommendation	Compliance	Reference	Commentary
Recommendation 1.1 (cont.)			
			• 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 ensure that there are policies in place to govern the operation of the Company. • Overseeing planning activities: 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: development of the Company's risk management, compliance, control and accountability systems and monitoring and directing of 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. 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 in carrying out their responsibilities.

<table>
<tr><th>Principle/recommendation</th><th>Compliance</th><th>Reference</th><th>Commentary</th></tr>
<tr><td colspan="4">Recommendation 1.2</td></tr>
<tr><td>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.</td><td>Yes</td><td>Director selection procedure, website</td><td>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.</td></tr>
<tr><td colspan="4">Recommendation 1.3</td></tr>
<tr><td>A listed entity should have a written agreement with each director and senior executive, setting out the terms of their appointment.</td><td>Yes</td><td>Kept at registered office, Independent Professional Advice Policy</td><td>Each director has a written and up-to-date agreement. 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 in carrying out their responsibilities.</td></tr>
<tr><td colspan="4">Recommendation 1.4</td></tr>
<tr><td>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.</td><td>Yes</td><td>Board Charter, website</td><td>Full details of the board's and company secretary's roles and responsibilities are contained in the Board Charter.</td></tr>
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Principle/recommendation	Compliance	Reference	Commentary
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 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.	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 reviewed during the year and the Company continues with the following objectives for the employment of women: • to the Board – 25% by 2025 • to senior management – 25% by 2025 • to the organisation as a whole – 25% by 2025 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) – 33% • to the organisation as a whole – 37% 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.
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 and individual 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.

Principle/recommendation	Compliance	Reference	Commentary
Recommendation 1.7			
A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives, and 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 and individual performance Evaluation procedure, website	It is the policy of the board to conduct evaluation of an individual's performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the Year, an evaluation of the performance of the individuals was formally carried out. From this evaluation, a few areas for improvement were noted.
Principle 2: Structure the board to add value			
Recommendation 2.1			
The board of a listed entity should have a nomination committee that: a) has at least three members, a majority of whom are independent directors, and b) is chaired by an Independent director, and disclose: c) the charter of the committee; d) the members of the committee, and 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, if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and 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 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 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.
Recommendation 2.2			
a) 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 and in Information on Directors	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.

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<tr><th>Principle/recommendation</th><th>Compliance</th><th>Reference</th><th>Commentary</th></tr>
<tr><td colspan="4">Recommendation 2.3</td></tr>
<tr><td>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.</td><td>Yes</td><td>Board Charter, Independence of Directors Assessment, website</td><td>The independent directors of the Company are George Bauk (appointment 15 July 2015 and length of service 4.1 years) and Bryan Dixon (appointment 7 December 2009 and length of service 9.75 years). 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%.
• 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 and length of service 8.6 years), who is managing director and is deemed not to be independent.</td></tr>
</table>

Principle/recommendation	Compliance	Reference	Commentary
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 programme 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 Programme, 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 includes the following. • 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. • 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.
Principle 3: Act ethically and responsibly			
Recommendation 3.1			
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/recommendation	Compliance	Reference	Commentary
Principle 4: Safeguard integrity in corporate reporting			
Recommendation 4.1			
The board of a listed entity should have an audit committee that: 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 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.	No	Audit and Risk Committee Charter Website	The board has not established a separate Audit Committee, and therefore it is not structured in 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 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 that 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.

Principle/recommendation	Compliance	Reference	Commentary
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 CFO 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.
Recommendation 4.3			
A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	AGM	The external auditor is invited to attend every AGM for 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: • 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 • 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/recommendation	Compliance	Reference	Commentary
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, programmes, 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. • 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 the 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, and • requesting the external auditor to attend the AGM 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.

Principle/recommendation	Compliance	Reference	Commentary
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 disclose: 1. the charter of the committee; 2. the members of the committee, and 3. 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 risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	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. 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.
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 b) disclose, in relation to each reporting period, whether such a review has taken place.	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 material changes, with the approval of the board.

Principle/recommendation	Compliance	Reference	Commentary
Recommendation 7.2 (cont.)			
			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 he/she believes appropriate, with the prior approval of the board. 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. • The board has adopted a corporate governance manual that contains other policies to assist the Company in establishing and maintaining its governance practices. During the year, management regularly reported to the board on categories of risks affecting the Company as part of the Company's systems and processes for managing material business risks, including operational, financial reporting, sovereignty and market-related risks. 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, require prior board approval; • The board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations. • The board has adopted a corporate governance manual that contains other policies to assist the Company in establishing and maintaining its governance practices. During the year, management regularly reported to the board on categories of risk affecting the Company as part of the Company's systems and processes for managing material business risks, including operational, financial reporting, sovereignty and market-related risks.

Principle/recommendation	Compliance	Reference	Commentary
Recommendation 7.3			
A listed entity should disclose: ***a)*** if it has an internal audit function, how that 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 and continually improving the effectiveness of its risk management and internal control processes.	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 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 appropriate.
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 that 1. has at least three members, a majority of whom are independent directors, and 2. is chaired by an independent director, and 3. disclose the charter of the committee and the members of the committee, 4. as at the end of each reporting period the number of times the number of times the Committee met throughout the period and the individual attendances of the members at those meetings, or	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 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.

Principle/recommendation	Compliance	Reference	Commentary
Principle 8: Remunerate fairly and responsibly			
Recommendation 8.1 (cont.)			
(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.			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 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.
Recommendation 8.2			
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 that 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 directors' skills and experience. Given that the Company is at an early stage of development, as well as the financial restrictions placed upon 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 the directors' option holdings are fully disclosed. Executive pay and rewards consist 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 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.

Principle/recommendation	Compliance	Reference	Commentary
Principle 8: Remunerate fairly and responsibly (cont.)			
Recommendation 8.3			
A listed entity that 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) that 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 that limit the economic risk of participating in unvested entitlements.