LITHIUM AUSTRALIA NL

(FORMERLY COBRE MONTANA NL)

ABN 29 126 129 413

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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CORPORATE DIRECTORY

DIRECTORS

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

AUDITORS

Bentleys
London House Level 3
216 St Georges Terrace
PERTH WA 6000

COMPANY SECRETARY

Barry Woodhouse (appointed 21 August 2015)
Amanda Wilton-Heald (appointed 10 November 2014)
and resigned 21 August 2015)

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Email: info@lithium-au.com
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STOCK EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange Limited.
Home Exchange: Perth
ASX Codes: LIT and LITCC

DIRECTORS' REPORT

The Directors present their report on Lithium Australia NL (formerly Cobre Montana NL) and its controlled entities ("Consolidated Entity") for the half-year ended 31 December 2015.

BOARD OF DIRECTORS

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

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

COMPANY SECRETARY

Barry Woodhouse (appointed 21 August 2015)
Amanda Wilton-Heald (appointed 10 November 2014 and resigned 21 August 2015)

REVIEW OF OPERATIONS

RECOGNISING AND ADDRESSING AN UNPARALLELED OPPORTUNITY

Early in the 2014/15 year, Lithium Australia NL (LIT) noticed an important change in the dynamics of lithium supply – a broadening supply gap and a potential shortage of available lithium. The dynamics on the supply side are complex and controlled by only a handful of producers. LIT saw an unparalleled opportunity to develop an independent supply stream.

Lithium micas, long considered waste by the lithium chemical industry, comprise the most abundant group of lithium minerals worldwide. Recognising this, LIT sought to develop a metallurgical process that could well create a supply-stream solution; that is, producing lithium carbonate from the waste from mining operations to fill the widening supply gap projected for the battery market. Initial laboratory tests confirmed the efficacy of a process that permits what was previously 'waste' to be labelled 'ore'. The test work was undertaken by Strategic Metallurgy Pty Ltd and the process named "L-Max".

The L-Max process has a very low energy footprint, and unlike other processes investigated in the past, requires no roasting. Significant by-product credits enhance the economics and estimated operating costs suggest the L-Max process will be competitive with the world's most efficient producers provided the feed to the carbonate plant incurs a low mining cost. LIT has identified a number of projects where this waste feed is available.

The abundance and availability of lithium micas not historically assessed for resource potential have provided LIT with scope for establishing a project portfolio of significance in the lithium industry and reaping the rewards of first-mover advantage. LIT has now made significant progress towards its goal of controlling the world's largest lithium inventory. This has been achieved by strengthening strategic relationships, which has provided immediate access to mineralised material, and targeting areas of high prospectivity for lithium micas, until now a 'forgotten resource'.

Identifying the opportunity

In July 2014, a projected long-term supply deficit in the lithium market prompted LIT to review lithium occurrences in Western Australia. It soon became apparent that much of the State's lithium was locked in the micas, lepidolite and zinnwaldite, neither of which has previously been mined to produce lithium chemicals. The materials themselves were not a 'Resource' or 'Ore' under the JORC 2012 Code as there was no way of economically recovering the lithium from them. As a consequence, there was little point in undertaking field programs to quantify their abundance in any locality, as by JORC definition, this would not result in defining a "resource" as there could be no commercial outcome without an expectation of being able to profitably recover lithium without first having a viable process to do so. Therefore, a metallurgical breakthrough was needed prior to detailed deposit evaluation.

The first successful leach tests were conducted upon a lepidolite specimen purchased on the internet. Larger samples were subsequently required for bulk testing, which necessitated access to identified mineralisation. Negotiations to acquire the first of LIT's identified lithium mica deposits commenced in July 2014.

First access to lepidolite deposits – September 2014

A number of areas of abundant lepidolite were targeted for evaluation, not only to supply the bulk test material needed to prove the veracity of the leach process but also to recover enough leach solutions to investigate downstream processing and the production of lithium chemicals.

LIT's first project, Ravensthorpe, was procured by way of an option to purchase from Dempsey Minerals Ltd (ASX: DMI). Located near Ravensthorpe in Western Australia, the project covers the Cocanarup Pegmatite Field, which in the past has produced various commodities hosted by the pegmatites.

The second project, the Coolgardie Rare Metals Venture, also in Western Australia, is an initiative with Focus Minerals Limited (ASX: FML). It includes the historic lithium production centre of Lepidolite Hill. Under the terms of its agreement with FML, LIT has the rights to all metals derived from pegmatites on the property and will free-carry a 20% FML interest to the point at which a decision is made to commit to feasibility.

Production of battery-grade lithium carbonate – October 2014

Bulk samples from Lepidolite Hill were subjected to flotation, producing a high-grade lepidolite concentrate that was subsequently leached. Further processing of the leach liquor removed unwanted impurities and precipitated battery-grade lithium carbonate. **This result was achieved less than three months after obtaining access to the first of the Western Australian deposits**.

Lithium process breakthrough delivers 25-year license agreement

In recognition of LIT's collaboration in developing the lithium mica extraction technology, the owners of L-Max granted LIT an exclusive licence to use the technology in Western Australia for more than 25 years, plus two other licences that can be used anywhere in the world. One of these licences has been assigned to the Cinovec Project for which LIT has a Memorandum of Understanding with European Metals Holdings Limited (ASX: EMH).

Access to more deposits in Western Australia

LIT's success in producing battery-grade lithium carbonate from lithium mica has prompted global interest and led to a number of collaborative agreements. Those agreements include the Seabrook Rare Metals Venture with Tungsten Mining NL (ASX: TGN), where LIT has the rights to all metals except tungsten. A 20% TGN interest will be free-carried to the point at which a decision is made to commit to feasibility.

LIT has extended an agreement with Pilbara Minerals Limited (ASX: PLS) to assess PLS's Pilgangoora project in the north-west of Western Australia, with a view to presenting PLS with a commercial development proposal by December 2016. Material from Pilgangoora is presently the subject of metallurgical testing.

Subsequent to the period end, LIT entered into an agreement with Venus Metals Corporation Limited (ASX:VMC) to assess VMC's Pilgangoora project in the north-west of Western Australia, with a view to presenting VMC with a commercial development proposal.

LIT's strategy is to create a processing hub in or around Port Hedland and process material currently considered to be uneconomic.

From a focus on tin to a major lithium resource in two months
In December 2014, LIT announced an agreement with European Metals Holdings Ltd (ASX: EMH). Under the terms of that agreement, LIT agreed to assess the lithium potential of the 100% EMH-owned Cinovec tin/tungsten deposit in the Czech Republic.

5. REVIEW OF OPERATIONS (CONTINUED)

Although a published lithium resource existed there, EMH recognised that the proposed techniques for lithium extraction involved roasting and hence were high-cost processing routes which historically had not been competitive.

Laboratory tests revealed that the Cinovec zinnwaldite responds well to both concentration by flotation and further acid leaching.

As a consequence of that metallurgical success and additional drilling, the deposit has been re-modelled, the result being publication of the following resource statement:

- an Inferred Resource of 5.5 Mt LCE*, 514.8 Mt @ 0.43% Li_2O (0.1% Li cut-off), and
- an additional Exploration Target of 3.4–5.3 Mt LCE, being 350–450 Mt @ 0.39–0.47% Li_2O.

*LCE = lithium carbonate equivalent, a common measure for reporting lithium production and demand.
LCE = Li_2O % x 2.473.

***Cautionary statement** The potential quantity and grade of the Exploration Target, is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Both the conversion of an opportunity into reality via the application of new technology to a 'forgotten resource' and the elevation of an unknown deposit into one of the world's five largest hard-rock lithium deposits are testament to the potential of LIT to realise its ultimate goal: that of controlling the greatest lithium inventory of any company.

The rapid progress of developing this processing system is a credit to all involved. The potential to improve recoveries to the extent demonstrated is the holy grail of hydrometallurgical processing. But that isn't where it ends – the ability to recover value added products from every major metal in the solution suggests LIT is on the verge of unveiling a lithium extraction process commercially unrivalled by anything else presently in production….
…Introducing the Sileach™ process – the Company applied for provisional patent in early February 2016. Further comments in relation to the Sileach™ process are listed below.

Looking ahead

Subsequent to year end, LIT patented its own process, the Sileach™ process, to extract lithium from spodumene and other lithium silicates. This currently provisional patent will reduce LIT's reliance on third party technologies. LIT intends to refine and commercialise the Sileach™ process in the coming months by pilot plant testing of a variety of material types. It is currently expected to commence pilot plant testing in June 2016.

LIT continues to pursue the production of battery-grade lithium carbonate from micas, **and now spodumene**, with cost competitive processing techniques. This gives it significant 'first mover' advantage, as does the exclusive nature of its wholly owned Sileach™ process and other extraction technology licences.

LIT will assess the Electra Project in Sonora Mexico in joint venture with Alix Resources Corporation (TSXV: AIX). LIT is reviewing other opportunities in Africa, Europe, the Americas and Australia.

RESULTS OF OPERATIONS

The operating loss after income tax of the Consolidated Entity for the half-year ended 31 December 2015 was $1,759,795 (31 December 2014: $522,601).

No dividend has been paid during or is recommended for the financial period ended 31 December 2015.

FINANCIAL POSITION

The Consolidated Entity's working capital, being current assets less current liabilities was $526,558 at 31 December 2015 (30 June 2015: working capital of $527,523). There has been a marked improvement in the working capital position since LIT changed its strategy to pursue lithium opportunities. LIT continues to receive keen interest from partly-paid shareholders in relation to the conversion of the five cent partly paid shares that are currently paid to $0.021. Subsequent to year end the Company was successful in raising $6.5m which has secured its ability to progress its medium term business objectives. Further information on this is listed in After Balance Date events.

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.

SUBSEQUENT EVENTS

On 11 January 2016, the Company issued 2,780,750 ordinary fully paid shares on conversion of the five cent partly paid shares paid to $0.021 (LITCC) to fully paid ordinary shares (LIT) at an issue price $0.029 to raise $80,642 before costs.

On 15 January 2016, the Company issued 855,000 ordinary fully paid shares on conversion of LITCC to LIT, at an issue price $0.029 to raise $24,795 before costs.

On 20 January 2016, the Company issued 30,000,000 ordinary fully paid shares at an issue price $0.14 per share following completion of a $4.2m funding package before costs. LIT initially received $600,000 of the Lanstead investment upfront with the remainder of the investment to be distributed under the terms of an equity sharing agreement between the two parties. Under the agreement, LIT will receive 18 monthly cash settlements for the remaining $3.4m of the investment by Lanstead. This sharing agreement allows LIT to secure much of the potential upside arising from future news flow and any share price appreciation of LIT.

The value of further advances subject of the equity sharing agreement will be determined by LIT's share price each month based on a volume weighted average price for 5 trading days prior to each settlement date measured against a benchmark price of $0.1867 per share. If the LIT share price exceeds the benchmark price for that month, LIT will receive more than 100% of the monthly settlement due on a pro rata basis. Importantly, there is no upper limit placed on the additional funds receivable by the Company as part of the monthly settlements. Should the LIT share price dip below the benchmark price for the month, LIT will receive less than 100% of the expected monthly settlement due, on a pro rata basis (so the total cash received may exceed or fall below $4m). In addition, LIT has agreed to make a value payment to Lanstead of 1,428,571 ordinary shares as consideration for the sharing agreement. The future performance of the LIT share price will not result in any increase to the number of shares issued to Lanstead.

On 20 January 2016, the Company issued 150,000 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $4,350.

On 20 January 2016, the Company issued 1,485,403 ordinary fully paid shares at various deemed issue prices per share as part of the Director and Senior Management Fee & Remuneration Sacrifice Share Plan.

On 22 January 2016, the Company issued 1,028,285 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $29,821.

On 29 January 2016, the Company issued 1,563,462 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $45,340.

On 5 February 2016, the Company issued 79,735 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $2,312.

On 26 February 2016, the Company issued 2,160,445 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $62,653.

On 4 March 2016, the Company issued 2,927,639 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $84,902.

On 11 March 2016, the Company issued 1,242,004 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $36,018.

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 6 and forms part of this directors' report for the half-year ended 31 December 2015.

This report has been made in accordance with a resolution of the Board of Directors.

Adrian Griffin
Managing Director

Dated at Perth this 15th day of March 2016

Competent Person's Statement

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

Bentleys
THINKING AHEAD

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To the Board of Directors

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

As lead audit director for the review of the financial statements of Lithium Australia NL for the half year ended 31 December 2015, 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	**MARK DELAURENTIS CA**
Chartered Accountants	**Director**

Dated at Perth this 15th day of March 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2015

	Note	31 December 2015 $	31 December 2014 $
Continuing Operations			
Revenue		4,690	22
Other revenue		25	-
Occupancy costs		(35,000)	(16,000)
Professional fees		(44,935)	(109,056)
Corporate fees		(120,168)	(41,878)
Employee benefits expense		(369,728)	(304,553)
Share based payment expense		(792,243)	(8,692)
Administration costs		(48,712)	(15,583)
Fair value of investments adjustment		-	(1,522)
Exploration and evaluation costs written off		(256,084)	(25,339)
Loss on disposal of subsidiary		(97,640)	-
Loss before income tax		(1,759,795)	(522,601)
Income tax expense		-	-
Loss from continuing operations		(1,759,795)	(522,601)
Other comprehensive income		-	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operation		-	(50,145)
Foreign exchange translation of subsidiary disposed of, transferred to income statement		94,304	-
Total comprehensive income for the period		(1,665,491)	(572,746)
Loss for the year attributable to:			
Members of the controlling entity		(1,759,795)	(521,776)
Non-controlling interest		-	(835)
		(1,759,795)	(572,746)
Total comprehensive income attributable to:			
Members of the controlling entity		(1,665,491)	(571,911)
Non controlling interest		-	(835)
		(1,665,491)	(572,746)
Basic loss per share (cents per share)		1.33	0.62

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 2015

	Note	31 December 2015 $	30 June 2015 $
Current Assets			
Cash and cash equivalents		999,574	852,685
Trade and other receivables		103,236	91,328
Other assets		-	9,375
Total Current Assets		1,102,810	953,388
Non Current Assets			
Financial assets		3,097	3,322
Exploration Expenditure	5	22,000	22,000
Intangibles	6	268,552	-
Property, plant and equipment		8,384	3,365
Total Non Current Assets		302,033	28,687
TOTAL ASSETS		1,404,843	982,075
Current Liabilities			
Trade and other payables		576,252	425,535
Total Current Liabilities		576,252	425,535
TOTAL LIABILITIES		576,252	425,535
NET ASSETS		**828,591**	**556,540**
Equity			
Issued capital	7	11,710,766	10,565,467
Reserves		800,935	35,583
Accumulated losses		(11,683,110)	(10,044,510)
TOTAL EQUITY		**828,591**	**556,540**

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 2015

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non Controlling Interest	Total
	$	$	$	$	$	$
Balance at 1 July 2014	8,567,085	457,094	(41,471)	(8,791,905)	(171,073)	19,730
Loss for the period	-	-		(521,766)	(835)	(522,601)
						-
Exchange differences on translation of foreign subsidiary	-	-	(50,145)	-	-	(50,145)
Total comprehensive loss for the period	-	-	(50,145)	(521,766)	(835)	(572,746)
Transaction with owner, directly recorded in equity:						
Issue of shares	909,371	-	-	-	-	909,371
Capital raising costs	(88,766)	-	-	-	-	(88,766)
Option valuation reserve	-	8,692	-	-	-	8,692
Balance at 31 December 2014	**9,387,690**	**465,786**	**(91,616)**	**(9,313,671)**	**(171,908)**	**276,281**
Balance at 1 July 2015	10,565,467	129,887	(94,304)	(10,044,510)	-	556,540
Loss for the period	-	-		(1,759,795)	-	(1,759,795)
Other comprehensive income	-	-	-	-	-	-
Exchange differences on translation of foreign subsidiary	-	-	94,304	-	-	94,304
Total comprehensive loss for the period	-	-	94,304	(1,759,795)	-	(1,665,491)
Transaction with owner, directly recorded in equity:						
Issue of shares	1,156,920	-	-	-	-	1,156,931
Capital raising costs	(11,621)	-	-	-	-	(11,632)
Issue of performance rights and performance option rights	-	792,243	-	-	-	792,243
Options expired		(121,195)	-	121,195		-
Balance at 31 December 2015	**11,710,766**	**800,935**	**-**	**(11,683,110)**	**-**	**828,591**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2015

	31 December 2015	31 December 2014
	$	$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(478,033)	(157,280)
Payments for exploration and evaluation	(219,356)	(125,478)
Interest received	4,690	22
Net cash outflow from operating activities	(692,699)	(282,736)
Cash Flows from Investing Activities		
Sale of financial assets	250	-
Purchase of property, plant and equipment	(8,123)	-
Payments for intangible assets	(151,511)	-
Net cash outflow from investing activities	(159,384)	-
Cash Flows from Financing Activities		
Proceeds from issue of shares and options	1,010,593	800,000
Payment for capital raising costs	(11,621)	(3,591)
Net cash inflows from financing activities	998,972	796,409
Net increase in cash held	146,889	513,673
Cash and cash equivalents at the beginning of the period	852,685	334,193
Cash and cash equivalents at the end of the period	999,574	847,866

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

1. CORPORATE INFORMATION

The financial report of Lithium Australia NL and controlled entities ("the Consolidated Entity") for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 15 March 2016. Lithium Australia NL is a no liability company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange. The Company changed its name from Cobre Montana NL on 15 July 2015.

The nature of the operations and principal activities of the Consolidated Entity are described in the directors' report that is included in this report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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 2015 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 2015.

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.

The Consolidated Entity adopted the following new accounting policies during the half year period:

Intangible assets

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

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

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.

New or revised standards and interpretations that are first effective in the current reporting period
The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the 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 half-year that are relevant to the Group include:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

The adoption of the above standards have not had a material impact on this half year financial report.

3. SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

For management purposes the consolidated entity has two segments which are exploration activities relating to minerals and research and development.

Refer to the relevant financial statements for details on assets, liabilities, revenues and expenses monitored by the Board.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the reporting period end 31 December 2015 is as follows:

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Consolidated entity has tenements in Western Australia. However, the Board, on a functional perspective, has identified that there are two reportable segments, being exploration of minerals and research and development.

Refer to the relevant financial statements for details on assets, liabilities, revenues and expenses monitored by the Board.

4. OPERATING SEGMENTS

(i) Segment performance

31 December 2015

	R&D	**Exploration**	**Total**
	$	$	$
Revenue	-	-	-
Expenses	(2,100)	(256,084)	(258,184)
Total segment loss	**(2,100)**	**(256,084)**	**(258,184)**

NOTES TO THE FINANCIAL STATEMENTS
For The half-year ended 31 December 2015 (continued)

4. OPERATING SEGMENTS (continued)

	Total
Reconciliation of segment result to Company net loss	$
i) Unallocated items	
- Interest revenue	4,690
- Other	(1,508,301)
Net loss from continuing operations	**(1,759,795)**

31 December 2014

	Exploration	Total
	$	$
Revenue	-	-
Expenses	(25,339)	(25,339)
Total segment loss	**(25,339)**	**(25,339)**

Reconciliation of segment result to Company net loss	
i) Unallocated items	
- Interest revenue	22
- Other	(497,284)
Net loss from continuing operations	**(522,601)**

(ii) Segment Assets

31 December 2015

	R&D	Exploration	Total
	$	$	$
Segment Assets	268,552	22,000	290,552
Unallocated assets:			
- Cash and cash equivalents			999,574
- Trade and other receivables			103,236
- Other Assets			11,481
Total Company Assets			**1,404,843**

30 June 2015

	Exploration	Total
	$	$
Segment Assets	22,000	22,000
Unallocated assets:		
- Cash and cash equivalents		852,685
- Trade and other receivables		91,328
- Other Assets		16,062
Total Company Assets		**982,075**

5. CAPITALISED EXPLORATION EXPENDITURE

	31-Dec-15	30-Jun-15
	$	$
Opening balance	**22,000**	-
Options fees paid – Ravensthorpe E74/0543	-	22,000
Closing balance	**22,000**	**22,000**

The ultimate recoupment of the deposit for Ravensthorpe in Western Australia is dependent on the successful development and commercial exploitation or scale of the project.

6. INTANGIBLE ASSETS

	31-Dec-15	30-Jun-15
	$	$
Opening balance	-	-
Expenditure during period (i)	270,652	
Less: Amortisation of intangible asset	(2,100)	-
Closing balance	**268,552**	-

(i) During the period, the company entered into a license arrangement for lithium processing technology for $105,000.
During the period, the company spent $165,652 on development costs relating to the new lithium processing technology.

7. ISSUED CAPITAL

(a) Issued and paid up capital

	31 December 2015		30 June 2015	
	Number	$	Number	$
Share capital				
Ordinary Shares				
Fully paid of no par value	140,511,361	11,709,296	129,885,715	10,564,297
(b) Movement in ordinary shares on issue				
Other equity securities				
Partly-paid contributing shares	44,443,406	1,470	49,628,001	1,170
Total contributed equity	**184,954,767**	**11,710,766**	**179,483,716**	**10,565,467**

7. ISSUED CAPITAL (CONTINUED)

Reconciliation of the number of Ordinary Shares - fully paid

Movements in ordinary share capital of the Company during the period as follows:

	No. of shares	Value $
Opening balance 1 July 2015	129,855,715	10,564,297
Shares issued during the period:		
8 July 2015 (i)	1,794,868	99,974
8 July 2015 (ii)	301,183	16,053
22 July 2015 (iii)	375,000	30,000
31 July 2015 (iv)	1,260,000	49,140
31 July 2015 (v) (CXBCA to LITCB conversion+)	+-	320,345
8 September 2015 (vi) (CXBCA to LITCB conversion+)	+-	73,615
23 October 2015 (vii) (LITCB conversion)	200,000	7,800
30 October 2015 (viii) (LITCB conversion)	576,779	22,494
13 November 2015 (ix) (LITCB conversion)	2,117,208	82,571
20 November 2015 (x) (LITCB to LITCC conversion+)	+-	327,467
30 November 2015 (xi) (LITCB to LITCC conversion+)	+-	6,620
30 November 2015 (xii) (LITCB conversion)	365,313	14,247
8 December 2015 (xiii) (LITCC conversion)	851,649	24,698
24 December 2015 (xiv) (LITCC conversion)	2,024,000	58,696
30 December 2015 (xv) (LITCC conversion)	789,646	22,900
Less: Transaction costs	-	(11,621)
Closing balance 31 December 2015	**140,511,361**	**11,709,296**

(i) On 8 July 2015, the Company issued total 1,794,868 fully paid ordinary shares at $ 0.0557 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.
(ii) On 8 July 2015, the Company issued total 301,183 fully paid ordinary shares at $ 0.0533 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.
(iii) On 22 July 2015, the Company issued 375,000 fully paid ordinary shares LIT at an issue price of $0.08 to satisfy an invoice of $30,000.
(iv) On 31 July 2015, the Company issued 1,260,000 fully paid ordinary shares on conversion of CXBCA to LIT at an issue price $0.039 to raise $49,140 before costs.
(v) On 31 July 2015, the Company converted 32,034,530 CXBCA’s to 32,034,530 LITCB’s at a conversion price of $0.01 to raise $320,345 before costs.
(vi) On 8 September 2015, the Company converted 5,893,471 CXBCA’s to 5,893,471 LITCB’s at an average conversion price of $0.0125 to raise $73,615 before costs.
(vii) On 23 October 2015, the Company issued 200,000 fully paid ordinary shares on conversion of LITCB to LIT at an issue price $0.039 to raise $7,800 before costs.
(viii) On 30 October 2015, the Company issued 576,779 fully paid ordinary shares on conversion of LITCB to LIT at an issue price $0.039 to raise $22,494 before costs.
(ix) On 13 November 2015, the Company issued 2,117,208 fully paid ordinary shares on conversion of LITCB to LIT at an issue price $0.039 to raise $82,571 before costs.
(x) On 20 November 2015, the Company converted 32,746,653 LITCB’s to 32,746,653 LITCC’s at a conversion price of $0.01 to raise $327,467 before costs.
(xi) On 30 November 2015, the Company converted 662,048 LITCB’s to 662,048 LITCC’s at a conversion price of $0.01 to raise $6,602 before costs.
(xii) On 30 November 2015, the Company issued 365,313 fully paid ordinary shares on conversion of LITCB to LIT at an issue price $0.039 to raise $14,247 before costs.
(xiii) On 8 December 2015, the Company issued 851,649 fully paid ordinary shares on conversion of LITCC to LIT at an issue price $0.029 to raise $24,698 before costs.
(xiv) On 24 December 2015, the Company issued 2,024,000 fully paid ordinary shares on conversion of LITCC to LIT at an issue price $0.029 to raise $58,696 before costs.
(xv) On 30 December 2015, the Company issued 789,646 fully paid ordinary shares on conversion of LITCC to LIT at an issue price $0.029 to raise $22,900 before costs.

7. ISSUED CAPITAL (CONTINUED)

Reconciliation of the number of contributing shares - partly paid

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

	No. of shares	Value $
Opening balance 1 July 2015	49,628,001	1,170
22 July 2015 (i)	3,000,000	300
31 July 2015 (ii)	(1,260,000)	-
23 October 2015 (iii) (LITCB conversion)	(200,000)	-
30 October 2015 (iv) (LITCB conversion)	(576,779)	-
13 November 2015 (v) (LITCB conversion)	(2,117,208)	-
30 November 2015 (vi) (LITCB conversion)	(365,313)	-
8 December 2015 (vii) (LITCC conversion)	(851,649)	-
24 December 2015 (viii) (LITCC conversion)	(2,024,000)	-
30 December 2015 (ix) (LITCC conversion)	(789,646)	-
Closing balance 31 December 2015	**44,443,406**	**1,470**

Outstanding amount per partly paid ordinary shares at 31 December 2015 is $0.1021 (average) (2014: $0.0906).

There are 29,743,406 partly paid shares with outstanding calls of $0.029 each. There are 14,700,000 partly paid shares with outstanding calls of $0.2499 each. The dates for the future calls are not before 31 December 2015. The partly paid shares carry a right to a dividend on the same basis as holders of Ordinary Shares. Partly paid shares carry the right to vote in proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). The Company has the power to forfeit any shares where the call remains unpaid 14 days after the call was payable. The Company must then offer the shares forfeited for public auction within six weeks of the ball becoming payable.

(i) On 22 July 2015, the Company issued 3,000,000 Partly Paid Shares at $0.25 each as payment for an invoice, with a deemed paid up contribution of $0.0001.

(ii) On 31 July 2015, the Company converted 1,260,000 partly paid shares (CXBCA) to LIT at an issue price $0.039 to raise $49,140 before costs.

(iii) On 23 October 2015, the Company converted 200,000 partly paid shares (LITCB) to LIT at an issue price $0.039 to raise $7,800 before costs.

(iv) On 30 October 2015, the Company converted 576,779 partly paid shares (LITCB) to LIT at an issue price $0.039 to raise $22,494 before costs.

(v) On 13 November 2015, the Company converted 2,117,208 partly paid shares (LITCB) to LIT at an issue price $0.039 to raise $82,571 before costs.

(vi) On 30 November 2015, the Company converted 365,313 partly paid shares (LITCB) to LIT at an issue price $0.039 to raise $14,247 before costs.

(vii) On 8 December 2015, the Company converted 851,649 partly paid shares (LITCC) to LIT at an issue price $0.029 to raise $24,698 before costs.

(viii) On 24 December 2015, the Company converted 2,024,000 partly paid shares (LITCC) to LIT at an issue price $0.029 to raise $58,696 before costs.

(ix) On 30 December 2015, the Company converted 789,646 partly paid shares (LITCC) to LIT at an issue price $0.029 to raise $22,900 before costs.

7. ISSUED CAPITAL (CONTINUED)

(c) Options as at 31 December 2015

Unlisted options on issue as at 31 December 2015 as follows:

	Number	Exercise Price	Fair Value $
Options outstanding 1 July 2015	**12,298,867**		
Forfeited 2 September 2015	(3,250,000)	$0. 0875	
Forfeited 9 September 2015	(4,548,867)	$0.1000	
Forfeited 9 September 2015	(1,500,000)	$0.2500	
Converted 19 October 2015	8,200,000	$0.1500	295,200
Converted 19 October 2015	8,200,000	$0.2000	254,200
Converted 8 December 2015	9,200,000	$0.2500	230,000
Options outstanding as at 31 December 2015	**28,600,000**		

(d) Performance Option Rights

Unlisted performance option rights on issue as at 31 December 2015 as follows:

	Number
Performance Option Rights outstanding 1 July 2015	-
Issued 15 July 2015	16,000,000
Issued 15 October 2015	9,600,000
19 October 2015 - Converted to Options on hurdle of $12m market capitalisation	(8,200,000)
19 October 2015 - Converted to Options on hurdle of $15m market capitalisation	(8,200,000)
8 December Converted to Options on hurdle of $20m market capitalisation	(9,200,000)
Options outstanding as at 31 December 2015	-

(e) Performance Rights

Unlisted performance rights on issue as at 31 December 2015 as follows:

	Number	Hurdle	Fair Value
Performance Rights outstanding 1 July 2015	-		
Issued 15 July 2015	4,050,000	1mt LCE equivalent	Nil
Issued 15 July 2015	2,025,000	2mt LCE equivalent	Nil
Issued 15 July 2015	2,025,000	5mt LCE equivalent	Nil
Issued 15 October 2015	640,000	1mt LCE equivalent	Nil
Issued 15 October 2015	800,000	2mt LCE equivalent	Nil
Issued 15 October 2015	800,000	5mt LCE equivalent	Nil
Issued 30 November 2015	1,000,000	12 months service	$105,000
Issued 30 November 2015	2,000,000	$50m market capitalisation	$176,000
Performance Rights outstanding as at 31 December 2015	**13,340,000**		

8. SUBSEQUENT EVENTS

On 11 January 2016, the Company issued 2,780,750 ordinary fully paid shares on conversion of the five cent partly paid shares paid to $0.021(LITCC) to fully paid ordinary shares (LIT) at an issue price $0.029 to raise $80,642 before costs.

On 15 January 2016, the Company issued 855,000 ordinary fully paid shares on conversion of LITCC to LIT, at an issue price $0.029 to raise $24,795 before costs.

On 15 January 2016, the Company issued 18,174,175 ordinary fully paid shares at an issue price $0.14 per share to raise $2,544,385 before costs.

On 20 January 2016, the Company issued 30,000,000 ordinary fully paid shares at an issue price $0.14 per share following completion of a $4.2m funding package before costs. LIT initially received $600,000 of the Lanstead investment upfront with the remainder of the investment to be distributed under the terms of an equity sharing agreement between the two parties. Under the agreement, LIT will receive 18 monthly cash settlements for the remaining $3.4m of the investment by Lanstead. This sharing agreement allows LIT to secure much of the potential upside arising from future news flow and any share price appreciation of LIT.

The value of further advances subject of the equity sharing agreement will be determined by LIT's share price each month based on a volume weighted average price for 5 trading days prior to each settlement date measured against a benchmark price of $0.1867 per share. If the LIT share price exceeds the benchmark price for that month, LIT will receive more than 100% of the monthly settlement due on a pro rata basis. Importantly, there is no upper limit placed on the additional funds receivable by the Company as part of the monthly settlements. Should the LIT share price dip below the benchmark price for the month, LIT will receive less than 100% of the expected monthly settlement due, on a pro rata basis (so the total cash received may exceed or fall below $4m). In addition, LIT has agreed to make a value payment to Lanstead of 1,428,571 ordinary shares as consideration for the sharing agreement. The future performance of the LIT share price will not result in any increase to the number of shares issued to Lanstead.

On 20 January 2016, the Company issued 150,000 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $4,350.

On 20 January 2016, the Company issued 1,485,403 ordinary fully paid shares at various deemed issue prices per share as part of the Director and Senior Management Fee & Remuneration Sacrifice Share Plan.

On 22 January 2016, the Company issued 1,028,285 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $29,821.

On 29 January 2016, the Company issued 1,563,462 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $45,340.

On 5 February 2016, the Company issued 79,735 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $2,312.

On 26 February 2016, the Company issued 2,160,445 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $62,653.

On 4 March 2016, the Company issued 2,927,639 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $84,902.

On 11 March 2016, the Company issued 1,242,004 ordinary fully paid shares on conversion of LITCC to LIT at an issue price $0.029 to raise $36,018.

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.

9. CONTINGENT LIABILITIES

The Consolidated Entity has no known material contingent liabilities as at 31 December 2015 (31 December 2014: Nil).

10. COMMITMENTS

On 1 July 2015, Lithium Australia converted its option in regard to the license to commercially exploit L-Max. Under the terms of the option agreement, LIT will be subject to:

- A requirement to continue testing with Strategic Metallurgy amounting to $250,000 on LIT specified projects. An amount of approximately $165,000 has been spent to date and LIT remains committed to spend the balance.
- Gross product royalty of 2%
- License exclusivity for all of Western Australia for 5 years from exercise
- Exclusivity extended another 20 years if Lithium Australia commits to build a plant anywhere in the world during the initial 5 year exclusivity period
- Two further license options available anywhere in the world, with Lithium Australia having the right to change nominations by agreement with Strategic. One of these licenses has been assigned to the Cinovec project in the Czech Republic.

11. 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 2015 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the half-year 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 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 15th day of March 2016

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of Lithium Australia NL

We have reviewed the accompanying half-year 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 2015, 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 half-year.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year 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 half-year 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 2015 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 half-year 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 half-year 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 2015 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 15th day of March 2016