LITHIUM AUSTRALIA NL

ACN 126 129 413

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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CORPORATE DIRECTORY

Directors

Adrian Griffin
Managing Director

George Bauk
Non-executive Chairman

Bryan Dixon
Non-executive Director

Company secretary

Barry Woodhouse

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Auditors

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Perth WA 6000

Share registry

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009

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Stock exchange listing

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

CHAIRMAN'S LETTER

Dear Shareholders

This year – 2019/20 – will be remembered globally for the advent of COVID-19. The virus has affected so many people in so many ways from country to country, not only by tragically taking lives but also by changing the ways in which we live and work. We have stopped travelling, are learning new skills, now conduct virtual meetings and are becoming reconciled to what is now a very altered world.

That said, 2019/20 has been a year of achievement at Lithium Australia. Once the gravity of COVID-19 was better understood, the Board focused on those of the Company's business units that were closest to commercialisation – recycling and the sale of energy-storage systems. Those business units less close to commercialisation are now being reviewed, with the aim of achieving maximum value for shareholders.

Demand for renewable energy and energy-storage capabilities continues to grow and Lithium Australia is well positioned to take advantage of this sector. Our strategy of creating a circular battery economy allows us to ensure an ethical and sustainable supply of energy metals to the battery industry across the entire supply chain. From exploration for raw materials through chemical processing technology, lithium ferro phosphate (LFP) cathode and battery production and stationary energy storage systems to spent-battery recycling, we are maximising the life of mined as well as previously used lithium units.

Over the year, Lithium Australia increased its equity position in subsidiary Envirostream Australia from 11.76% to 90%. Envirostream subsequently produced its first product and completed its first sales, having signed an offtake agreement with a metal refiner to sell the mixed metal dust concentrate recovered from spent batteries and commissioning expanded battery recycling facilities. Also, after a number of successful trials, Envirostream is poised to begin recycling spent EV batteries. These achievements are a credit to the fully integrated team at Lithium Australia and Envirostream.

In December 2019, the Company announced that our 50% owned subsidiary Soluna Australia, established to sell lithium-ion batteries and Soluna energy-storage products into the rapidly expanding Australian renewable-energy storage market, had finally done so. Following receipt of approvals from the Clean Energy Council in June 2020, Soluna recorded its first sale and oversaw installation in July 2020. It was a great effort in a short time frame to go from forming the joint venture to organising product delivery and approvals to making a sale and, finally, arranging installation.

Evidence of future growth in LFP as a lithium-ion battery chemistry is increasing. LFP batteries are considered 'safe', so are an ideal choice for energy-storage systems. Further, they negate the requirement for fire suppression in electric vehicles (EVs), making them the chemistry of choice for Tesla EV battery packs in China. Given the ongoing excellent results for LFP-based cathode material produced by Lithium Australia's wholly owned subsidiary VSPC during the year, the Company will be in a position to take advantage of this growing market. VSPC has progressed its business over the past 12 months by optimising its process for the production of LFP cathode material, establishing a strong foundation from which to clearly map the pathway to commercialisation. LFP will continue to be seen as the battery technology of choice for many compelling reasons, including safety, cost, depth of discharge and environmental, social and governance factors, among them the safe production of raw materials.

Lithium Australia has continued to strive towards the goals it set for 2020. Those included plans for the commercial production of cathode material, as well as the securing of funding to implement commercialisation plans for its processing technologies, including LieNA®, and expansion of its recycling infrastructure. We secured that funding in December and recently completed a combined placement and share purchase plan, raising more than $8.5 million in the process. We are all very appreciative of the assistance of current and new shareholders in attaining this outstanding result. The funds raised will be used to accelerate Lithium Australia's plans, including growth of the recycling business, and retiring the debt that came as part of the December funding package.

I would like to sincerely thank all Company stakeholders for their continued participation in and commitment to the energy-metal industry, and to extend my appreciation to Lithium Australia shareholders, the Board and our

CHAIRMAN’S LETTER (continued)

employees, as well as ANSTO, the Australian Federal Government and the WA State Government, all of whom have supported us through these trying times.

Finally, as chairman of Lithium Australia, I wish to acknowledge the drive and expertise of the Company's managing director Adrian Griffin, whose passion and commitment have been pivotal to our continued development, and also the strong contribution of non-executive director Bryan Dixon.

George Bauk
Non-executive Chairman

DIRECTORS' REPORT

The Directors present their report on Lithium Australia NL ('LIT' or the "Company") and its controlled entities (the "Consolidated Group") for the year ended 30 June 2020 (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 experience in the resources sector accumulated over 40 years. He has held directorships in a number of private and listed resource companies and has been responsible for operating large integrated mining and processing facilities including the Bulong nickel-cobalt operation in the late 1990s. Mr Griffin has substantial experience in the mining industry in South Africa and in particular was founder and technical director of Ferrum Crescent Ltd, a developer of iron ore in that country. Mr Griffin is currently a director of Northern Minerals Limited, Parkway Minerals NL, and Reedy Lagoon Corporation Limited.

Other current directorships in listed entities

Non-executive Director – Northern Minerals Ltd
Non-executive Chairman – Parkway Minerals NL
Non-executive Director – Reedy Lagoon Corporation Ltd

George Bauk (Non-Executive Chairman)

Qualifications

BBus, MBA, FCPA, GAICD

Experience

Mr Bauk is an experienced company director with over 15 years' experience as a listed company director in Australia with the resources industry in both production and exploration with assets in Western Australia, Australia and internationally. He is an experienced executive, with 30 years' experience in the resources industry. Mr Bauk holds a Bachelor of Business (Accounting and Finance) from Edith Cowan University, is a Fellow of the CPA and has an MBA from the University of New England. Mr Bauk has held global operational and corporate roles with WMC Resources and Western Metals. Mr Bauk has a strong background in strategic management, business planning, building teams, finance and capital/debt raising, and experience with a variety of commodities in particular rare earths, gold and industrial minerals. During his time as Managing Director of Northern Minerals, he led its rapid development from a greenfields heavy rare earth explorer to one of a few global producers of high value dysprosium outside of China. Mr Bauk is a passionate member of the WA resources industry having previously held a number of senior governing positions with the Chamber of Minerals and Energy including Vice President.

Other current directorships in listed entities

Non-Executive Director – BlackEarth Minerals NL
Non-executive Chairman – Gascoyne Resources Limited
Managing Director – Northern Minerals Limited (resigned 5 June 2020)

Bryan Dixon (Non-Executive Director)

Qualifications

BCom, CA, ACIS

Experience

Mr Dixon has over 25 years' experience in the mining sector and was Managing Director of Blackham Resources Ltd, a West Australian Gold Producer, until May 2019. Mr Dixon is a Chartered Accountant and has extensive experience in the management of public and listed companies. Previously, Mr Dixon has been employed by an international accounting firm, Resolute Limited, and Archipelago Resources Plc. He was a joint winner of the Mines and Money Asia-Pacific Mining Executive of the year in 2017. Mr Dixon has held a numerous director and management roles with emerging resource companies. Mr Dixon specializes in mergers and acquisitions, feasibility, development, financing and operations of mining projects.

Other current directorships in listed entities

Managing Director – Blackham Resources (resigned 01 May 2019)

Company Secretary

Barry Woodhouse

Qualifications

BCom, BLaws, CPA, FGIA FCG (CS,CGP)

Experience

Mr Woodhouse is a CPA and a Fellow of Governance Institute of Australia and has over 30 years' experience in the junior mineral exploration, mineral production, mining services and manufacturing sectors in both private and public companies in Australian and foreign jurisdictions. Mr Woodhouse has held roles including CFO, Company Secretary, Director and Chairman.

Principal activities

The principal activities of the Consolidated Group during the financial year were project acquisition, mineral exploration and process development, primarily for the extraction and recovery of lithium.

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

Results of operations

The operating loss after income tax of the Consolidated Group for the year ended 30 June 2020 was $8,662,373 (2019: loss of $11,566,780).

No dividend has been paid during or is recommended for the financial period ended 30 June 2020.

Financial position

The Consolidated Group's working capital surplus, being current assets less current liabilities was $2,568,004 at 30 June 2020 (2019: working capital surplus $2,471,696).

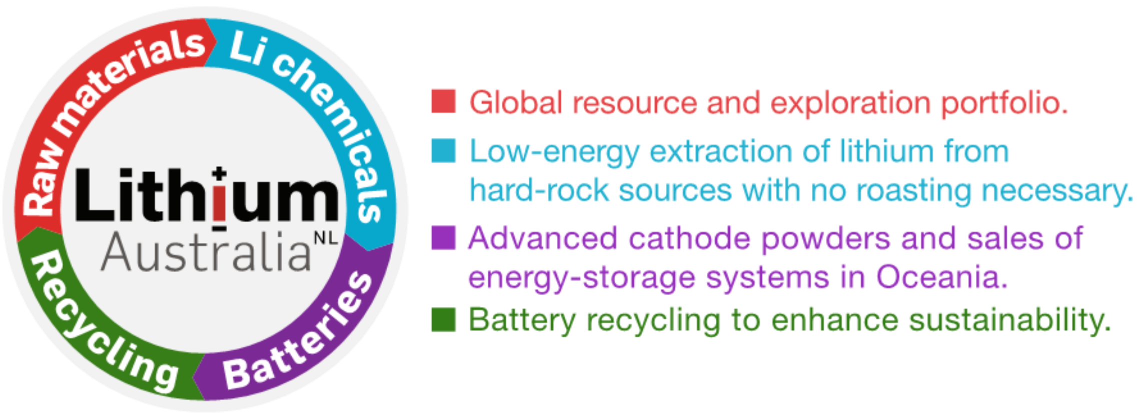
In the Directors' opinion, there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

DIRECTORS’ REPORT (continued)

Review of operations

Lithium Australia NL (ASX: LIT)) is a leader in the development of processing technologies for the battery industry. It aims to ensure an **ethical and sustainable supply of critical materials to** the battery industry by creating a circular battery economy. The Company’s business divisions (shown below) include the following.

- **Raw materials division** (exploration and resource development).
- **Lithium chemicals division** (extraction and refining; technologies primarily focused on lithium but also covering other battery metals).
- **Batteries division** (development of cathode materials; the sale of lithium-ion batteries (‘LIBs’) and battery-based energy-storage systems (‘ESS’).
- **Recycling division** (recovery of components of spent batteries, including but not limited to LIBs).



Processing technologies used within each of the Company’s divisions are designed to be compatible with each other, resulting in the minimum number of process steps required to progress from mine site to LIB. Ultimately, use of these compatible technologies leads to production economies and other advantages to consumers. The compatible processing chemistries extend beyond battery manufacture and into recovery of critical metals from spent batteries, thereby closing the energy-metals loop and restarting the cycle.

The principal attributes of each of the business units, and their achievements during the year, are outlined below.

Recycling division

Envirostream Australia Pty Ltd (‘Envirostream’) is Australia’s only mixed-battery recycling facility. Located in Melbourne, Victoria, Envirostream is at the forefront of innovation in sustainable battery-processing methods, having developed safe and innovative management solutions to what could soon become two of the world’s most pressing environmental issues: the problematic sourcing of energy metals for LIBs and effective management of toxic battery waste.

Envirostream collects, sorts, shreds and separates the components of end-of-life (‘EOL’) batteries, including alkaline batteries and LIBs. In so doing, it recovers the active components of LIBs – cobalt, nickel, lithium and graphite – as a mixed-metal dust (‘MMD’), as well as generating copper, aluminium, scrap steel and plastic, which are returned to the manufacturing sector. The primary material, MMD from EOL LIBs, is exported to South Korea, to be further refined into feed for the manufacture of new batteries.

The active components of alkaline batteries include manganese and zinc which, when recovered (also as MMD), can be used to produce steel high in manganese steel. Meanwhile, other higher-value applications are being investigated.
Envirostream realises exceptionally high mass yields from all the battery types it processes. Because the

batteries are not incinerated during the recycling process, plastic and electrolyte can be recovered in addition to the battery metals, meaning that over 90% of the mass of material is regularly recycled. (Competing processes generally commence with incineration of the batteries, burning off plastic and electrolyte and leaving only about 65% of the mass available for recycling. Not only does this reduce the amount of material available for recycling but it also has the potential to produce harmful atmospheric emissions.)

During the year the Company's equity in Envirostream was increased to 90% and it achieved the following.

- With VSPC Ltd ('VSPC'), it demonstrated that high-quality batteries can be produced using lithium extracted from EOL LIBs.
- Offtake for the LIB MMD was established.
- Envirostream commissioned an expanded plant and shipped the LIB MMD to an offtake counterparty in South Korea.
- Field trials of micronutrients derived from recycling of alkaline batteries also commenced.

The newly expanded Envirostream plant, designed and built in-house, has a feed capacity of 3,000 tonnes per annum.

Lithium chemical division

The Company has developed a suite of extraction and refining technologies for the recovery of lithium chemicals from a variety of materials, including lithium micas, spodumene and EOL LIBs. The processes have a common thread, the recovery of lithium as lithium phosphate, a direct feed chemical for the production of **lithium-iron-phosphate (LFP)** cathode powders, without the need to produce an intermediate chemical such as lithium hydroxide or carbonate (however, production of the latter two remains an option).

LieNA® is a caustic conversion process used to treat the lithium ores spodumene and petalite. It operates under similar conditions to those employed for the production of alumina from bauxite. The process chemically alters the mineral concentrates, converting them to readily leachable minerals from which the lithium is easily dissolved and precipitated as a phosphate. (Subsequent processing can produce lithium hydroxide or carbonate.)

The significance of the process is its ability to recover lithium from fine and low-grade spodumene, something very difficult to achieve economically in conventional converters. Indeed, the latter cannot process the fine spodumene feed on which LieNA® thrives.

Producers of spodumene concentrate desperately need to enhance their process recoveries from the current levels of between 55% and 75%. By utilising LieNA®, concentrate particle size and grade targets can be relaxed. There is the potential to extend mine life by as much as 50% with little additional operating cost, which would greatly improve resource utilisation, reduce costs and, importantly, relieve pressure on the environment.

SiLeach® is a process designed to recover lithium from micas. A fluorine-assisted acid digest, it also recovers lithium as a phosphate. The process, which has been successfully pilot-tested, has application in the recovery of lithium from tailings generated through the mining of tin, tantalum, tungsten and lithium, as well as certain types of clay deposits.

The achievements of the Company's lithium chemicals division during the reporting period were as follows.

- Patent applications were lodged for a number of proprietary lithium extraction and refining technologies.
- The LieNA® patent for the recovery of lithium from silicates, spodumene in particular, was approved.
- There was federal government recognition of the LieNA® process by virtue of its awarding of a CRC-P grant to cover a substantial proportion of funding for a $3.6 million pilot plant programme.

Batteries division

The Company's batteries division incorporates its wholly owned subsidiary VSPC, developer of some of the world's most advanced cathode powders, and its 50% owned subsidiary Soluna Australia Pty Ltd ('Soluna Au'), which markets battery-based storage for renewable energy.

VSPC has developed unique processes for the production of LIB cathode powders that the subject of international patents. Its manufacturing process is broadly applicable to most LIB battery chemistries, since the intellectual property covers ***how*** the powders are made, ***not what*** they are made of.

VSPC's processes are ideally suited to producing lithium ferro-phosphate ('LFP') cathode powders, which is significant, since LFP batteries are regaining popularity due to their many superior attributes, which are as follows.

- Superior operational life (typically twice the number of duty cycles of other LIB chemistries).
- Excellent safety credentials.
- High charge and discharge rates without thermal runaway (i.e. low fire risk).
- A wide operating temperature range (ideal for Australian ESS applications).
- Low supply chain risk and environmental impact (no requirement for nickel or cobalt).
- Lower cost, in that they contain materials that are readily available (again, no nickel or cobalt).
- The absence of unsustainable/conflict metals, cobalt in particular , which makes them a wise choice in terms of national energy security, reducing the potential for supply-chain disruptions that can arise when materials are sourced from regions that are politically unstable or where mining will adversely impact fragile environments.

Advances in LFP battery technology have resulted in it being chosen as Tesla's electric vehicle ('EV') battery of choice in China, a trend being carefully followed by many other EV manufactures. The ESS industry is also trending towards the use of LFP, due to its safety and longevity and its ability to operate in harsh environments.

VSPC's achievements during the year include the following.

- The manufacture of cathode materials, and of test battery cells, using material from EOL LIBs.
- Production of LFP cathode powders that meet the requirements of international battery producers.
- The execution of a memorandum of understanding to commercialise the production of its cathode powders.
- Receipt of a number of government grants, among them inclusion in a $5 million co-funded CRC programme to develop rapid-charge batteries for transportation applications.

The Company has established a 50% ownership interest in Soluna Au, in order to capitalise on the unparalleled opportunity created by rapid growth in the Australian ESS market (Australia is the world's largest market for residential ESS). The South Australian government, for example, has already offered subsidies for the installation of 40,000 ESS in that state, while in Western Australia plans are afoot for the government to establish 25,000 remote energy-storage facilities at the fringes of existing power grids.

At present, Soluna Au provides solutions for renewable energy storage, along with technical support and customer service (only within Australia and New Zealand at present, although plans are afoot to expand in due course). Soluna Au's range of LFP-battery ESS offer superior safety and performance in energy-storage applications, and it is already experiencing strong indications of demand for battery energy storage from both residential and industrial sources.

Soluna Au's achievements for the year include the following.

- Establishment of Soluna Au as an incorporated joint venture.
- Receipt of product approval through the Clean Energy Council of Australia.
- First sales and installations.

Raw materials division

The Company's raw materials division presides over exploration and resource evaluation for materials that may provide feed for its proprietary processes for the production of battery materials. The division also manages the Company's exposure to base metals and precious metals at an exploration level.

Currently, the Company is retaining its German Sadisdorf Project, which has reported the Mineral Resource (according to the *JORC Code (2012))* listed in Table 1 below. The Sadisdorf lithium-tin project (100% Lithium Australia owned) is located in Germany, one of the fastest growing markets for battery raw materials. It comprises an historic tin mine in Saxony, a great mining province

Classification	Domain	Tonnes (Mt)	Li (%)	Li2O (%)
Inferred	Inner greisen	17	0.22	0.47
Inferred	Outer greisen	8	0.20	0.43
Inferred	Total	25	0.21	0.45
Note: this Mineral Resource was estimated within constraining wireframe domains defined above (with a nominal 0.15% lithia cut-off). The Mineral Resource is reported from all blocks within those wireframe solids. Differences may occur due to rounding.				

Table 1. Inferred Mineral Resource estimate for Sadisdorf.

The Company also boasts a highly prospective portfolio of lithium projects in premier lithium-caesium-tantalum pegmatite regions within Australia. They include the following.

- Stanifer (100% Company owned) – located in Western Australia, next to Talison Lithium's Greenbushes hard-rock lithium mine (the world's largest).
- Bynoe (100% Company-owned) – situated in the Northern Territory, within the Bynoe Pegmatite Field, next to Core Lithium's Finniss project.
- Medcalf (100% Company-owned) – located in Western Australia, in a region in which the Company discovered a swarm of spodumene-bearing pegmatites.

Further, the Company has entered into an agreement to collaboratively explore the Coates Mafic Intrusive Complex ('Coates'), close to the recent nickel/copper/platinum-group elements discovery of Chalice Gold Mines Ltd (ASX: CHN) at its Julimar project. The geology at Coates, which is similar to that at Julimar, is known to host base- and precious-metal anomalies in soils overlying the mafic intrusion.

During the year, the Company relinquished its option to acquire Youanmi, where lepidolite, a lithium mica, was the target, given that depressed commodity prices outweighed the project's upside potential.

Achievements of the Company's raw materials division during the year included the following.

- A significant reduction in expenditure, resulting from the rationalising of non-core exploration assets.
- Formation of a strategic alliance to evaluate the base- and precious-metals potential of Coates.

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 JORC Code 2012. Dr Scogings was a full-time employee of CSA Global Pty Ltd at the time of the Resource estimation and takes overall responsibility for the Mineral Resource 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, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, 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 announcement in the form and context in which it appears. LIT confirms that it is not aware of any new information or data that materially affects the information included in this announcement, and in the case of the Sadisdorf Mineral Resource estimate the company confirms that all material assumptions and technical parameters underpinning the estimates in the 7 December 2017 and 1 June 2018 announcements 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 David Crook on behalf of Lithium Australia NL. Mr Crook 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 they have undertaken, to qualify as Competent Persons, as defined in the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition)*. Mr Crook consents to the inclusion in the report of the matters based on their information in the form and context in which it appears. LIT is not aware of any new information or data that materially affects that contained herein.

Significant changes in state of affairs

LIT increased its stake in Envirostream Australia Pty Ltd from 11.76% to 90% during the period. Other than the increase in shareholding, there were no other significant changes in state of affairs.

Future developments

LIT is the only company through its holding in Envirostream Australia Pty Ltd which operates the only commercial facility in Australia capable of shredding all types of spent batteries to efficiently recover a range of recyclable materials – in particular mixed-metal dust, which comprises the critical 'active' materials in spent lithium-ion batteries.

LIT will continue to advance the capabilities and operations in recycling.

Other than as referred to in this report, further information as to the likely developments in the operations of the Consolidated Group and 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 16 July 2020, the Company issued 3,456,222 ordinary shares pursuant to the Lind Global Macro Fund, LP Share Purchase and Convertible Security Agreement, conversion notice.

(b) On 08 August 2020, the Company issued 3,529,412 ordinary shares pursuant to the Lind Global Macro Fund, LP Share Purchase and Convertible Security Agreement, tranche notice.

(c) On 19 August 2020, the Company issued 75,471,706 ordinary shares in consideration for the placement of funds and 584,906 to suppliers as settlement for services rendered.

(d) On 03 September 2020, the Company issued 2,629,739 ordinary shares to suppliers as settlement for services rendered, 2,558,698 ordinary shares to employees and 2,757,476 to key management personnel under the Lithium Australia Fee and Remuneration Sacrifice Share Plan.

(e) On 10 September 2020, the Company issued 85,233,136 ordinary shares in respect to the Share Purchase Plan, 4,444,445 ordinary shares pursuant to the Lind Global Macro Fund, LP Share Purchase and Convertible Security Agreement, tranche notice and 52,750 ordinary shares upon the redemption of partly paid shares.

(f) On 17 September 2020, the Company issued 6,109,980 ordinary shares to the Lind Global Macro Fund, LP pursuant to the Share Purchase and Convertible Security Agreement, following receipt of a buy back conversion notice. The investor gave notice under clause 6.5 of the Agreement of its election to convert the convertible security leaving a net cash balance due of $1.9 million which was repaid on 23 September 2020. This has reduced the convertible note to zero.

Directors' meetings

The number of meetings attended by each of the Directors of the Consolidated Group during the financial year was:

	Board Meetings	
	Number held and entitled to attend	**Number attended**
Adrian Griffin	10	10
George Bauk	10	10
Bryan Dixon	10	10

Environmental issues

The Consolidated Group's exploration activities are subject to the various state and federal statutes relating to mining and environmental protection. The Board believes that the Consolidated Group has adequate systems in place for the management of its environmental obligations. The Consolidated Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Consolidated Group are not aware of any breach of environmental legislation for the financial year under review but note its responsibilities in regard to the Ravensthorpe Project continue. The Company has responded to State and Commonwealth investigations which are now complete. The Company has rehabilitated two areas in the Ravensthorpe Project. Rehabilitation monitoring will continue.

Share options

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

Grant Date	Date of Expiry	Exercise Price	Number under Option	Fair Value
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
04 July 2019	04 July 2021	$0.12	22,921,238	$-
04 July 2019	04 July 2021	$0.12	9,000,000	$0.008
17 July 2019	17 July 2021	$0.12	416,333	$-
24 December 2019	24 December 2022	$0.055	33,333,333	$0.033
			89,323,355	

Other than the above, no new options have been issued subsequent to 30 June 2020.

Performance rights

Unlisted performance rights on issue as at 30 June 2020 is as follows:

	Issue Date	Cancellation Date	Exercised Date	Number Exercised	Number Remaining	Fair Value
Class A	28 November 2016		12/07/2019	375,000	-	$-
Class A(2)	30 April 2018		07/07/2019	200,000	-	$-
Class B(2)	30 April 2018		07/07/2019	200,000	-	$-
Class C(2)	30 April 2018				900,000	$121,500
Class D(2)	30 April 2018				2,250,000	$44,905
Class E(2)	30 April 2018				2,250,000	$8,603
Class A(2)	31 December 2018		07/07/2019	400,000	-	$-
Class B(2)	31 December 2018		07/07/2019	400,000	-	$-
Class C(2)	31 December 2018				600,000	$56,400
Class D(2)	31 December 2018				1,500,000	$17,625
Class E(2)	31 December 2018				1,500,000	$3,345
Performance Rights Outstanding as at 30 June 2020				**1,575,000**	**9,000,000**	**$252,378**

No new performance rights have been issued subsequent to 30 June 2020.

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 NL in accordance with the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel are defined as those having authority and responsibility for planning, directing and controlling the major activities of the Consolidated 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's aim is 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 program is to align the objectives of Directors/executives with that of the business and shareholders. In addition, all Directors and executives are encouraged to hold shares in the Company.

Remuneration report (audited) (continued)

Details of Remuneration for Period ended 30 June 2020

The remuneration for each director and of the executive officer of the Consolidated Group during the period was as follows:

Directors and Executive Officer's Emoluments

	Short term benefits			Post employment	Share based payments		Total	Performance rights as % of total remuneration
	Salary & fees	Bonus/leave paid out	Non-monetary	Super-annuation	Performance rights	Equity	$	%
Adrian Griffin – Managing Director								
2020	491,645	28,875	2,971	35,013	(176,870)[a]	-	381,634	(46%)
2019	351,599	59,589	3,130	39,063	181,479	-	634,860	29%
George Bauk – Non Executive Chairman								
2020	90,000	-	-	-	(87,454)[a]	-	2,546	(3435%)
2019	90,000	-	-	-	66,536	-	156,536	43%
Bryan Dixon – Non Executive Director								
2020	60,000	-	-	-	(87,454)[a]	-	(27,454)	319%
2019	60,000	-	-	-	66,536	-	126,536	53%
Barry Woodhouse – Company Secretary								
2020	296,966	-	557	25,000	(36,380)[a]	-	286,143	(13%)
2019	275,000	-	587	25,000	45,188	-	345,775	13%
Total								
2020	**938,611**	**28,875**	**3,528**	**60,013**	**(388,158)**[a]	**-**	**642,869**	**(60%)**
2019	**776,599**	**59,589**	**3,717**	**64,063**	**359,739**	**-**	**1,263,707**	**28%**

[a]During the period Mr Griffin, Mr Bauk, Mr Dixon and Mr Woodhouse voluntarily relinquished a combined total of 8,975,000 performance rights. The relinquishment resulted in a reversal of previously recognised share-based payments and a negative expense in the share-based payments account.

Employment Contracts of Directors and Senior Executives

The Managing Director, Mr Adrian Griffin, is employed under contract. The current contract commenced on 1 January 2020. The contract provides Mr Griffin with a salary of $385,000 per annum exclusive of superannuation. Mr Griffin is also entitled to receive a cash bonus up to 50% of his base salary if the following KPI's are met:

Share price	>10c over a period of 30 trading consecutive days	20%
Liquidity	80m shares traded over a period of 30 consecutive trading days	5%
Battery collection	>250t of LIB battery collected (measure equivalent to the past performance of 149t)	15%
Group product sales	$2.0m	15%
Technology	Agreement with a third party to commercialise Sileach or Liena	15%
Raw Materials	Reduce annual commitments on raw materials to <$1m for calendar year 2021	15%
VSPC	LIT contribution to VSPC capped at $130k/month	15%
		100%

Remuneration report (audited) (continued)

The Company may terminate the employment contract at any time and without prior notice if serious misconduct has occurred. In this event remuneration is only payable up until the date of the termination. The Company may terminate the employment contract for any reason by giving no less than 12 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.

On 2 September 2020, the remuneration and nomination sub-committee of Lithium Australia NL met and it was approved that Mr Griffin would be entitled to Long Service Leave effective February 2011. The June 2020 accounts were updated to account for the provision. Refer to note 33.

There are formal contracts entered into with all Non-Executive Directors. Non-executive Directors are paid under the terms agreed under contract at rates detailed below:

Director's fees of $60,000 were paid, or were due and payable to Warrior Strategic Pty Ltd. Mr Dixon is a director and shareholder of Warrior Strategic Pty Ltd. In addition, Warrior Strategic Pty Ltd was paid $121,028 for consulting services provided to the Group. Refer to note 25.

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

Directors' interests in shares, partly paid shares, performance rights and options

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

	Balance 30/06/2019	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2020
A Griffin	11,282,980[1]	-	-	4,061,207	15,344,187
G Bauk	1,270,250[1]	-	-	288,392	1,558,642
B Dixon	2,675,993[1]	-	-	1,057,542	3,733,535
B Woodhouse	798,558	-	-	113,412	911,970
	16,027,781	**-**	**-**	**5,520,553**	**21,548,334**

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

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

	Balance 30/06/2019	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2020
A Griffin	5,935,869			4,386,951	10,322,820
G Bauk	460,125[2]	-	-	1,014,320	1,474,445
B Dixon	2,039,490[2]	-	-	1,720,446	3,759,936
B Woodhouse	333,334	-	-	1,076,475	1,409,809
	8,768,818	**-**	**-**	**8,198,192**	**16,967,010**

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

The number of performance rights held by each KMP of the entity during the financial year is as follows:

	Balance 30/06/2019	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2020
A Griffin	11,550,000	-	(500,000)	(8,050,000)	3,000,000
G Bauk	5,475,000	-	-	(4,275,000)	1,200,000
B Dixon	6,125,000	-	(400,000)	(4,525,000)	1,200,000
B Woodhouse	3,445,000	-	-	(2,245,000)	1,200,000
	26,595,000	**-**	**(900,000)**	**(19,095,000)**	**6.600,000**

Remuneration report (audited) (continued)

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

	Balance 30/06/2019	Granted as Compensation	Options Exercised/ Expired	Balance 30/06/2020	Total Vested 30/06/20	Total Exercisable 30/06/2020	Total Unexercisable 30/06/2020
A Griffin	5,175,000	-	(5,175,000)	-	-	-	-
G Bauk	2,750,000	-	(2,750,000)	-	-	-	-
B Dixon	4,000,000	-	(4,000,000)	-	-	-	-
B Woodhouse	4,666,666	-	(4,666,666)	-	-	-	-
	16,591,666	**-**	**(16,591,666)**	**-**	**-**	**-**	**-**

Options Issued as Part of Remuneration

During the year ended 30 June 2020, 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	01/07/2019
Unlisted Series 2 Table B	6,275,000	15/07/2016	$0.031	01/07/2019	$0.20	01/07/2019
Unlisted Series 3 Table C	7,600,000	15/07/2016	$0.025	01/07/2019	$0.30	01/07/2019
	16,591,666	**Options expired unvested on 1 July 2019**				

Directors and Executive Officer's Unlisted Options

Unlisted options	Number granted	Grant date	Grant date fair value	Expiry date	Vesting date	Exercise price	Number vested & exercised	Number expired	Balance	% of grant vested	% of grant forfeited
Type	**Adrian Griffin**										
Table B Series 1	2,175,000	15/07/2016	$ 0.031	1/07/2019	1/07/2019	$ 0.20	-	2,175,000	-	0%	100%
Table C Series 1	3,000,000	15/07/2016	$ 0.025	1/07/2019	1/07/2019	$ 0.30	-	3,000,000	-	0%	100%
Total	5,175,000						-	5,175,000	-	-	
	George Bauk										
Table B Series 1	1,250,000	15/07/2016	$ 0.031	1/07/2019	1/07/2019	$ 0.20	-	1,250,000	-	0%	100%
Table C Series 1	1,500,000	15/07/2016	$ 0.025	1/07/2019	1/07/2019	$ 0.30	-	1,500,000	-	0%	100%
Total	2,750,000						-	2,750,000	-	-	
Type	**Bryan Dixon**										
Table A Series 1	1,250,000	15/07/2016	$ 0.036	1/07/2019	1/07/2019	$ 0.15	-	1,250,000	-	0%	100%
Table B Series 1	1,250,000	15/07/2016	$ 0.031	1/07/2019	1/07/2019	$ 0.20	-	1,250,000	-	0%	100%
Table C Series 1	1,500,000	15/07/2016	$ 0.025	1/07/2019	1/07/2019	$ 0.30	-	1,500,000	-	0%	100%
Total	4,000,000						-	4,000,000	-	-	
	Barry Woodhouse										
Table A Series 1	1,466,666	15/07/2016	$ 0.036	1/07/2019	1/07/2019	$ 0.15	-	1,466,666	-	0%	100%
Table B Series 1	1,600,000	15/07/2016	$ 0.031	1/07/2019	1/07/2019	$ 0.20	-	1,600,000	-	0%	100%
Table C Series 1	1,600,000	15/07/2016	$ 0.025	1/07/2019	1/07/2019	$ 0.30	-	1,600,000	-	0%	100%
Total	4,666,666						-	4,666,666	-	-	

No new options had been issued or exercised during the year ended 30 June 2020.

Remuneration report (audited) (continued)

Performance Rights Issued as Part of Remuneration

During the year ended 30 June 2020, the following share-based payment arrangements were in existence with KMP:

Performance Rights	Number Granted Remaining	Grant Date	Grant Date Fair Value	Expiry Date	Relinquished Date	Vesting Date	Fair Value
Tranche 1a	-	15/07/2015	$0.075	01/07/2019		01/07/2019	$-
Tranche 1b	-	15/07/2015	$0.088	01/07/2019		01/07/2019	$-
Tranche 1c	-	15/07/2015	$0.105	01/07/2019		30/11/2019	$-
Class A	-	28/11/2016	$0.17			21/11/2018	$-
Class B	-	28/11/2016	$0.17			31/03/2020	$-
Class C	-	28/11/2016	$0.17		18/02/2020	15/12/2020	$-
Class D	-	28/11/2016	$0.17		18/02/2020	30/06/2021	$-
Class A	-	01/12/2016	$0.165			21/11/2018	$-
Class B	-	01/12/2016	$0.165			31/03/2020	$-
Class C	-	01/12/2016	$0.165		18/02/2020	15/12/2020	$-
Class D	-	01/12/2016	$0.165		18/02/2020	30/06/2021	$-
Class A(2)	-	30/04/18	$0.135			05/09/2018	$-
Class B(2)	-	30/04/18	$0.135			20/05/2019	$-
Class C(2)	900,000	30/04/18	$0.135			30/09/2019	$121,500
Class D(2)	2,250,000	30/04/18	$0.135			31/03/2020	$44,905
Class E(2	2,250,000	30/04/18	$0.135			28/02/2022	$8,603
Class A(2)	-	31/12/2018	$0.094			05/09/2018	$-
Class B(2)	-	31/12/2018	$0.094			20/05/2019	$-
Class C(2)	200,000	31/12/2018	$0.094			30/09/2019	$56,400
Class D(2)	500,000	31/12/2018	$0.094			31/03/2020	$17,625
Class E(2)	500,000	31/12/2018	$0.094			28/02/2022	$3,345
	6,600,000						**$252,378**

Performance Hurdles/Restrictions

	Number of Rights	Hurdle
Tranche 1a	-	A targeted controlled JORC resource containing 1,000,000t LCE.
Tranche 1b	-	A targeted controlled JORC resource containing 5,000,000t LCE.
Tranche 1c	-	A targeted controlled JORC resource containing 10,000,000t LCE.
Tranche 1d	-	12 months service.
Class A	-	Successful PFS on Sileach® technology.
Class B	-	Procurement of feed to support 17,000tpa Li Carbonate from Sileach® plant.
Class C	-	Commitment decision to large-scale pilot facility.
Class D	-	Financial investment decision for full scale commercial plant.
Class A(2)	-	Successful pilot plant recommissioning of VSPC Ltd.
Class B(2	-	Product quality specification produced by the plant are equal to or greater than industry accepted reference standards.
Class C(2	1,500,000	Delivery of a pre-feasibility study supporting decision to proceed to a definitive feasibility study for the construction of a commercial scale plant to produce cathode material (Commercial Plant).
Class D(2)	3,750,000	Delivery of a definitive feasibility study for the construction of a commercial plant to produce cathode material which supports and investment decision to proceed to construction.
Class E(2)	3,750,000	Commencement of construction of commercial plant.
	9,000,000[1]	

[1] 9,000,000 rights include 6,600,000 to KMP and 2,400,000 rights to other employees.

Remuneration report (audited) (continued)

Directors and Executive Officer's Performance Rights

Performance Rights	Number granted	Grant date	Grant date fair value	Expiry date	Vesting date	Exercise date	Number vested & exercised	Number expired	Number relinquished	Balance	% of grant vested	% of grant forfeited
Type	**Adrian Griffin**											
Table A Tranche 1a	1,350,000	15/07/2015	$ 0.075	1/07/2019	1/07/2019		-	1,350,000	-	-	0%	100%
Table B Tranche 1b	1,350,000	15/07/2015	$ 0.088	1/07/2019	1/07/2019		-	1,350,000	-	-	0%	100%
Table C Tranche 1c	1,350,000	15/07/2015	$ 0.105	1/07/2019	1/07/2019		-	1,350,000	-	-	0%	100%
Table D Class A	500,000	28/11/2016	$ 0.170	1/07/2019	21/11/2018	13/06/2019	500,000	-	-	-	100%	0%
Table E Class B	1,000,000	28/11/2016	$ 0.170	1/07/2019	31/03/2020		-	-	1,000,000	-	0%	100%
Table F Class C	1,500,000	28/11/2016	$ 0.170	1/07/2019	15/12/2020		-	-	1,500,000	-	0%	100%
Table G Class D	2,000,000	28/11/2016	$ 0.170	1/07/2019	30/06/2021		-	-	2,000,000	-	0%	100%
Table H Class A(2)	500,000	30/04/2018	$ 0.135	30/04/2023	5/09/2018	13/06/2019	500,000	-	-	-	100%	0%
Table I Class B(2)	500,000	30/04/2018	$ 0.135	30/04/2023	5/09/2018	13/06/2019	500,000	-	-	-	100%	0%
Table J Class C(2)	500,000	30/04/2018	$ 0.135	30/04/2023	30/09/2019		-	-	-	500,000	0%	0%
Table K Class D(2)	1,250,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023		-	-	-	1,250,000	0%	0%
Table H Class(A2)	1,250,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023		-	-	-	1,250,000	0%	0%
Total	13,050,000						1,500,000	4,050,000	4,500,000	3,000,000	-	
	George Bauk											
Table A Tranche 1a	675,000	15/07/2015	$ 0.075	1/07/2019	1/07/2019		-	675,000	-	-	0%	100%
Table B Tranche 1b	675,000	15/07/2015	$ 0.088	1/07/2019	1/07/2019		-	675,000	-	-	0%	100%
Table B Tranche 1c	675,000	15/07/2015	$ 0.105	1/07/2019	1/07/2019		-	675,000	-	-	0%	100%
Table D Class A	250,000	28/11/2016	$ 0.170	1/07/2019	21/11/2018	13/06/2019	250,000	-	-	-	100%	0%
Table E Class B	500,000	28/11/2016	$ 0.170	1/07/2019	31/03/2020		-	-	500,000	-	0%	100%
Table F Class C	750,000	28/11/2016	$ 0.170	1/07/2019	15/12/2020		-	-	750,000	-	0%	100%
Table G Class D	1,000,000	28/11/2016	$ 0.170	1/07/2019	30/06/2021		-	-	1,000,000	-	0%	100%
Table H Class A(2)	200,000	30/04/2018	$ 0.135	30/04/2023	5/09/2018	13/06/2019	200,000	-	-	-	100%	0%
Table I Class B(2)	200,000	30/04/2018	$ 0.135	30/04/2023	5/09/2018	13/06/2019	200,000	-	-	-	100%	0%
Table J Class C(2)	200,000	30/04/2018	$ 0.135	30/04/2023	30/09/2019		-	-	-	200,000	0%	0%
Table K Class D(2)	500,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023		-	-	-	500,000	0%	0%
Table H Class(A2)	500,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023		-	-	-	500,000	0%	0%
Total	6,125,000						650,000	2,025,000	2,250,000	1,200,000	-	

Remuneration report (audited) (continued)

Directors and Executive Officer's Performance Rights

Performance Rights	Number granted	Grant date	Grant date fair value	Expiry date	Vesting date	Exercise date	Number vested & exercised	Number expired	Number relinquished	Balance	% of grant vested	% of grant forfeited
Type **Bryan Dixon**												
Table A Tranche 1a	675,000	15/07/2015	$ 0.075	1/07/2019	1/07/2019		-	675,000	-	-	0%	100%
Table B Tranche 1b	675,000	15/07/2015	$ 0.088	1/07/2019	1/07/2019		-	675,000	-	-	0%	100%
Table C Tranche 1c	675,000	15/07/2015	$ 0.105	1/07/2019	1/07/2019		-	675,000	-	-	0%	100%
Table D Class A	250,000	28/11/2016	$ 0.170	1/07/2019	21/11/2018	16/07/2019	250,000	-	-	-	100%	0%
Table E Class B	500,000	28/11/2016	$ 0.170	1/07/2019	31/03/2020		-	-	500,000	-	0%	100%
Table F Class C	750,000	28/11/2016	$ 0.170	1/07/2019	15/12/2020		-	-	750,000	-	0%	100%
Table G Class D	1,000,000	28/11/2016	$ 0.170	1/07/2019	30/06/2021		-	-	1,000,000	-	0%	100%
Table H Class A(2)	200,000	30/04/2018	$ 0.135	30/04/2023	5/09/2018	16/07/2019	200,000	-	-	-	100%	0%
Table I Class B(2)	200,000	30/04/2018	$ 0.135	30/04/2023	5/09/2018	16/07/2019	200,000	-	-	-	100%	0%
Table J Class C(2)	200,000	30/04/2018	$ 0.135	30/04/2023	30/09/2019		-	-	-	200,000	0%	0%
Table K Class D(2)	500,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023		-	-	-	500,000	0%	0%
Table H Class(A2)	500,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023		-	-	-	500,000	0%	0%
Total	6,125,000						650,000	2,025,000	2,250,000	1,200,000	-	
Barry Woodhouse												
Table A Tranche 1a	320,000	15/07/2015	$ 0.075	1/07/2019	1/07/2019		-	320,000	-	-	0%	100%
Table B Tranche 1b	400,000	15/07/2015	$ 0.088	1/07/2019	1/07/2019		-	400,000	-	-	0%	100%
Table B Tranche 1c	400,000	15/07/2015	$ 0.105	1/07/2019	1/07/2019		-	400,000	-	-	0%	100%
Table D Class A	125,000	1/12/2016	$ 0.165	1/07/2019	21/11/2018	13/06/2019	125,000	-	-	-	100%	0%
Table E Class B	250,000	1/12/2016	$ 0.165	1/07/2019	31/03/2020		-	-	250,000	-	0%	100%
Table F Class C	375,000	1/12/2016	$ 0.165	1/07/2019	15/12/2020		-	-	375,000	-	0%	100%
Table G Class D	500,000	1/12/2016	$ 0.165	1/07/2019	30/06/2021		-	-	500,000	-	0%	100%
Table H Class A(2)	200,000	31/12/2018	$ 0.094	30/04/2023	5/09/2018	13/06/2019	200,000	-	-	-	100%	0%
Table I Class B(2)	200,000	31/12/2018	$ 0.094	30/04/2023	5/09/2018	13/06/2019	200,000	-	-	-	100%	0%
Table J Class C(2)	200,000	31/12/2018	$ 0.094	30/04/2023	30/09/2019		-	-	-	200,000	0%	0%
Table K Class D(2)	500,000	31/12/2018	$ 0.094	30/04/2023	30/04/2023		-	-	-	500,000	0%	0%
Table H Class(A2)	500,000	31/12/2018	$ 0.094	30/04/2023	30/04/2023		-	-	-	500,000	0%	0%
Total	3,970,000						525,000	1,120,000	1,125,000	1,200,000	-	

End of Remuneration Report

Indemnification and insurance of directors and officers

The Company paid a premium of $18,822 to insure Directors and Officers of the Company. The Directors and Officers have indemnities in place with the Company whereby the Company has agreed to indemnify the Directors and Officers in respect of certain liabilities incurred by the Director or Officer while acting as a Director of the Company and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Company.

Corporate governance

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

The Board recognises the recent recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Lithium Australia is in compliance with those guidelines. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Consolidated Group. The Consolidated Group's corporate governance statement and disclosures can be found on our website at www.lithium-au.com/corporate-governance/.

Non-audit services

No non-audit services were provided to the Consolidated Group in the year ended June 2020.

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 20 and forms part of this Directors' Report for the period ended 30 June 2020.

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

Adrian Griffin
Managing Director

Dated at Perth this 30th day of September 2020

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 2020, 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 30th day of September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 30 June 2020

		30 June 2020	30 June 2019
Continuing operations	**Note**	**$**	**$**
Sales	2	374,381	-
Cost of sales		(344,893)	-
Gross profit		29,488	-
Other income	3	3,215,949	2,205,541
Fair value adjustment embedded derivative	15	1,154,646	-
Occupancy costs		(298,556)	(282,137)
Professional fees		(796,315)	(960,981)
Corporate fees		(304,256)	(643,085)
Laboratory/plant expense		(815,125)	(236,427)
Employee benefits expense	5(a)	(4,078,112)	(4,116,041)
Administration costs		(658,499)	(582,365)
Depreciation and amortisation	5(b)	(1,996,438)	(1,980,773)
Exploration and evaluation costs written off	5(b)	(945,260)	(2,087,915)
Impairment of exploration asset	11	(908,566)	-
Finance costs		(5,050)	(2,793,993)
Finance costs unwound	15	(1,470,481)	-
Impairment of patents	12	(85,535)	(12,066)
Impairment of loan		(385,299)	-
Other expenditure	5(c)	(268,100)	-
Disposal of fixed assets	13	-	(76,538)
Loss before income tax		(8,615,509)	(11,566,780)
Income tax expense	6	(46,864)	-
Loss from continuing operations		(8,662,373)	(11,566,780)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operation		2,329	87,225
Items that may not be reclassified subsequently to profit or loss:			
Net fair value gain/(loss) on financial assets		(892,726)	(484,381)
Total comprehensive income for the year		**(9,552,770)**	**(11,963,936)**
Loss for the year attributable to:			
Members of the controlling entity		(8,533,249)	(11,566,780)
Non controlling interest		(129,124)	-
		(8,662,373)	(11,566,780)
Total comprehensive income attributable to:			
Members of the controlling entity		(9,423,646)	(11,963,936)
Non controlling interest		(129,124)	-
		(9,552,770)	(11,963,936)
Basic loss per share (cents per share)	20	1.53	2.51

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	30 June 2020 $	30 June 2019 $
Current assets			
Cash and cash equivalents	7	3,739,382	2,705,722
Trade and other receivables	8	1,070,793	1,229,159
Inventory	9	281,674	-
Financial assets	10	506,607	132,079
Total current assets		5,598,456	4,066,960
Non current assets			
Financial assets	10	464,909	1,165,901
Capitalised Exploration Expenditure	11	5,519,371	6,322,191
Intangible assets	12	15,510,125	16,821,573
Property, plant and equipment	13	831,142	632,093
Total Non current assets		22,325,547	24,941,758
TOTAL ASSETS		27,924,003	29,008,718
Current liabilities			
Trade and other payables	14	1,768,991	1,431,777
Provisions	33	530,140	163,487
Convertible note	15	731,321	-
Total current liabilities		3,030,452	1,595,264
Non current liabilities			
Convertible note	15	310,257	-
Total non current liabilities		310,257	
TOTAL LIABILITIES		3,340,709	1,595,264
NET ASSETS		**24,583,294**	**27,413,454**
Equity			
Issued capital	16	62,225,017	56,050,985
Reserves	18	2,710,721	3,523,273
Accumulated losses		(40,236,731)	(32,160,804)
Controlling entity interest		24,699,007	27,413,454
Non-controlling interest		(115,713)	-
TOTAL EQUITY		**24,583,294**	**27,413,454**

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 2020

	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 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	-	-	-	-	-	-	-
Issue of 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**

	Issued Capital $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Other Reserves[a] $	Accumulated Losses $	Non-Controlling Interest $	Total $
Balance at 1 July 2019	**56,050,985**	**3,409,412**	**60,979**	**52,882**	**(32,160,804)**	**-**	**27,413,454**
Loss for the year	**-**	**-**	**-**	**-**	**(8,533,249)**	**(129,124)**	**(8,662,373)**
Other comprehensive income							
Net fair value gain/(loss) on financial assets	-	-	-	(892,726)	-	-	(892,726)
Effects of exchange rates on foreign currency translation	-	-	2,329	-	-	-	2,329
Total comprehensive loss for the year	-	-	2,329	(892,726)	(8,533,249)	(129,124)	(9,552,770)
Transaction with owner, directly recording in equity:							
Issue of shares	6,360,963	-	-	-	-	-	6,360,963
Capital raising costs	(379,256)	72,000	-	-	-	-	(307,256)
Expiry of options	-	(634,382)	-	-	634,382	-	-
Exercise of performance rights	192,325	(192,325)	-	-	-	-	-
Performance rights relinquished	-	(459,826)	-	-	-	-	(459,826)
Acquisition of shares in controlled entity	-	-	-	3,061	-	13,411	16,472
Convertible notes issued	-	-	-	1,112,257	-	-	1,112,257
Transfer from investment revaluation reserve	-	-	-	177,060	(177,060)		-
Balance at 30 June 2020	62,225,017	2,194,879	63,308	452,534	(40,236,731)	(115,713)	24,583,294

[a] Other reserves consist of investment revaluation reserve, equity reserve and convertible note reserve

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2020

	Note	30 June 2020 $	30 June 2019 $
Cash flows from operating activities			
Receipts from customers		298,852	-
Payments to suppliers and employees		(7,292,552)	(5,536,171)
Payments for exploration and evaluation		(944,736)	(2,454,420)
Proceeds from Government grants and tax incentives		3,271,015	1,850,495
Proceeds from JobKeeper, apprentice subsidy and cashflow boost		348,500	-
Interest expense		(3,317)	-
Income tax		(46,864)	-
Interest received		17,712	179,893
Net cash used in operating activities	21	(4,351,390)	(5,960,203)
Cash flows from investing activities			
Cash acquired from acquisition		137,655	-
Purchase of property, plant and equipment		(182,487)	(392,869)
Payment for intangible assets		(701,002)	(2,975,058)
Proceeds from sale of financial assets		134,290	655,902
Acquisition of exploration and evaluation		(30,746)	(1,020,338)
Payments for other financial assets		-	(442,413)
Cash flows from loans to other entities		(755,755)	-
Net cash (used in)/from investing activities		(1,815,045)	(4,174,776)
Cash flows from financing activities			
Proceeds from issue of shares		4,711,246	-
Payment for capital raising costs		(302,256)	-
Proceeds from borrowings		2,900,000	10,107
Payment of borrowings		(8,360)	-
Payment for convertible note financing cost		(112,000)	(608,549)
Payment of convertible note		-	(5,000,000)
Net cash generated by/(used in) financing activities		7,188,630	(5,598,442)
Net increase/(decrease) in cash held		1,022,195	(15,733,421)
Cash and cash equivalents at the beginning of the period		2,705,722	18,339,857
Effects of exchange rates on consolidation of foreign subsidiary		11,465	99,286
Cash and cash equivalents at the end of the period	**7**	3,739,382	2,705,722

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 2020

These consolidated financial statements and notes represent those of Lithium Australia NL and its controlled entity (the "Consolidated Group"). Australia NL 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 ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 30 September 2020.

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 ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial report has been prepared on an accruals basis and 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 the settlement of liabilities in the ordinary course of business.

The Group incurred a loss of $8,662,373 (2019: $11,566,780), net cash outflows from operating and investment activities of $6,166,435 (2019: $10,134,979) during the year ended 30 June 2020. As at balance date the Group had a working capital surplus of $2,568,004 (30 June 2019: $2,471,696).

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

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

- During the year the Group raised $0.9m as part of the Lind facility as disclosed in note 15(b) and as at the date of this report has $2.5m remaining to draw down under the facility;
- On the 19th of August 2020 the Group has raised $4.0m pursuant to the Company's institutional placement as disclosed in note 24;
- On the 9th of September 2020 the Group has raised $4.5m pursuant to the Company's Share Purchase Plan as disclosed in note 24;
- The Group has the ability to defer discretionary costs as and when required; and
- 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.

1. Statement of significant accounting policies (continued)

(i) New Accounting Standards Adopted since the Previous Reporting Period

Application of new and revised Accounting Standards
New, revised or amending Accounting Standards and Interpretations adopted
The Consolidated entity 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 entity during the financial period.

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

Based on the assessment by the Group, it was determined there was no impact on the Group. As such, the Group has not recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee. There has been no significant change from prior year treatment for leases where the Group is a lessor, as the Group's current leases are short term in nature.

Lease liabilities are measured at the present value of the remaining lease payments, where applicable. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets, where applicable for the remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

– for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
– leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same was as short-term leases.
– the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
– applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
– not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

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

(b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Lithium Australia NL and its subsidiaries ("the Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.
Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(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 sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated mineral acquisition costs in respect of that area are written off in the financial period the decision is made.

1. Statement of significant accounting policies (continued)

(c) Exploration, Evaluation and Development Expenditure (continued)

Each area of interest is also reviewed at the end of each accounting period and capitalised costs written off to the extent it is deemed that they will not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(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 are classified '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 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 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.

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

Financial assets are classified 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 to enable performance evaluation where a group of financial assets is managed by key management personnel 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 Group's financial liabilities include trade and other payables, loan and borrowings, provisions for cash bonus and other liabilities which include deferred cash consideration and deferred equity consideration for acquisition of subsidiaries & associates.

All financial liabilities are recognised initially 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.

1. Statement of significant accounting policies (continued)

(d) Financial Instruments (continued)

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

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

(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 three months or less, and bank overdrafts.

(f) Trade and Other Receivables

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

(g) Inventory

The Group values inventories at the lower of cost or net realisable value as determined primarily by the current relevant commodity price, using the weighted average cost method.

(h) Revenue

The Group's revenue streams include the collection of recycling material, collection infrastructure and sale of materials generated from processed recycled materials. 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).

(i) 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.

1. Statement of significant accounting policies (continued)

(j) 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 3.2 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; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

(k) 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 assets 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.

(l) Goods and Services Tax (GST)

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

1. Statement of significant accounting policies (continued)

(l) Goods and Services Tax (GST) (continued)

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 which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

1. Statement of significant accounting policies (continued)

(q) Earnings Per Share (continued)

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.

(r) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated 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 Judgment – Environmental Issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors' understanding thereof. At the current stage of the Consolidated Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

(s) 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.

1. Statement of significant accounting policies (continued)

(s) Fair Value of Assets and Liabilities (continued)

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:

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

When a change in the categorisation occurs, the 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. Sales

	2020	2019
	$	$
Battery collection and collection infrastructure	215,381	-
Processed battery recycled material – finished goods	159,000	-
	374,381	**-**

3. Other Income

	2020	2019
	$	$
Interest revenue from financial institutions	17,214	176,857
Miscellaneous income	11,435	2,185
R&D Rebate	2,470,021	1,850,495
Administration fee	83,482	176,004
PAYG cashflow boost	150,000	-
Jobkeeper	276,000	-
Apprentice subsidies	12,500	-
Government grants	176,800	
Insurance settlement	18,497	-
	3,215,949	**2,205,541**

4. Remuneration of auditors

	2020	2019
	$	$
Remuneration of the auditor for:		
Auditing or reviewing the financial report	49,083	41,872
	49,083	**41,872**

5. Loss from ordinary activities

		2020	2019
		$	$
(a)	**Employee benefits expense**		
	Share based payments	(459,826)	284,896
	Defined contribution fund payments	297,500	256,680
	Other employee benefits expense	4,240,438	3,574,465
	Total employee benefits expense from ordinary activities	**4,078,112**	**4,116,041**
(b)	**Depreciation, amortisation, exploration and evaluation expense**		
	Depreciation and amortisation	1,996,438	1,980,773
	Exploration and evaluation costs written off	945,260	2,087,915
	Total depreciation, amortisation, exploration and evaluation expense from ordinary activities	**2,941,698**	**4,068,688**
(c)	**Other expenses**		
	Brokerage fees	258,437	-
	Miscellaneous expenditure	9,663	-
		268,100	**-**

6. Income tax expense

		CONSOLIDATED 2020 $	2019 $
(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	(8,615,509)	(11,566,780)
	Prima facie tax benefit on profit from ordinary activities before income tax at 27.5% (2019: 27.5%)	(2,369,265)	(3,180,865)
	Tax effect of permanent differences:		
	Share-based expense	(126,452)	78,346
	Donations	275	550
	Entertainment	4,359	5,857
	R&D incentive expenditure	468,232	1,224,300
	R&D rebate received	(679,256)	(508,886)
	Foreign entity losses	78,635	189,823
	ATO Cash Flow Boost received	(41,250)	-
	Tax losses not recognised	2,664,722	2,190,875
		-	-
(c)	**Deferred tax assets and (liabilities) are attributable to the following:**		
	Legal fees	48,695	96,573
	Accrued expenses	8,693	7,838
	Accrued Revenue	(24,750)	-
	Payroll liabilities	132,963	34,372
	Provisions	130,720	45,637
	Plant & equipment	(124,690)	(71,572)
	Unrealised gains	(6,089)	14,543
	Intangible assets	(2,390,976)	(2,692,300)
	Tax losses	2,225,434	2,564,909
		-	-
(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 is appropriate to regard realisation of future tax benefits as probable:		
	Tax losses	10,698,346	8,918,850
	Capital losses	44,479	-
		10,742,825	8,918,850

7. Cash and cash equivalents

	2020 $	2019 $
Cash at bank (AA rated institutions)	3,739,382	2,705,772
	3,379,382	2,705,722

8. Trade and other receivables

	2020 $	2019 $
Other Debtors	203,895	25,609
Prepayments[a]	755,058	1,059,650
GST receivable	111,840	143,900
	1,070,793	1,229,159

(a) The Company issued 12,500,000 ordinary shares in 2019 as prepayment for the acquisition of $1,000,000 of inventory. At 30 June 2020, the value of inventory outstanding as a prepayment equalled $685,036

9. Inventory

	2020	2019
	$	$
Finished goods	71,811	-
Work in progress	197,216	-
Unprocessed	2,235	-
Infrastructure	10,412	-
	281,674	-

10. Financial assets

	2020	2019
	$	$
Current		
Fixed term deposits	128,729	132,079
Loans to other entities	377,878	-
	506,607	132,079
Non-current		
Australian listed shares – Level 1 fair value	411,624	729,401
Australian unlisted shares – Level 2 fair value	-	400,000
Canadian listed shares – Level 1 fair value	53,285	36,500
	464,909	1,165,901

11. Capitalised exploration expenditure

	2020	2019
	$	$
Opening balance	6,322,191	2,915,044
Additions:		
Interest in Youanmi lithium project		210,390
Acquisition of P63/2063 exploration licence	105,746	-
Acquisition of E27/562 exploration licence		36,684
Sadisdorf acquisition		3,160,073
Impairments:		-
Youanmi (a)	(210,390)	
Moolyella (a)	(50,950)	-
Ravensthorpe (a)	(22,000)	-
Lithophile (a)	(194,167)	
Electra (a)	(431,059)	-
Closing balance	5,519,371	6,322,191

The Value of the Group's interest in capitalised exploration expenditure is dependent upon:

- The continuance of the Group's rights to tenure of the areas of interest;
- The results of future exploration; and
- The recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

(a) During the year, the Company relinquished its interests/rights in the above tenements.

12. Intangible assets

	2020				2019			
	Patents	Development Costs	Intellectual Property	Total	Patents	Development Costs	Intellectual Property	Total
	$	$		$	$	$		$
Opening balance	334,936	8,714,223	7,772,414	16,821,573	380,573	5,904,115	9,586,309	15,870,997
Goodwill (refer note 33)	-	-	66,606	66,606	-	-	-	-
Expenditure during the period	12,521	537,522	-	550,043	-	2,810,108	-	2,810,108
Less: impairment of intangible asset	(85,535)	-	-	(85,535)	(12,066)	-	-	(12,066)
Less: amortisation of intangible asset	(23,698)	-	(1,818,864)	(1,842,562)	(33,571)	-	(1,813,895)	(1,847,466)
Closing balance	238,224	9,251,745	6,020,156	15,510,125	334,936	8,714,223	7,772,414	16,821,573

13. Property, plant and equipment

	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Laboratory Construction, Equipment & Tools	Total
2020	$	$	$	$	$	$
Gross carrying amount						
Balance at 30 June 2019	45,455	117,160	133,501	35,565	2,689,985	3,021,666
Entity acquisition	79,886	14,887	397	1,943	320,137	417,250
Additions	15,000	33,492	15,525	798	157,517	222,332
Disposals	-	-	-	-	-	-
Balance at 30 June 2020	140,341	165,539	149,423	38,306	3,167,639	3,661,248
Accumulated Depreciation						
Balance at 30 June 2019	37,712	54,239	42,220	12,580	2,242,822	2,389,573
Entity acquisition	28,829	2,401	326	439	118,802	150,798
Disposals	-	-	-	-	-	-
Depreciation expense	12,213	27,094	39,806	4,645	205,978	289,735
Balance at 30 June 2020	78,754	83,734	82,352	17,664	2,567,602	2,830,106
Net book value as at 30 June 2020	**61,587**	**81,805**	**67,071**	**20,642**	**600,037**	**831,142**

	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Laboratory Construction, Equipment & Tools	Total
2019	$	$	$	$	$	$
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**

14. Trade and other payables

	2020	2019
Current - unsecured	$	$
Trade payables	489,212	794,360
Unearned income	624,194	-
Other creditors and accrued expenses	655,585	637,417
	1,768,991	1,431,777

15. Convertible note

	30-Jun-20	30-Jun-19
	$	$
Current financial liabilities		
Convertible note	496,196	-
Embedded derivative	235,125	-
	731,321	-
Non-current financial liabilities		
Convertible note	210,507	-
Embedded derivative	99,750	-
	310,257	-

	30-Jun-20	30-Jun-19
	$	$
Proceeds from convertible note	2,900,000	-
Embedded derivative (i)	(1,489,521)	-
Options granted (ii)	(1,112,257)	-
Transaction costs	(112,000)	-
Finance costs unwound	1,470,481	-
Issued capital	(950,000)	-
Convertible note liability	**706,703**	-

	30-Jun-20	30-Jun-19
	$	$
Embedded derivative	1,489,521	-
Fair value adjustment	(1,154,646)	-
Embedded derivative liability	**334,875**	-

(i) The embedded derivative was valued on inception using the Black-Scholes option-pricing model and subsequently revalued as at 30 June 2020.

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

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

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

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

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

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

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

15. Convertible note (continued)

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

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

c) During the period ending 30 June 2020, the Company issued the following ordinary shares:

	$
Conversion of convertible note with a face value of A$3.3 million (refer note 15.a and 16.vi)	950,000
Tranche share issued (refer note 15.b and 16.vi)	900,000
	1,850,000

d) Subsequent to 30 June 2020, the Company issued the following ordinary shares:

	$
Conversion of convertible note with a face value of A$3.3 million (refer note 15.a and 24)	150,000
Tranche share issued (refer note 15.b and 24)	150,000
Tranche share issued (refer note 15.b and 24)	200,000
Conversion of convertible note with a face value of A$3.3 million (refer note 15.a and 24)	300,000
	800,000

16. Issued capital

	2020		2019	
	Number	**$**	**Number**	**$**
Fully Paid Ordinary Shares				
Opening Balance	481,805,941	55,156,996	428,476,552	50,528,434
Issue of shares to directors and staff (i)	3,277,043	241,990	1,018,830	109,635
Issue of shares in lieu of payment (ii)	7,366,189	445,715	1,367,637	154,256
Issue of shares (iii)	46,676,416	2,800,586	-	-
Issue of shares on conversion of performance/option rights (iv)	375,000	63,125	3,000,000	410,400
Issue of shares on conversion of performance rights (v)	1,200,000	129,200	-	-
Issue of shares (vi)	7,500,000	332,481	-	-
Issue of shares	-	-	21,325,531	2,362,869
Issue of shares	-	-	12,500,000	1,000,000
Issue of shares	-	-	14,117,391	591,402
Issue of shares on conversion of options	333	40	-	-
Issue of shares on redemption of LITCE	3,127	187	-	-
Issue of shares (vii)	57,233,017	1,850,000	-	-
Transaction costs	-	(379,255)	-	-
Closing Balance	**605,437,066**	**60,641,065**	**481,805,941**	**55,156,996**

(i) 513,412 shares were issued to key management personnel and 2,763,631 shares were issued to staff.
(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 VWAP.
(iii) On 4 July 2019 and 16 July 2019, the Company issued 45,843,083 and 833,333 fully paid ordinary shares in terms of the renounceable entitlement issue.
(iv) On 16 July 2019, the Company issued 375,000 fully paid ordinary shares upon conversion of performance rights relating to Hurdle 1 – Sileach.
(v) On 16 July 2019, the Company issued 1,200,000 fully paid ordinary shares upon conversion of performance rights relating to Hurdle 1 and 2 – VSPC.
(vi) On 10 December 2019, the Company issued 7,500,000 fully paid ordinary shares at net $0.04 per share pursuant to the Controlled Placement Agreement with Acuity Capital Investment Management Pty Ltd.

16. Issued capital (continued)

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

- 17 December 2019 15,000,000 collateral shares;
- 17 January 2020 1,769,912 fully paid ordinary shares;
- 14 February 2020 4,444,445 fully paid ordinary shares;
- 14 February 2020 9,191,177 fully paid ordinary shares;
- 28 February 2020 5,730,660 fully paid ordinary shares;
- 03 April 2020 2,840,910 fully paid ordinary shares;
- 05 May 2020 4,615,385 fully paid ordinary shares;
- 18 May 2020 3,537,736 fully paid ordinary shares;
- 28 May 2020 3,537,736 fully paid ordinary shares;
- 18 June 2020 3,253,797 fully paid ordinary shares;
- 30 June 2020 3,311,259 fully paid ordinary shares.

	2020		2019	
	Number	**$**	**Number**	**$**
Partly-paid contributing shares -25 cents				
Opening Balance	169,916,918	893,989	168,416,918	857,989
Issue of shares (i)	2,000,000	14,000	-	-
Issue of shares			1,500,000	36,000
Proceeds from partly paid share call (ii)	-	675,963		
Redemption of LITCE	(3,127)	-	-	-
Closing Balance (iii)	**171,913,791**	**1,583,952**	**169,916,918**	**893,989**

(i) On 19 August 2019, the Company issued 2,000,000 partly paid ordinary shares as consideration for the Southern Africa Engagement and Joint Venture Agreement.
(ii) On 08 May 2020, the Company did a one cent call on the partly paid shares raising $675,963.
(iii) Closing balance is made up of 98,913,791 LITCF shares and 73,000,000 LITCE forfeited shares. The forfeited shares are available for the directors to use as they see fit.

17. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain 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 Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and by share issues.

18. Reserves

	2020	2019
	$	**$**
Option reserve	3,054,758	2,504,883
Investment revaluation reserve	(662,784)	52,882
Foreign currency translation reserve	63,308	60,979
Performance rights reserve	252,378	904,529
Equity Reserve	3,061	-
	2,710,721	3,523,273
Option reserve		
Opening balance	2,504,883	2,504,883
Expiry of options	(634,382)	-
Issue of options	1,184,257	-
Closing balance	3,054,758	2,504,883
Investment revaluation reserve		
Opening balance	52,882	395,994
Net gain/(loss) arising on revaluation of available for sale financial assets	(715,666)	(343,112)
Closing balance	(662,784)	52,882

18. Reserves (continued)

Foreign currency translation reserve		
Opening balance	60,979	(26,246)
Exchange differences arising on translating foreign subsidiary	2,329	87,225
Closing balance	63,308	60,979
Performance rights reserve		
Opening balance	904,529	1,030,032
Issue/amortisation of performance rights	(11,770)	284,897
Performance option rights achieved	(192,325)	(410,400)
Performance rights relinquished	(448,056)	-
Closing balance	252,378	904,529
Equity Reserve		
Opening Balance	-	-
Acquisition of shares in controlled entity	3,061	-
Closing Balance	3,061	-

19. 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 the Consolidated Group is exposed to through its financial instruments is interest rate risk.

Interest rate risk

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

Credit risk

The maximum exposure to credit risk, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Consolidated 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 the Consolidated Group 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.

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

Interest Rate Sensitivity Analysis

At 30 June 2020, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2020 $	2019 $
Change in loss		
- Increase in interest rate by 100 basis points	37,394	27,058
- Decrease in interest rate by 100 basis points	(37,394)	(27,058)

19. Financial instruments (continued)

Change in equity		
- Increase in interest rate by 100 basis points	37,394	27,058
- Decrease in interest rate by 100 basis points	(37,394)	(27,058)

2020	Floating Interest Rate	Fixed Interest Rate Maturing in 1 year or less	Fixed Interest Rate Maturing in more than 1 year	Non-interest bearing	Total
	$	$	$	$	$
Financial assets					
Cash and cash equivalents	3,739,382	-	-	-	3,739,382
Financial assets – level 1	-	-	-	464,909	464,909
Financial assets – level 2	-	-	-	-	-
Trade and other receivables	-	128,729	-	1,070,793	1,199,522
Total financial assets	3,739,382	128,729	-	1,535,702	5,403,813
Financial liabilities					
Trade and other payables (i)	-	-	-	2,299,131	2,299,131
Convertible note and embedded derivative	-	731,321	310,257	-	1,041,578
Total financial liabilities	-	731,321	310,257	2,299,131	3,340,709

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

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

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

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. Interest rate 2% per annum.

20. Loss per share

	2020	2019
	$	$
Loss used in calculation of basic EPS	(8,533,249)	(11,566,780)
	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	558,216,283	460,375,771

21. Cash flow information

	2020	2019
Reconciliation of cash flows from operating activities with loss after income tax	**$**	**$**
Loss after income tax	(8,662,373)	(11,566,780)
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	2,203,269	1,981,169
Impairment of exploration asset	908,566	-
(Profit)/loss on disposal of asset	85,535	88,208
Share based payment expense	(459,826)	284,896
Share based payment – broker fees	100,000	-
Impairment of loans to other entities	385,299	-
Fair value adjustment embedded derivative	(1,154,646)	-
Convertible note financing costs	1,470,481	2,793,993
Changes in assets and liabilities:		
(Increase)/decrease in receivables & prepayments	158,366	133,628
(Increase)/decrease in inventories	(281,674)	-
(Decrease)/increase in accounts payable, accruals & employee entitlements	528,960	305,913
(Decrease)/increase in Provisions	366,653	19,001
(Increase)/decrease in other assets	-	(230)
Net cash outflows from operating activities	**(4,351,390)**	**(5,960,203)**

Reconciliation of liabilities arising from financing activities

		Cash flows		Non cash changes				
Convertible Note	**Liability 01/07/2019**	**Cash inflows**	**Transaction costs**	**Conversions to equity**	**Share based payment reserve**	**Finance costs**	**Fair Value movement**	**Liability 30/06/2020**
	-	**2,900,000**	**(112,000)**	**(950,000)**	**(1,112,257)**	**1,470,481**	**(1,154,646)**	**1,041,578**

22. Segment information

(a) Segment performance

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

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

Types of reportable segments:

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

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

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

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

Segment assets

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

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

Segment liabilities

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

22. Segment information (continued)

Unallocated items

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

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

23. Operating segments

(i) Segment revenues and results

30 June 2020

	Processing technology	**Exploration**	**Total**
	$	$	$
Revenue	-	-	-
Loss	(2,649,653)	(1,853,826)	(4,503,479)
Total segment loss	**(2,649,653)**	**(1,853,826)**	**(4,503,479)**
Unallocated items			
- Interest revenue			17,214
- Other revenue			3,198,735
- Gross profit			29,488
- Realised losses on assets			(85,535)
- Occupancy			(298,556)
- Professional			(796,315)
- Compliance & regulatory			(304,256)
- Personnel			(4,078,112)
- Administration			(658,498)
- Warehouse			(8,034)
- Other expenses			(700,264)
- Depreciation			(153,876)
- Finance cost			(320,885)
Net loss from continuing operations			(8,662,373)

30 June 2019	**Processing Technology**	**Exploration**	**Total**
	$	**$**	**$**
Revenue	-	-	-
Expenses	(1,847,465)	(2,087,915)	(3,935,380)
Total segment loss	**(1,847,465)**	**(2,087,915)**	**(3,935,380)**
Reconciliation of segment result to Consolidated Group net loss			
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 & 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)**

23. Operating segments (continued)

(ii) Segment assets

30 June 2020	**Processing technology**	**Exploration**	**Total**
	$	**$**	**$**
Segment assets	16,106,944	5,519,371	21,626,315
Unallocated assets			
- Cash and cash equivalents			3,739,382
- Trade and other receivables			1,859,073
- Other			699,233
Total company assets			**27,924,003**

30 June 2019	**Processing technology**	**Exploration**	**Total**
	$	**$**	**$**
Segment assets	16,821,573	6,322,191	23,143,764
Unallocated assets			
- Cash and cash equivalents			2,705,722
- Trade and other receivables			1,229,159
- Other			1,930,073
Total company assets			**29,008,718**

(iii) Segment liabilities

30 June 2020	**Processing technology**	**Exploration**	**Total**
	$	**$**	**$**
Segment liabilities	95,781	76,071	171,852
Unallocated liabilities			
- Trade and other payables			2,127,279
- Convertible Note			1,041,578
Total company liabilities			**3,340,709**

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**

24. Subsequent events

a) On 16 July 2020, the Company issued 3,456,222 ordinary shares pursuant to the Lind Global Macro Fund, LP Share Purchase and Convertible Security Agreement, conversion notice.

b) On 08 August 2020, the Company issued 3,529,412 ordinary shares pursuant to the Lind Global Macro Fund, LP Share Purchase and Convertible Security Agreement, tranche notice.

c) On 19 August 2020, the Company issued 75,471,706 ordinary shares in consideration for the placement of funds and 584,906 to suppliers as settlement for services rendered.

d) On 03 September 2020, the Company issued 2,629,739 ordinary shares to suppliers as settlement for services rendered, 2,558,698 ordinary shares to employees and 2,757,476 to key management personnel under the Lithium Australia Fee and Remuneration Sacrifice Share Plan.

e) On 10 September 2020, the Company issued 85,233,136 ordinary shares in respect to the Share Purchase Plan, 4,444,445 ordinary shares pursuant to the Lind Global Macro Fund, LP Share Purchase and Convertible Security Agreement, tranche notice and 52,750 ordinary shares upon the redemption of partly paid shares.

f) On 17 September 2020, the Company issued 6,109,980 ordinary shares to the Lind Global Macro Fund, LP pursuant to the Share Purchase and Convertible Security Agreement, following receipt of a buy back conversion notice. The investor gave notice under clause 6.5 of the Agreement of its election to convert the convertible security leaving a net cash balance due of $1.9 million which was repaid on 23 September 2020. This has reduced the convertible note to zero.

25. Related party transactions

	Type of transaction	2020 $	2019 $
Josephine Norman (a)	Consulting	23,563	24,928
Warrior Strategic Pty Ltd	Consulting	121,028	-
		144,591	24,928

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated. There were no other related party transactions other than transactions disclosed in Note 25.

(a) Josephine Norman is Adrian Griffin's wife.

26. Key management personnel compensation

Names and positions held of the Consolidated Group key management personnel in office at any time during the financial period are:

Key Management Person	Position
George Bauk	Non-Executive Chairman
Adrian Griffin	Managing Director
Bryan Dixon	Non-Executive Director
Barry Woodhouse	CFO & Company Secretary

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

	2020 $	2019 $
Short-term benefits	971,014	839,905
Share based payments	(388,158)	359,739
Post-employment benefits	60,013	64,063
	642,869	1,263,707

27. Contingent assets

The Consolidated Group have no contingent assets as at 30 June 2020.

28. Contingent liabilities

The Consolidated Group have no contingent liabilities as at 30 June 2020.

29. Commitments

(a) Exploration Expenditure

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

	2020 $	2019 $
Within 12 months	675,120	1,925,600
12 Months or longer and not longer than 5 years	675,120	1,925,600
Longer than 5 years	-	-
Total	**1,350,240**	**3,851,200**

30. Controlled entity

Lithium Australia NL is the ultimate parent entity of the consolidated group. The following was a controlled entity at the balance date and has been included in the consolidated financial statements. All shares held are ordinary shares.

	Name	Country of incorporation	Percentage interest held % 2020	Percentage interest held % 2019	Date acquired/ incorporated
(i)	Greater African Resources	Mauritius	0%	100%	26 January 2012
(ii)	Tyler Ray (Pty) Ltd	South Africa	0%	74%	26 January 2012
(iii)	Lithophile Pty Ltd	Australia	100%	100%	01 July 2016
(iv)	Resource Conservation and Recycling Corporation Pty Ltd	Australia	100%	100%	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
(viii)	Envirostream Australia Pty Ltd	Australia	90%	11.76%	22 November 2019

(i) On 26 January 2012, the Company registered Greater African Resources, a company incorporated in Mauritius. Greater African Resources had no assets or liabilities at the date of acquisition. On 1 June 2020, the Company ceased to carry on business.

(ii) Greater African Resources owns 74% of issued ordinary shares of Tyler Ray (Pty) Ltd. On 1 July 2020, the Company ceased to carry on business.

(iii) On 01 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 lithium-ion batteries. VSPC had $444,639 net assets and $10,192,597 intellectual property at the date of acquisition.

(viii) As at 30 June 2019 the Company had an 11.76% interest in Envirostream with a fair value of $400,000. Subsequent to 30 June 2019 the Company acquired in multiple tranches a further 78.24% for consideration of $650,000 bringing its total ownership to 90%. Refer to note 34.

31. Parent entity information

	Parent 2020 $	Parent 2019 $
Assets		
Current assets	4,452,122	13,475,183
Non-current assets	22,638,097	14,429,068
Total assets	**27,090,219**	**27,904,251**
Liabilities		
Current liabilities	1,465,347	490,798
Non-current liabilities	1,041,578	-
Total liabilities	**2,506,295**	**490,798**
Equity		
Issued capital	62,225,017	56,050,985
Reserves	2,641,937	3,459,880
Accumulated losses	(40,283,660)	(32,097, 411)
Total equity	**24,583,294**	**27,413,454**
Loss for the period	(16,921,651)	(14,515,548)
Total comprehensive loss for the period	**(16,921,651)**	**(14,515,548)**

32. 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		Expired unvested	
Series 2	16 October 2015	1 July 2019		Expired unvested	
Series 3	23 December 2015	1 July 2019		Expired unvested	
Series 4	3 May 2018	2 May 2021	$0.1938	8,484,849	$0.077
Series 5	24 May 2018	23 May 2021	$0.1756	15,167,602	$0.072
Series 6	04 July 2019	04 July 2021	$0.12	23,337,571	$-
Series 7	04 July 2019	04 July 2021	$0.12	9,000,000	$0.008
Series 8	24 December 2019 (i)	24 December 2022	$0.0550	33,333,333	$0.03
				89,323,355	

The weighted average remaining contractual life of options outstanding at year end was 1 years (2019: 1 years).
The weighted average exercise price of outstanding options at reporting date was $0.11 (2019: $0.21).

(i) Options issued to Lind Global Macro Fund; LP pursuant to the Convertible Note deed were valued at $1,112,257. Refer to Note 15.

PERFORMANCE RIGHTS

Tranche 1	Issue Date	Date of Expiry	Number Issued	Expired	Fair Value
Tranche 1a	15 July 2015	01 July 2019	4,050,000	(4,050,000)	$-
Tranche 1b	15 July 2015	01 July 2019	2,025,000	(2,025,000)	$-
Tranche 1c	15 July 2015	01 July 2019	2,025,000	(2,025,000)	$-
			8,100,000	**(8,100,000)**	**$-**

Tranche 1	Issue Date	Date of Expiry	Number Issued		Fair Value
Tranche 1a	15 October 2015	01 July 2019	640,000	(640,000)	$-
Tranche 1b	15 October 2015	01 July 2019	800,000	(800,000)	$-
Tranche 1c	15 October 2015	01 July 2019	800,000	(800,000)	$-
			2,240,000	**(2,240,000)**	**$-**

Class 1	Issue Date	Date of Expiry	Number Issued	Number Exercised/ Relinquished	Fair Value
Class A	28 November 2016	01 July 2021	1,000,000	(1,000,000)	$-
Class B	28 November 2016	01 July 2021	2,000,000	(2,000,000)	$-
Class C	28 November 2016	01 July 2021	3,000,000	(3,000,000)	$-
Class D	28 November 2016	01 July 2021	4,000,000	(4,000,000)	$-
			10,000,000	**(10,000,000)**	**$-**

Class 2	Issue Date	Date of Expiry	Number Issued	Number Exercised/ Relinquished	Fair Value
Class A	01 December 2016	01 July 2021	375,000	(375,000)	$-
Class B	01 December 2016	01 July 2021	750,000	(750,000)	$-
Class C	01 December 2016	01 July 2021	1,125,000	(1,125,000)	$-
Class D	01 December 2016	01 July 2021	1,500,000	(1,500,000)	$-
			3,750,000	**(3,750,000)**	**$-**

Class 3	Issue Date	Date of Expiry	Number Issued	Number Exercised/ Relinquished	Fair Value
Class A	20 December 2016	01 July 2021	125,000	(125,000)	$-
Class B	20 December 2016	01 July 2021	250,000	(250,000)	$-
Class C	20 December 2016	01 July 2021	375,000	(375,000)	$-
Class D	20 December 2016	01 July 2021	500,000	(500,000)	$-
			1,250,000	**(1,250,000)**	**$-**

32. Share based payments (continued)

Class 4	Issue Date	Date of Expiry	Number Issued	Number Exercised	Fair Value
Class A(2)	30 April 2018	30 April 2023	900,000	(900,000)	$-
Class B(2)	30 April 2018	30 April 2023	900,000	(900,000)	$-
Class C(2)	30 April 2018	30 April 2023	900,000	-	$121,500
Class D(2)	30 April 2018	30 April 2023	2,250,000	-	$44,906
Class E(2)	30 April 2018	30 April 2023	2,250,000	-	$8,602
			7,200,000	**(1,800,000)**	**$175,008**

Class 5	Issue Date	Date of Expiry	Number Issued	Number Exercised	Fair Value
Class A(2)	31 December 2018	31 December 2023	800,000	(800,000)	$-
Class B(2)	31 December 2018	31 December 2023	600,000	(600,000)	$-
Class C(2)	31 December 2018	31 December 2023	600,000	-	$56,400
Class D(2)	31 December 2018	31 December 2023	1,500,000	-	$17,625
Class E(2)	31 December 2018	31 December 2023	1,500,000	-	$3,345
			5,000,000	**(1,400,000)**	**$77,370**

Fair value of equity instruments granted in the year

The weighted average fair value of the equity instruments granted during the financial year is $0.0334 (2019: $0.043). 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 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.

The inputs to the model are listed below.

	Option Series					
	Series 1	**Series 2**	**Series 3**	**Series 4**	**Series 5**	**Series 8**
Exercise price	$0.15	$0.20	$0.30	$0.1938	$0.1756	$0.055
Expected volatility	85%	85%	85%	98.03%	98.03%	75.76%
Option life	4 years	4 years	4 years	3 years	3 years	3 years
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	2.1%	2.1%	2.1%	1.95%	1.95%	0.90%

	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

33. Provisions

	30-Jun-20	30-Jun-19
	$	**$**
Employees annual leave and long service leave provisions	432,640	115,987
Make good provision	47,500	47,500
Rehabilitation provision (i)	50,000	-
	530,140	**163,487**

(i) The Company's rehabilitation programs are ongoing on two areas at its Ravensthorpe Project. As at 30 June 2020, the Company estimated the cost of the rehabilitation programs at $50,000 which has been recognised as a provision.

34. Business Combination

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

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

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

The contribution of Envirostream to the consolidated entity's loss was $906,038.

On 20 December 2019 the Company acquired a further 10.41% interest in Envirostream for $100,000 and on the 04 February 2020 the Company acquired a further 5.93% interest in Envirostream for $150,000. This represents a transaction between the parent and non-controlling interests therefore the carrying amount of non-controlling interests were adjusted to reflect the changes in the interest in the subsidiary.

DIRECTORS' DECLARATION

The Directors of Lithium Australia NL declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 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 2020 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 30th day of September 2020

Bentleys
THINKING AHEAD

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Independent Auditor's Report

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 2020, 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 2020 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. 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.

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 - $15,510,125 (refer to Note 12) The intangible assets of $15,510,125, as disclosed in Note 12 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 Group'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 12.
Convertible Notes - $1,041,578 (refer to Note 15) As disclosed in Note 15 to the financial statements, the Consolidated Entity issued a convertible note during the year with a face value of $3,300,000. As at 30 June 2020, the carrying amount of the debt component of convertible notes is $706,703 which reflects the tranches received to date less relevant transaction costs which are required to be amortised over the term of the convertible notes. Furthermore as disclosed in note 15, as at 30 June 2020 the carrying amount of the derivative liability is $334,875. Convertible Notes are considered to be a key audit matter due to:	Our procedures amongst others included: - Analysing the agreement to identify the terms and conditions for each convertible note; - Verification of the funds received from the issue of convertible notes during the year; - Assessing the accounting treatment of the financial instruments in accordance with the recognition and measurement as well as the disclosure requirements of the relevant Australian Accounting Standards; - Evaluating management's option valuations and assessing the assumptions and inputs used; - Assessing the calculation including relevant

Key audit matter	How our audit addressed the key audit matter
- The value of the balance; and - The complexities involved in the recognition and measurement of convertible financial instruments and associated transaction costs.	amortisation of transaction costs for the year; - Assessing the fair value of the derivative liability at inception and balance dates; - Assessed the impact on the amortisation of costs and valuation of the derivative liability resulting from the conversions to equity during the period; and - We assessed the adequacy of the disclosures in Note 15.

Capitalised Exploration Expenditure - $5,519,371
 	
(refer to Note 11)
 	
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 Group 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 assessed whether an impairment loss has been booked for tenements relinquished during the year;
	- 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 Group to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and

Key audit matter	How our audit addressed the key audit matter
	- 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 11 to the financial statements.

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 2020, 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 2020. 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 2020, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 30th day of September 2020

ADDITIONAL ASX INFORMATION

1. Corporate governance statement

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

2. Substantial shareholders

There are no substantial holders as at 28 September 2020.

3. Issued capital

The issued capital of the company as at 28 September 2020 consists of:

Quoted/unquoted	Class	Number of units	Number of holders
Quoted	Fully Paid Ordinary Shares	792,265,536	10,932
Quoted	Partly Paid Contributing Shares	128,861,041	310
Quoted	$0.12 Options	32,337,571	1,718
Unquoted	$0.1938 Options	8,484,849	1
Unquoted	$0.1756 Options	15,167,602	1
Unquoted	Performance Rights	9,000,000	6
Unquoted	$0.055 Options	33,333,333	1

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 September 2020 are as follows:

Number of holders	Number of units
3,430	16,096,948

6. Distribution of shareholders

The distribution of shareholders as at 28 September 2020 are as follows:

Distribution of equity securities	Fully paid ordinary shares	Partly paid ordinary shares	$0.12 options	$0.1938 options	$0.1756 options	$0.055 options	Performance rights
0-1,000	298	6	708				
1,001 - 5,000	1,798	62	610				
5,001 – 10,000	2,156	30	175				
10,001 - 100,000	5,415	121	179				
100,001 and over	1,265	91	46	1	1	1	6
TOTALS	**10,932**	**310**	**1,718**	**1**	**1**	**1**	**6**

ASX ADDITIONAL INFORMATION (continued)

7. 20 Largest shareholders

The names of the 20 largest holders of ordinary shares as at 28 September 2020 are as follows:

Fully paid ordinary shares		Number held	% Held
1	JP Morgan Nominees Australia Limited	41,993,248	5.3
2	Citicorp Nominees Pty Limited	23,302,468	2.94
3	Adrian Griffin	16,475,524	2.08
4	Acuity Capital Investment Management Pty Ltd	15,000,000	1.89
5	Whate Watch Holdings Limted	13,577,500	1.71
6	DLG Holdings Limited	12,500,000	1.58
7	BNP Paribas Noms Pty Ltd	7,272,791	0.92
8	Netwealth Invevestments Limited	5,388,155	0.68
9	Warrior Strategic Pty Ltd	5,109,190	0.64
10	Resource & Land Management Services Pty Ltd	4,658,526	0.59
11	Mr Waldermar Wawrzyniuk & Ms Lia Wawrzyniuk	4,400,000	0.56
12	Xavier Group Pty Ltd	3,754,076	0.47
13	Alan Jenks	3,750,000	0.47
14	HSBC Custody Nominees	3,575,494	0.45
15	Ian Edney	3,240,868	0.41
16	Sker Holdings Pty Ltd	3,177,572	0.4
17	Custodial Services Limited	3,126,783	0.39
18	Mr Pho Seng Tan	3,000,000	0.38
19	Tisselle Pty Ltd	2,958,579	0.37
20	Kingscote Pty Ltd	2,868,535	0.36
		179,129,309	**22.59**

Partly paid ordinary shares		Number held	% Held
1	J P Morgan Nominees Australia Pty Limited	13,894,978	10.78
2	TR Nominees Pty Ltd	10,000,000	7.76
3	M & K Korkidas Pty Ltd	7,167,170	5.56
4	Mr Adrian Christopher Griffin	6,291,718	4.88
5	First Investment Partners Pty Ltd	6,000,000	4.66
6	Mr Warwick Sauer	5,640,000	4.38
7	Mounts Bay Investments Pty Ltd	4,850,000	3.76
8	Alissa Bella Pty Ltd	4,850,000	3.76
9	Mr William Bambling & Joyce Bambling	3,301,247	2.56
10	Horn Resources Pty Ltd	3,000,000	2.33
11	Bnp Paribas Noms Pty Ltd	2,562,447	1.99
12	Mr Joshua Douglas Gallagher	2,000,000	1.55
13	Mr Maurizio Silvio Spuria	2,000,000	1.55
14	Mr Blake Cannon Ismay	2,000,000	1.55
15	Mr Jia-Jian Chen & Mrs Zhang Ping	2,000,000	1.55
16	KF Consortium Pty Ltd	2,000,000	1.55
17	Warren Kawati	2,000,000	1.55
18	TA Securites Holdings Berhad	2,000,000	1.55
19	Mr Samuel Jacobs, Mrs Sarity Jacobs & Ms Manekha Jacobs	2,000,000	1.55
20	TJA Assets Pty Ltd	2,000,000	1.55
		85,557,560.00	**66.37**

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

There are no restricted securities and no securities subject to voluntary escrow.

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%
$0.055 Options	Lind Global Macro Fund LP	33,333,333	100%
Performance Rights	Adrian Griffin	3,000,000	33%

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

Australian projects

Tenement ID	Name	Location	State	Interest
E27/562	Gindalbie	Gindalbie	WA	0%
E63/1777	Lake Johnston	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 Johnston	Dundas	WA	100%
E63/1866	Lake Johnston	Dundas	WA	100%
E63/1903	Lake Johnston	Dundas	WA	100%
E70/4690	Greenbushes	Greenbushes	WA	100%
E70/4777	Greenbushes	Greenbushes	WA	100%
E70/4889	Greenbushes B	Greenbushes	WA	100%
E70/4790	Greenbushes	Greenbushes	WA	100%

ASX ADDITIONAL INFORMATION (continued)

Tenement ID	Name	Location	State	Interest
E70/5198	Mt Lawrence	Mt Lawrence	WA	100%
E70/5315	Greenbushes	Greenbushes	WA	100%
E70/5316	Greenbushes	Greenbushes	WA	100%
E74/0543	Ravensthorpe	Ravensthorpe	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 3	Cape York	QLD	100%
P15/5574	Coolgardie	Coolgardie	WA	100%[4]
P15/5575	Coolgardie	Coolgardie	WA	100%[4]
P15/5739	Coolgardie	Coolgardie	WA	100%[4]

[4] Coolgardie Rare Metals Venture now terminated and transfer of tenements in progress.

International projects

Sadisdorf project, Saxony	Germany		100%
Eichigt project, Saxony	Germany		100%