



**LITHIUM AUSTRALIA NL**

ACN 126 129 413

**FINANCIAL REPORT**

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**FOR THE HALF- YEAR ENDED 31 DECEMBER 2018**

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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**

### REGISTERED OFFICE

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675 Murray Street  
West Perth WA 6005

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### AUDITORS

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Level 3  
216 St Georges Terrace  
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** and **LITCE**

## **DIRECTORS' REPORT**

The Directors present their report on Lithium Australia NL ("LIT" or the "Company") and its controlled entities (the "Consolidated entity") for the year half-year ended 31 December 2018.

### **BOARD OF DIRECTORS**

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

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

### **COMPANY SECRETARY**

Barry Woodhouse

### **RESULTS OF OPERATIONS**

The operating loss after income tax of the Consolidated entity for the half-year ended 31 December 2018 was \$5,396,786. (31 December 2017: loss of \$1,869,954).

No dividend has been paid during or is recommended for the financial period ended 31 December 2018.

### **FINANCIAL POSITION**

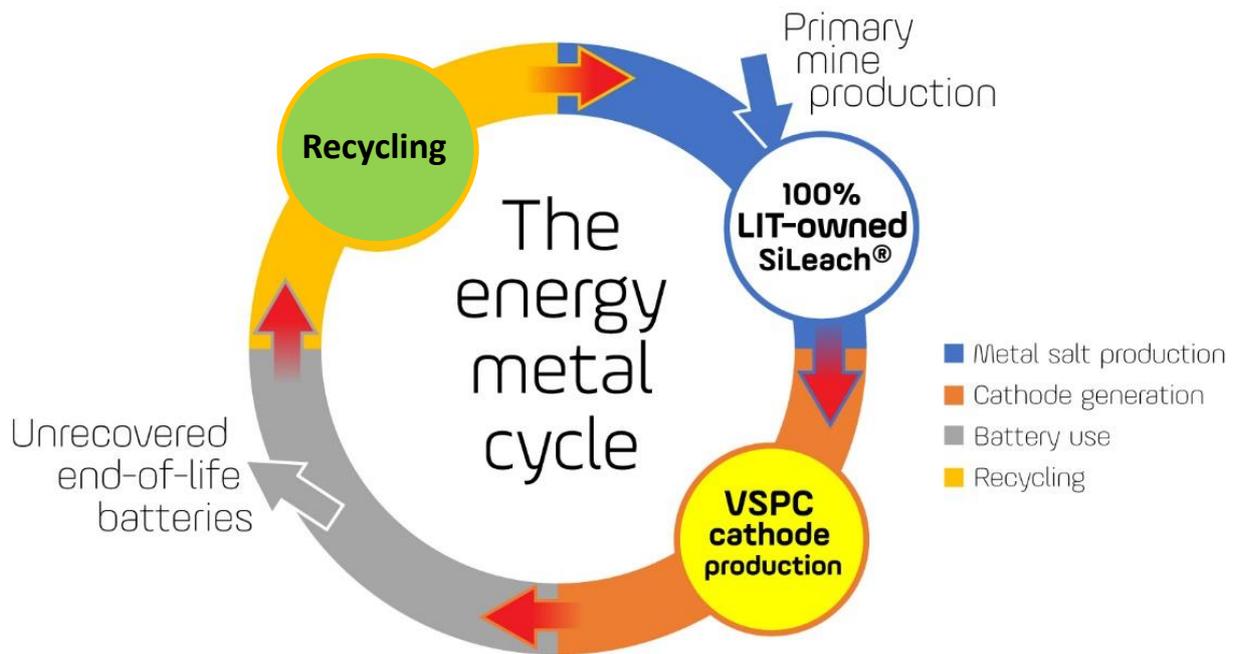
The Consolidated entity's working capital surplus, being current assets less current liabilities was \$6,786,800 at 31 December 2018 (30 June 2018: working capital surplus of \$13,697,269).

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

### **REVIEW OF OPERATIONS**

#### **DEVELOPMENT STRATEGY**

Lithium Australia NL (ASX: LIT) has advanced its aim of developing an integrated business capable of capitalising upon all major sectors of the lithium supply chain, and in so doing closing the loop on the energy metal cycle.



Key elements of the Company's strategy include the following:

- 100%-owned SiLeach® and LieNA® technology is capable of converting mine waste to lithium chemicals;
- VSPC technology to convert lithium chemicals to lithium-ion battery cathode materials of superior quality; and
- recycling technology to recover valuable metals, including lithium and cobalt, from spent batteries, thereby closing the loop on the energy metal cycle.

Lithium Australia's developing processing technologies are complemented by its growing resource base by using proprietary processing technology to breathe new life into stranded assets. A prime example is the Sadisdorf deposit in Germany (an abandoned tin mine, see below), in which tin mineralisation is associated with lithium micas, which prior to the advent of SiLeach® had no commercial value. The SiLeach® process is capable of recovering the lithium from these micas, adding significant value to this asset.

During the quarter, production of cathode materials, a lucrative element in the lithium-ion battery production cycle, continued at the 100% owned VSPC pilot plant located in Brisbane. Samples of cathode powder produced at the VSPC plant are currently being evaluated by international battery manufacturers.

By integrating its SiLeach® and VSPC processes, Lithium Australia aims to establish a pathway from mine waste to lithium-ion battery manufacture. To that end, during the quarter, Lithium Australia succeeded in converting waste rock, sourced from a mine site close to Kalgoorlie, Western Australia, into a lithium chemical at its SiLeach® Gen-2 pilot plant at ANSTO's minerals facility in Lucas Heights, New South Wales. That chemical subsequently went to the VSPC facility to be used in the manufacture of a test battery. **Lithium Australia achieved a world first by transforming waste rock into a lithium-ion battery. Battery performance compares very favourably with batteries manufactured with battery grade lithium carbonate.**

### SILEACH® PILOT PLANT

Lithium Australia completed a successful pilot plant run in its Generation 2 SiLeach® pilot facility. The run achieved overall lithium recoveries of around 90% and the data generated has been used in the design of the Generation 3 pilot plant to be constructed at ANSTO's minerals facility in Lucas Heights, New South Wales, in 2019. This plant will be assembled from commercial components to demonstrate scalability and the veracity of SiLeach® for the commercial production of lithium chemicals.

At present, Lithium Australia's preferred supply model is obtaining lithium mica from the waste streams (historical dumps and tailings) of currently operating mines; however, other supply opportunities are also being evaluated.

## CATHODE MATERIALS FROM VSPC

Lithium Australia's wholly-owned subsidiary VSPC Ltd creates advanced cathode materials of superior quality, for lithium-ion batteries, using its proprietary methods. The VSPC pilot facility, based in Brisbane, Queensland encompasses:

- proprietary technology for the production of lithium-ion battery cathode materials;
- a comprehensive pilot plant; and
- advanced laboratory and testing facilities.

VSPC technology begins with the cathode metals in a solution from which the cathode nanoparticles are precipitated to produce the nanopowders used in the manufacture of lithium-ion batteries. The initial process of producing the metal solutions can include the integration of SiLeach® generated chemicals (see above) to eliminate the requirement for lithium carbonate, or hydroxide, conventionally used in the production of lithium-ion batteries. This can potentially remove a number of steps in the manufacturing process, reducing cost. Lithium Australia is currently investigating such seamless production of cathode materials from hard-rock minerals.

## ANODE MATERIALS

Lithium Australia failed to consummate an agreement to research the development of silicon/graphite battery anodes. The Company has the view that improvements in anode technology remains one of the best potentials for improved battery performance and will continue to evaluate anode development programs that suit the Company's aspirations.

## EXPLORATION ACTIVITIES

### SADISDORF LITHIUM PROJECT, GERMANY

Lithium Australia continued the evaluation of its 100% owned Sadisdorf resource located in Saxony (Germany). Sadisdorf is an historic tin mine close to the border with the Czech Republic. The style of mineralisation is a greisen (altered granite), with the tin mineralisation enveloped by a pervasive lithium-mica alteration. Application of Lithium Australia's SiLeach® technology provides an opportunity to realise the value of both the lithium and the tin, with the former contained within minerals otherwise considered waste. Further enhancements can be implemented by the application of VSPC technology to convert the lithium chemicals, recovered from the mica, into cathode powders.

### A source of lithium for the European EV industry

Significantly, the Sadisdorf Lithium Project is located close to planned lithium-ion battery production facilities aimed at servicing the burgeoning electric vehicle (EV) industry in Europe. The Sadisdorf Project is also well serviced by established infrastructure and well placed for reagent supplies – attributes that would enable development of the resource to the stage of lithium chemical production and, with the addition of VSPC technology, production of cathode powders to the European EV battery industry.

### Maiden lithium resource estimate completed

Lithium Australia released its maiden lithium Inferred Mineral Resource at the Sadisdorf Project of 25 million tonnes grading 0.45% Li<sub>2</sub>O (see Table 1 below) [on 7 December 2017](#), based on re-analysis and re-interpretation of historical drilling and underground sampling. This work was completed by CSA Global, a leading international mining consultancy. Lithium Australia is continuing to develop this estimate, towards being able to release Ore Reserves reported in accordance with the 2012 JORC Code in due course.

Classification	Domain	Tonnes (Mt)	Li (%)	Li <sub>2</sub> O (%)
Inferred	Inner greisen	17	0.22	0.47
Inferred	Outer greisen	8	0.20	0.43
Inferred	Total	25	0.21	0.45

*Note: the Mineral Resource was estimated within constraining wireframe solids defined above (with a nominal 0.15% Li cut-off). The Mineral Resource is reported from all blocks within these wireframe solids. Differences may occur due to rounding.*

**Table 1. Inferred Mineral Resource estimate for Sadisdorf.**

Resource modelling has confirmed that the dormant tin mine at Sadisdorf, which contains significant lithium mineralisation, can be considered a polymetallic deposit with value contributions from lithium, tin and tungsten. Moreover, application of SiLeach® has the potential to provide significant by-product credits (for example, potassium sulphate fertiliser).



**Figure 1. LIT managing director Adrian Griffin observes preparations for drilling at Sadisdorf.**

### **YOUANMI LITHIUM PROJECT, WESTERN AUSTRALIA**

Lithium Australia has expanded its extensive lithium holdings in Australia with an option to acquire the prospective Youanmi Lithium Project region 450 kilometres northeast of Perth (Figure 2).

The Youanmi Lithium Project, which consists of three exploration licences, hosts abundant lithium pegmatites which intrude layered mafic rocks that also host vanadium-rich magnetite horizons.

The three ELs have been secured via the completion of a binding heads of agreement with private exploration company Diversity Resources Pty Ltd (Diversity). Details of the option are outlined in the ASX release dated 27 September 2018. Completion of formalities was announced on 11 December 2018.

The project area not only contains lithium pegmatites, but also hosts significant vanadium mineralisation associated with prolific mafic sequences. The Company plans to fly high-resolution magnetics and radiometrics as part of its evaluation and drill targeting.

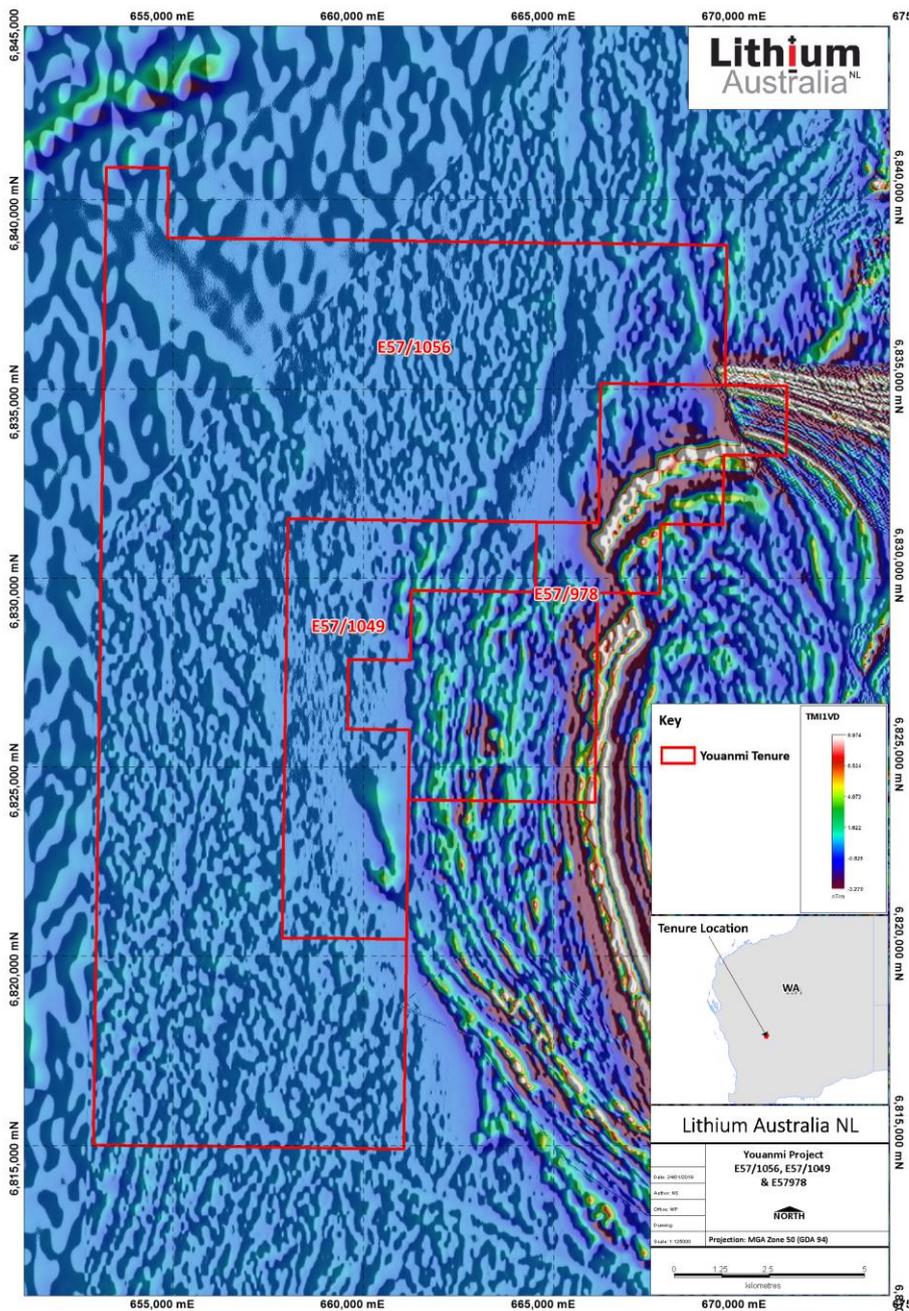


Figure 2 Youanmi Aeromag interpretation

## OTHER OPPORTUNITIES

Lithium Australia continues to explore opportunities in tantalum, tungsten, cobalt-manganese, graphite and rare-earth metals, with a view to directing further exploration efforts on currently held ground, and is considering the acquisition of other quality Australian and overseas properties.

## BATTERY RECYCLING RESEARCH

Globally only about 9% of lithium-ion batteries are recycled. In Australia the rate is less than 3%. As the market for power storage matures, widespread recycling will become a necessity. Much of what drives battery recycling is the value of the cathode metals, cobalt especially. Although current recycling practices recover most of the base metals, lithium recovery is close to zero. The reason for this is simply the processing technology preferred

by the companies conducting the recycling. In other words, the very low rates of lithium recovery currently experienced can be resolved by improving processing options.

Lithium Australia is evaluating the logistical chain for lithium-ion batteries from 'cradle to grave'. The aim is to determine the deportment of all components and develop a strategy that maximises the recovery of all these components at the end of the batteries' useful life.

Process flowsheet development work has been undertaken at a number of Australian universities, and pilot testing is planned for 2019.

## **SUBSEQUENT EVENTS**

- (a)** On 3 January 2019, the Company issued 5,000,000 performance rights pursuant to the Lithium Australia NL Securities Incentive Plan as described in the Notice of Meeting Explanatory Memorandum dated 27 March 2018; and as approved at the Company's General Meeting held on 30 April 2018.
- (b)** On 3 January 2019, the Company cancelled 1,250,000 performance rights.
- (c)** On 13 February 2019, the Company issued 1,367,637 fully paid ordinary shares to suppliers and 1,018,830 fully paid ordinary shares under the Director & Senior Management Fee & Remuneration Sacrifice Share Plan.
- (d)** On 14 February 2019, the parties agreed to the termination of the Arena Investors, LP convertible note facility. Terms of the Deed included the continuation of the current \$5m convertible note. Terms and conditions in regard to the currently outstanding \$5m convertible note remain applicable until redemption of the convertible note on 23 May 2019. Upon redemption date, the convertible note will either be converted or repaid.

Other than as listed above, there have not been any other material events subsequent to the end of the reporting date and the date of this report that have not been included in this financial report.

## **AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, Bentleys, to provide the directors of the Consolidated Entity with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 8 and forms part of this directors' report for the half-year ended 31 December 2018.

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



**Adrian Griffin**  
**Managing Director**

Dated at Perth this 15th day of March 2019

### **Competent Persons Statement:**

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

To the Board of Directors

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

As lead audit partner for the review of the financial statements of Lithium Australia NL for the period ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**DOUG BELL CA**  
**Partner**

Dated at Perth this 15<sup>th</sup> day of March 2019

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
<b>Continuing Operations</b>			
Revenue		114,284	31,464
Other Revenue	2	1,577,062	2,006,221
Occupancy costs		(137,871)	(36,726)
Professional fees		(554,977)	(437,588)
Corporate fees		(373,078)	(336,802)
Laboratory/Plant expenses		(126,659)	-
Employee benefits expense		(1,875,204)	(1,530,643)
Administration costs		(302,889)	(358,499)
Fair value of investments adjustment		93	-
Depreciation and amortisation		(986,591)	(21,013)
Exploration and evaluation costs		(1,203,796)	(1,150,280)
Finance Costs		(1,527,160)	(36,088)
<b>Profit/(Loss) before income tax</b>		<b>(5,396,786)</b>	<b>(1,869,954)</b>
Income tax expense		-	-
<b>Profit/(Loss) from continuing operations</b>		<b>(5,396,786)</b>	<b>(1,869,954)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign currency		115,058	3,602
Net fair value loss on available for sale financial assets		(219,705)	4,876,472
<b>Total comprehensive income for the year</b>		<b>(5,501,433)</b>	<b>3,010,120</b>
<b>Profit/(Loss) for the year attributable to:</b>			
Members of the controlling entity		(5,383,666)	(1,869,954)
Non controlling interest		(13,120)	-
		<b>(5,396,786)</b>	<b>(1,869,954)</b>
<b>Total comprehensive income attributable to:</b>			
Members of the controlling entity		(5,488,313)	3,010,120
Non controlling interest		(13,120)	-
		<b>(5,501,433)</b>	<b>3,010,120</b>
Basic Loss per share (cents per share)		(1.19)	(0.60)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2018**

		<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents		10,917,621	18,339,857
Trade and other receivables	3	2,036,995	362,207
Financial assets	4	134,176	90,247
<b>Total Current Assets</b>		<b>13,088,792</b>	<b>18,792,311</b>
<b>Non Current Assets</b>			
Financial assets	4	1,626,249	1,905,954
Exploration Expenditure	5	6,228,288	2,915,044
Intangible assets	6	17,056,580	15,870,997
Property, plant and equipment		720,905	449,068
<b>Total Non Current Assets</b>		<b>25,632,022</b>	<b>21,141,063</b>
<b>TOTAL ASSETS</b>		<b>38,720,814</b>	<b>39,933,374</b>
<b>Current Liabilities</b>			
Trade and other payables		1,979,509	1,689,083
Convertible note	10	4,322,483	3,405,959
<b>Total Current Liabilities</b>		<b>6,301,992</b>	<b>5,095,042</b>
<b>TOTAL LIABILITIES</b>		<b>6,301,992</b>	<b>5,095,042</b>
<b>NET ASSETS</b>		<b>32,418,822</b>	<b>34,838,332</b>
<b>Equity</b>			
Issued capital	7	54,376,695	51,386,424
Reserves	8	3,895,668	3,904,663
Accumulated losses		(25,834,552)	(20,446,886)
<b>Controlling entity interest</b>		<b>32,437,811</b>	<b>34,844,201</b>
Non-controlling interest		<b>(18,989)</b>	<b>(5,869)</b>
<b>TOTAL EQUITY</b>		<b>32,418,822</b>	<b>34,838,332</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the Half-Year Ended 31 December 2018**

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Accumulated Losses	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	29,221,087	1,085,918	(2,414)	1,114,776	(16,290,873)	-	15,128,494
Profit for the period	-	-	-	-	(1,869,954)	-	(1,869,954)
<b>Other comprehensive income</b>							
Translation of foreign currency	-	-	3,602	-	-	-	3,602
Net fair value loss on available for sale financial assets	-	-	-	4,876,472	-	-	4,876,472
Total comprehensive loss for the period	-	-	3,602	4,876,472	(1,869,954)	-	3,010,120
Transaction with owner, directly recorded in equity:							
Issue of shares	8,163,837	-	-	-	-	-	8,163,837
Capital raising costs	(773,950)	-	-	-	-	-	(773,950)
Movement in performance rights	-	469,876	-	-	-	-	469,876
Transfer from investment revaluation reserve on disposal	-	-	-	(3,922,950)	3,922,950	-	-
<b>Balance at 31 December 2017</b>	<b>36,610,974</b>	<b>1,555,794</b>	<b>1,188</b>	<b>2,068,298</b>	<b>(14,237,877)</b>	<b>-</b>	<b>25,998,377</b>
	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Accumulated Losses	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	51,386,424	3,534,915	(26,246)	395,994	(20,446,886)	(5,869)	34,838,332
Loss for the period	-	-	-	-	(5,383,666)	(13,120)	(5,396,786)
<b>Other comprehensive income</b>							
Translation of foreign currency	-	-	115,058	-	-	-	115,058
Net fair value loss on available for sale financial assets	-	-	-	(219,705)	-	-	(219,705)
Total comprehensive loss for the period	-	-	115,058	(219,705)	(5,383,666)	(13,120)	(5,501,433)
Transaction with owner, directly recorded in equity:							
Issue of shares	2,990,271	-	-	-	-	-	2,990,271
Capital raising costs	-	-	-	-	-	-	-
Movement in performance rights	-	91,652	-	-	-	-	91,652
Transfer from investment revaluation reserve on disposal	-	-	-	4,000	(4,000)	-	-
<b>Balance at 31 December 2018</b>	<b>54,376,695</b>	<b>3,626,567</b>	<b>88,812</b>	<b>180,289</b>	<b>(25,834,552)</b>	<b>(18,989)</b>	<b>32,418,822</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Half-Year Ended 31 December 2018**

	31 December 2018	31 December 2017
Note	\$	\$
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers and employees	(2,704,271)	(1,802,789)
Payments for exploration and evaluation	(1,509,721)	(1,010,251)
Proceeds from R&D tax rebate	-	2,391,036
Interest received	114,284	31,464
Net cash used in operating activities	<u>(4,099,708)</u>	<u>(390,540)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(327,228)	(32,500)
Payment for intangible assets	(2,211,975)	(536,757)
Proceeds from the sale of other financial assets	60,000	7,190,236
Payment for other financial assets	(44,009)	(101,418)
Payments for exploration assets	(914,375)	-
Net cash used in investing activities	<u>(3,437,587)</u>	<u>6,519,561</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	-	6,949,410
Payment for capital raising costs	-	-
Net cash generated by financing activities	<u>-</u>	<u>6,949,410</u>
Net increase/(decrease) in cash held	(7,537,295)	13,078,431
Cash and cash equivalents at the beginning of the period	18,339,857	2,586,506
Effects of exchange rates on consolidation	115,059	-
<b>Cash and cash equivalents at the end of the period</b>	<u><u>10,917,621</u></u>	<u><u>15,664,937</u></u>

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

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **For the half-year ended 31 December 2018**

These consolidated financial statements and notes represent those of Lithium Australia NL and its controlled entity (the "Consolidated entity"). Australia NL is a no liability company, incorporated and domiciled in Australia.

The Consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements for the period ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 15 March 2019.

#### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### ***Basis of Preparation***

The half-year financial report is a general-purpose financial statement, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The half-year financial report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report of Lithium Australia NL as at 30 June 2018 and any public announcements made by the Consolidated Entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The half-year financial statements have been prepared in accordance with the accounting policies adopted in the consolidated entity's last annual financial statements for the year ended 30 June 2018.

##### **(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 \$5,396,786 (31 Dec 2017: \$1,869,954), net cash outflows from operating and investment activities of \$7,537,295 (31 Dec 2017 inflows: \$6,129,021) during the half year ended 31 December 2018. As at balance date the Group had a working capital surplus of \$6,786,800 (30 June 2018: \$13,697,269).

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the half-year ended 31 December 2018 (continued)

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

- The Group has the ability to defer discretionary costs as and when required;
- The convertible note owing to Arena Investors L.P can be repaid by way of cash or shares at either the Company or Arena's discretion;
- The Group if required can realise its investments in listed entities as disclosed in note 4;
- The Group has the ability to raise additional capital through the Acuity Controlled Placement Agreement which provides the Group with up to \$12.5 million of standby equity capital;
- In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

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

#### (ii) Accounting Standards that are mandatorily effective for the current reporting period

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year.

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

- AASB 15 Revenue from Contracts with Customers and related amending Standards
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

#### AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

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

## 2. OTHER REVENUE

	2018	2017
	\$	\$
Sale of Tenements	-	200,000
R&D Rebate	1,531,207	1,790,380
Administration Fee	45,855	15,841
	<b>1,577,062</b>	<b>2,006,221</b>

## 3. TRADE AND OTHER RECEIVABLES

	31-Dec-18	30-June-18
	\$	\$
Other Debtors	100,084	61,557
GST Receivable	405,704	300,650
R&D Receivable	1,531,207	-
	<b>2,036,995</b>	<b>362,207</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2018 (continued)**

**4. FINANCIAL ASSETS**

	<b>31-Dec-18</b>	<b>30-June-18</b>
	\$	\$
Current		
Fixed term deposits	134,176	90,247
	<u>134,176</u>	<u>90,247</u>
Non-current		
Available for sale Australian listed shares – Level 1 fair value	1,563,834	1,659,834
Available for sale Canadian listed shares – Level 1 fair value	62,415	246,120
	<u>1,626,249</u>	<u>1,905,954</u>
<b>Reconciliation of financial assets:</b>	<b>31-Dec-18</b>	<b>30-June-18</b>
	\$	\$
Opening balance	1,996,201	5,631,545
Purchases	148,569	321,289
Disposals	(164,640)	(3,256,850)
Revaluation increase/(decrease) through financial asset reserve	(219,705)	(699,783)
Closing balance	<u>1,760,425</u>	<u>1,996,201</u>

**5. CAPITALISED EXPLORATION EXPENDITURE**

	<b>31-Dec-18</b>	<b>30-June-18</b>
	\$	\$
Opening balance	2,915,044	2,977,849
Additions:		
Sadisdorf Acquisition	1,547,573	76,986
Hegelshöhe Acquisition	1,624,560	-
Lithium Rights at Lake Johnston	-	(78,750)
Interest in Rights of Buckland	-	(111,991)
Youanmi Acquisition	104,427	-
Moolyella Acquisition	-	50,950
E27/562 Acquisition	36,684	-
Closing balance	<u>6,228,288</u>	<u>2,915,044</u>

**6. INTANGIBLE ASSETS**

	<b>31-Dec-18</b>			
	<b>Patents</b>	<b>Development Costs</b>	<b>Intellectual Property</b>	<b>Total</b>
	\$	\$	\$	\$
Opening balance	380,573	5,904,115	9,586,309	15,870,997
Acquisition	-	-	-	-
Expenditure during the period (i)	540	2,116,244	-	2,116,784
Less: Amortisation of intangible asset	(16,799)	-	(914,402)	(931,201)
Closing balance	<u>364,314</u>	<u>8,020,359</u>	<u>8,671,907</u>	<u>17,056,580</u>

(i) During the period, the company spent \$2,116,784 on development and patent costs relating to the new lithium technology, cathode technology and battery recycling.

	<b>30-Jun-18</b>			
	<b>Patents</b>	<b>Development Costs</b>	<b>Intellectual Property</b>	<b>Total</b>
	\$	\$	\$	\$
Opening balance	96,600	3,603,345	-	3,699,945
Acquisition	-	-	10,192,597	10,192,597
Expenditure during the period	-	2,300,770	-	2,300,770
Additions through acquisition	288,173	-	-	288,173
Less: Amortisation of intangible asset	(4,200)	-	(606,288)	(610,488)
Closing balance	<u>380,573</u>	<u>5,904,115</u>	<u>9,586,309</u>	<u>15,870,997</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2018 (continued)**

**7. ISSUED CAPITAL**

	31-Dec-18		30-Jun-18	
	Number	\$	Number	\$
<b>Fully Paid Ordinary Shares</b>				
Opening Balance	428,476,552	50,528,434	284,457,338	29,219,467
Issue of shares to directors and staff	-	-	2,302,261	348,527
Issue of shares in lieu of payment	-	-	5,009,178	702,926
Issue of shares (i)	21,325,531	2,362,870	-	-
Issue of shares	-	-	58,250,000	8,379,047
Issue of shares	-	-	61,133,540	9,781,367
Issue of shares	-	-	165,653	25,000
Issue of shares (ii)	14,000,000	591,402	17,158,582	2,921,148
Transaction Costs	-	-	-	(849,048)
Closing Balance	<b>463,802,083</b>	<b>53,482,706</b>	<b>428,476,552</b>	<b>50,528,434</b>

- (i) On 13 September 2018 the Company entity issued 21,325,531 fully paid ordinary shares as consideration for the acquisition of the Sadisdorf and Hegelshöhe Exploration Permits.
- (ii) On 1 March 2018, the Company secured \$18,270,000 (face value \$21,000,000) convertible note facility with a leading institutional investor, Arena Investors LP. Pursuant to the convertible note agreement, the company issued the following shares:
- 19 April 2018 702,879 fully paid ordinary shares;
  - 24 April 2018 2,141,048 fully paid ordinary shares;
  - 07 May 2018 2,226,632 fully paid ordinary shares;
  - 17 May 2018 1,531,784 fully paid ordinary shares;
  - 23 May 2018 1,539,263 fully paid ordinary shares;
  - 31 May 2018 1,675,333 fully paid ordinary shares;
  - 14 June 2018 2,605,006 fully paid ordinary shares;
  - 26 June 2018 4,736,637 fully paid ordinary shares;
  - 26 July 2018 7,000,000 fully paid ordinary shares;
  - 10 September 2018 2,500,000 fully paid ordinary shares and
  - 19 September 2018 4,500,000 fully paid ordinary shares.

	31-Dec-18		30-Jun-18	
	Number	\$	Number	\$
<b>Partly-paid contributing shares -25 cents</b>				
Opening Balance	168,416,918	857,989	132,850,148	1,620
Issue of shares (i)	1,500,000	36,000	30,566,770	855,869
Issue of shares in lieu of payment	-	-	5,000,000	500
Closing Balance	<b>169,916,918</b>	<b>893,989</b>	<b>168,416,918</b>	<b>857,989</b>

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

**8. RESERVES**

	31-Dec-18	30-Jun-18
	\$	\$
Option reserve	2,504,883	2,504,883
Investment revaluation reserve	180,289	395,994
Foreign currency translation reserve	88,812	(26,246)
Performance rights reserve	1,121,684	1,030,032
	<b>3,895,668</b>	<b>3,904,663</b>
<b>Option Reserve</b>		
Opening Balance	2,504,883	756,270
Issue of options pursuant to the convertible note agreement	-	1,748,613
Closing Balance	<b>2,504,883</b>	<b>2,504,883</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the half-year ended 31 December 2018 (continued)

#### 8. RESERVES (continued)

##### Investment Revaluation Reserve

Opening Balance	395,994	1,114,776
Net gain/(loss) arising on revaluation of financial assets	(215,705)	(718,782)
Closing Balance	180,289	395,994

Upon disposal of financial assets, the Group transfers all accumulated gains or losses in the financial asset reserve pertaining to the financial asset to retained earnings.

##### Foreign Currency Translation Reserve

Opening Balance	(26,246)	(2,414)
Exchange differences arising on translating foreign subsidiary	115,058	(23,832)
Closing Balance	88,812	(26,246)

##### Performance Rights Reserve

Opening Balance	1,030,032	329,648
Amortisation/Issue of performance rights	91,652	700,384
Closing Balance	1,121,684	1,030,032

#### 9. SEGMENT INFORMATION

##### Segment performance

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

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

Types of reportable segments:

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

##### Basis of accounting for purposes of reporting by operating segments

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

##### Segment assets

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

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

##### Segment liabilities

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

##### Unallocated items

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2018 (continued)**

**9. SEGMENTS INFORMATION (continued)**

**(i) Segment revenues and results**  
**31 December 2018**

	Processing Technology	Exploration	Total
	\$	\$	\$
Revenue	-	-	-
Loss	(931,200)	(1,203,796)	(2,134,996)
<b>Total segment loss</b>	<b>(931,200)</b>	<b>(1,203,796)</b>	<b>(2,134,996)</b>

Reconciliation of segment result to Consolidated entity net loss

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

**31 December 2017**

	Processing Technology	Exploration	Total
	\$	\$	\$
Revenue	-	-	-
Loss	(2,100)	(1,150,280)	(1,152,380)
<b>Total segment loss</b>	<b>(2,100)</b>	<b>(1,150,280)</b>	<b>(1,152,380)</b>

Reconciliation of segment result to Consolidated entity net loss

Unallocated items			
- Interest revenue			31,464
- Other revenue			2,006,221
- Other expenses			(2,755,259)
<b>Net loss from continuing operations</b>			<b>(1,869,954)</b>

**(ii) Segment Assets**

	Processing Technology	Exploration	Total
	\$	\$	\$
<b>31 December 2018</b>			
<b>Segment Assets</b>	17,056,580	6,228,288	23,284,868
Unallocated assets			
- Cash and cash equivalents			10,917,621
- Trade and other receivables			2,036,995
- Other			2,481,330
<b>Total company assets</b>			<b>38,720,814</b>

	Processing Technology	Exploration	Total
	\$	\$	\$
<b>30 June 2018</b>			
<b>Segment Assets</b>	15,870,997	2,915,044	18,786,041
Unallocated assets			
- Cash and cash equivalents			18,339,857
- Trade and other receivables			362,207
- Other			2,445,269
<b>Total company assets</b>			<b>39,933,374</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2018 (continued)**

**9. SEGMENTS INFORMATION (continued)**

(iii) **Segment Liabilities**

<b>31 December 2018</b>	<b>Processing Technology</b>	<b>Exploration</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Liabilities</b>	401,152	245,210	646,362
Unallocated liabilities			
- Trade and other payables			5,655,630
<b>Total company liabilities</b>			<b><u>6,301,992</u></b>
<b>30 June 2018</b>	<b>Processing Technology</b>	<b>Exploration</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Unallocated liabilities	317,215	208,943	526,158
- Trade and other payables			1,162,925
- Convertible note			3,405,959
<b>Total company liabilities</b>			<b><u>5,095,042</u></b>

**10. CONVERTIBLE NOTE**

	<b>31-Dec-18</b>	<b>30-Jun-18</b>
	<b>\$</b>	<b>\$</b>
Issue of Convertible Notes at Face Value	8,500,000	8,500,000
Transaction Costs	(3,448,613)	(3,448,613)
Conversion to Equity	(3,512,550)	(2,921,148)
Amortisation of transaction costs	2,783,646	1,275,720
	<b><u>4,322,483</u></b>	<b><u>3,405,959</u></b>

The terms of the agreement were as follows:

- Issue of up to 21,000,000 Convertible Notes at a face value of \$21,000,000 with a discount rate of 13%;
- Conversion period is within 12 months of the issue date of each Convertible Note tranche and is to be settled by LIT via the issue of fully paid ordinary shares or by cash, at LIT's discretion;
- The face value of the convertible note is \$1 per convertible note;
- Interest of 2% per annum;
- Transaction fee equal to 2% of the face value of the Convertible Notes issued;
- Issue of Options to Arena for each convertible note tranche issued;
  - The exercise price of each Option is 130% of the average VWAP of LIT's shares
  - Expiry date of 3 years after the issue of the convertible notes
- The Company also has a fee payable to a separate, unrelated external party equal to 5% of the face value of the Convertible Notes issued;
- The Convertible Notes are unsecured.

During the period, the Company converted the remainder of Tranche 1 to ordinary shares as per Note 11 and has terminated the Arena Convertible Note Facility.

On 14 February 2019, the parties agreed to the termination of the Arena Investors, LP convertible note facility. Refer to Note 11 for further details.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the half-year ended 31 December 2018 (continued)

#### 11. SUBSEQUENT EVENTS

- (a) On 3 January 2019, the Company issued 5,000,000 performance rights pursuant to the Lithium Australia NL Securities Incentive Plan as described in the Notice of Meeting Explanatory Memorandum dated 27 March 2018; and as approved at the Company's General Meeting held on 30 April 2018.
- (b) On 3 January 2019, the Company cancelled 1,250,000 performance rights.
- (c) On 13 February 2019, the Company issued 1,367,637 fully paid ordinary shares to suppliers and 1,018,830 fully paid ordinary shares under the Director & Senior Management Fee & Remuneration Sacrifice Share Plan.
- (d) On 14 February 2019, the parties agreed to the termination of the Arena Investors, LP convertible note facility. Terms of the Deed included the continuation of the current \$5m convertible note. Terms and conditions in regard to the currently outstanding \$5m convertible note remain applicable until redemption of the convertible note on 23 May 2019. Upon redemption date, the convertible note will either be converted or repaid.

#### 12. COMMITMENTS

##### (a) Exploration Expenditure

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

	2018	2017
	\$	\$
Within 12 months	1,766,920	1,833,520
12 Months or longer and not longer than 5 years	1,766,920	1,833,520
Longer than 5 years	-	-
Total	<u>3,533,840</u>	<u>3,667,040</u>

#### 13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There has been no significant change in contingent assets and/or contingent liabilities since the last annual report. Please refer to the 30 June 2018 annual financial report.

#### 14. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade and other receivable and trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

Financial assets

The Group's Held for trading financial assets are level-1 financial instruments and valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

## DIRECTORS' DECLARATION

The directors of Lithium Australia NL declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards AASB 134: *Interim Financial Reporting*; and
  - (b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2018 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the period ended on that date; and
2. At the date of this statement there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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



**Adrian Griffin**  
**Managing Director**

Dated at Perth this 15<sup>th</sup> day of March 2019

## Independent Auditor's Review Report

### To the Members of Lithium Australia NL

We have reviewed the accompanying financial report of Lithium Australia NL ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

### Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Lithium Australia NL and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1(i) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$5,396,786 during the half year ended 31 December 2018. As stated in Note 1(i), these events or conditions, along with other matters as set forth in Note 1(i), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



**BENTLEYS**  
Chartered Accountants



**DOUG BELL CA**  
Partner

Dated at Perth this 15<sup>th</sup> day of March 2019