

**LITHIUM AUSTRALIA NL**

ABN 29 126 129 413

**FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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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

### **SHARE REGISTRY**

Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS WA 6009

Telephone: +618 9389 8033  
Facsimile: +618 9389 7871

### **REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS**

Level 1, 675 Murray Street WEST PERTH WA 6005

Phone: +618 6145 0288  
Facsimile: +618 9475 0847  
Email: info@lithium-au.com  
Website: www.lithium-au.com

### **STOCK EXCHANGE LISTING**

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

## **DIRECTORS' REPORT**

The Directors present their report on Lithium Australia NL and its controlled entities ("Consolidated Entity") for the half-year ended 31 December 2016.

### **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
Adrian Griffin	Managing Director
Bryan Dixon	Non-executive Director

### **COMPANY SECRETARY**

Barry Woodhouse

### **REVIEW OF OPERATIONS**

#### **Recognising and Addressing an Unparalleled Opportunity**

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

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

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

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

#### **Developing Opportunities**

Lithium Australia has secured an exclusive licence to use Lepidico's L-Max® process in Western Australia as well as to use L-Max® outside that state. However, L-Max® is specific to micas and cannot process the substantial spectrum of other lithium minerals, including spodumene.

## DIRECTORS' REPORT (Continued)

During 2016, having furthered its relationship with Pilbara Minerals, Lithium Australia sought to explore the possibilities of extracting lithium from spodumene via hydrometallurgy. To that end, Lithium Australia developed the Sileach™ process, which is halogen-based and has demonstrated very rapid leach times.

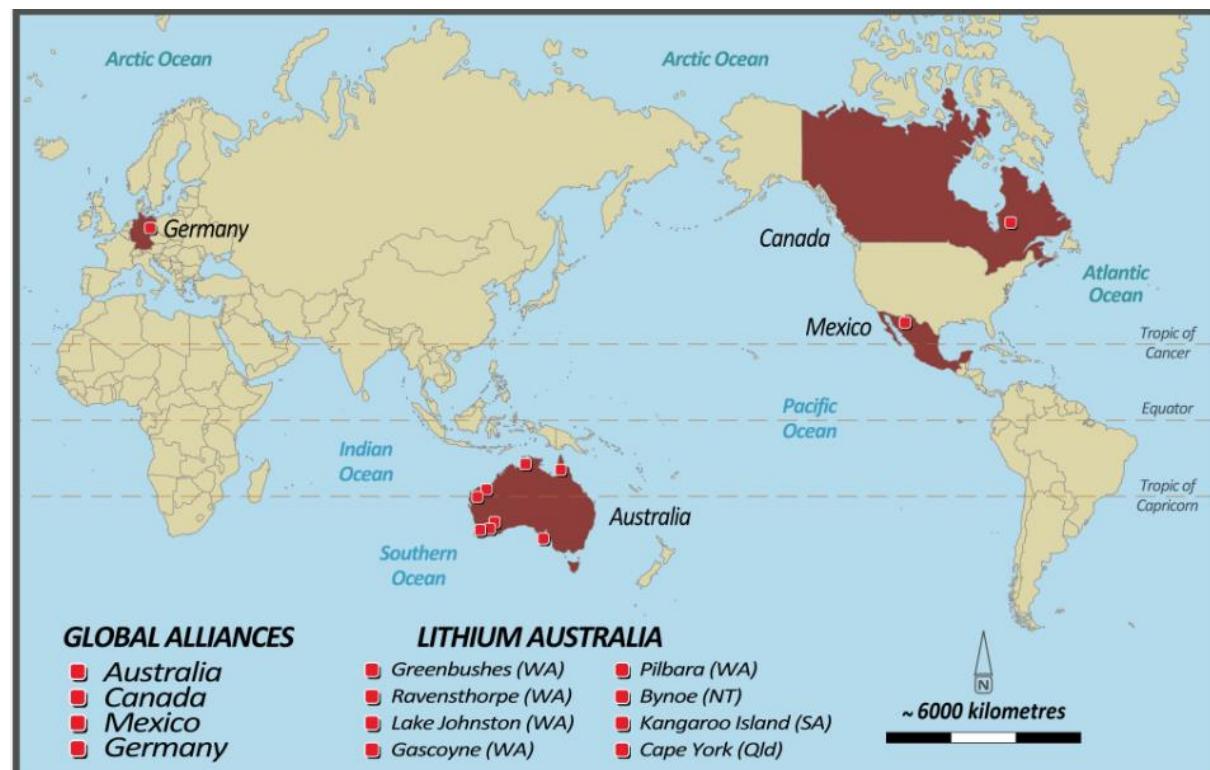
Laboratory tests of Sileach™ proved positive and Lithium Australia has subsequently commenced pilot testing, the first step towards commercialising the process. With lithium production considered of strategic importance to Australia's mineral industry now and well into the future, Lithium Australia's development programme has attracted government grants at both state and federal levels.

Samples of lithium mica from Lepidolite Hill and spodumene from Pilbara Mineral's Pilgangoora project (both in Western Australia) have undergone continuous pilot testing. Depending on the outcomes of these pilot plant trials and subject to the outcome of engineering studies, Lithium Australia may commit to the construction and operation of a larger-scale pilot plant for long-term continuous testing and financial evaluation.

Lithium Australia has also developed an alkaline-based lithium extraction method – LieNa™, a patent application for which was lodged in August 2016. Armed with this suite of processing technologies, the Company can match a particular resource to the most appropriate processing technology.

### Lithium Australia's Exploration Projects

Lithium Australia was a "first-mover" in seeing the potential of underexplored and under-realised lithium geological resources and provinces. In pursuing its strategy to create a union between lithium resources and lithium extraction and processing technology, Lithium Australia has used its first-mover advantage to secure strategic positions within prospective lithium provinces both in Australia and overseas. Outlined below are lithium projects currently being developed by Lithium Australia.



## DIRECTORS' REPORT (Continued)

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- **Ravensthorpe Lithium Project, Western Australia** (Lithium Australia 100%) - this project consists of one exploration licence covering a 20 kilometre-long structural corridor that contains Mt Cattlin lithium and tantalum mining operations of Galaxy Resources Limited. The project lies 420 kilometres southeast of Perth.
- **Greenbushes, Western Australia** (Lithium Australia 100%) - comprising four exploration licences, an additional five exploration licence applications and seven prospecting licence applications, the project is 200 kilometres south of Perth, adjacent to the world's largest lithium mine, which currently produces about 40% of global lithium supply.
- **The Goldfields Lithium Alliance (includes the Coolgardie Rare Metals Venture), Western Australia** - Lithium Australia and Cazaly Resources Limited have combined their present and future lithium mineral interests (which lie within a 100-kilometre radius of Kalgoorlie, Western Australia), for an initial period of 5 years from 2016, thereby forming the Goldfields Lithium Alliance. This will significantly enhance the technical and land management resources available for advancing lithium projects within the Goldfields region. The existing projects include the Coolgardie Rare Metals Venture and the Widgiemooltha purchase.
- **Seabrook Rare Metals Venture, Western Australia** (Lithium Australia 80%, Tungsten Mining NL (ASX: TGN) 20%) - this consists of six exploration licences, located 385 kilometres east-northeast of Perth. Tungsten mineralisation is associated with extensive skarn mineralisation which exhibits strong alkali metal halos, similar to those around lithium pegmatites identified further south.
- **Gascoyne, Western Australia** (Lithium Australia 100%) - the project consists of four exploration licences/applications. Other projects in the Gascoyne include Cobalark and Yinnitherra. The occurrences within Lithium Australia's ground have not been previously assessed for lithium despite exhibiting exceptionally favourable geological characteristics.
- **Memorandum of Understanding with Venus Metals Corporation Ltd in regard to lithium exploration at VMC's Pilgangoora Project, Western Australia** - Lithium Australia and Venus Metals Corporation have entered into an agreement to jointly explore certain exploration licences (and current applications). Lithium Australia will undertake exploration activities primarily with respect to evaluating the lithium mica potential of the area controlled by Venus Metals Corporation - using, among other things, advanced proprietary exploration techniques developed by Lithium Australia and the LIBZ® technology provided by SciAps (USA). Using the latter, real-time lithium assays can be undertaken in the field. The area the subject of the joint venture contains abundant pegmatites which will be evaluated both for their lithium potential and for the possibility of both parties benefitting from any lithium mica occurrences within the project area.
- **Cape York, Queensland** (Lithium Australia 100%) - this project lies on the Cape York Peninsula in Queensland, some 1,700 kilometres northwest of Brisbane. EPM26252 was granted on 19 January 2017 and EPM26255 on 13 February 2017. This includes the projects entitled Amber and Cobree.
- **Bynoe, Northern Territory** (Lithium Australia 100%) - Lithium Australia has established a foothold in the Bynoe Pegmatite Field, located 50 kilometres south-southwest of Darwin, capital of the Northern Territory, close to infrastructure. EL30897 lies within the Bynoe Pegmatite Field and is part of the wider 200 kilometre long Litchfield Pegmatite Belt which has been intruded by a suite of highly differentiated S-type granites, the probable source of the pegmatites and mineralisation.
- **Lake Johnston, Western Australia** (Lithium Rights Agreement) - Lithium Australia holds the rights to lithium discovered on the area of two exploration licences held by Lefroy Exploration Limited (ASX: LEX) and in exchange LEX has taken gold and nickel rights over Lithium Australia's E63/1777. The project area lies 440 kilometres east of Perth. Consideration for the sale of the gold and nickel rights in E63/1777 to LEX was 3,000,000 LEX shares, which shares are still held by Lithium Australia.
- **Donnelly River** (Lithium Australia 100%) - comprising three exploration licences covering approximately 174 square kilometres of prospective graphite-bearing stratigraphy, this project is 240

## DIRECTORS' REPORT (Continued)

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kilometres south of Perth. Lithium Australia has been preparing to spin out its graphite projects to a current subsidiary BlackEarth Minerals NL (formerly Graphite Australia NL).

- **Kangaroo Island, South Australia** (Lithium Australia 100%) - Lithium Australia has applied for ground prospective for lithium on Kangaroo Island.
- **Electra Joint Venture, Mexico** (Lithium Australia 25%, Alix Resources Corporation 75%) - this is a farm-in and joint venture in which Lithium Australia can earn up to 65% of the project from its partner Alix Resources Corporation. Lithium Australia is currently working towards lifting its 25% equity to 49%.
- **Tin International Joint Venture, Germany** (Lithium Australia up to 50%) - Lithium Australia has entered into a Memorandum of Understanding with Tin International AG (a subsidiary of German listed Deutsche Rohstoff AG) to form a Joint Venture including the Sadisdorf deposit located in Saxony, Germany. Lithium Australia has the right to earn 15% of the incorporated joint venture company to be established by spending a total of EUR 750,000 on either exploration or payment of cash to Tin International AG by the end of 2017. By investing a further EUR 1.25 million over a 3 year period Lithium Australia has the right to further increase its interests in the joint venture company to 50%. Tin International will also receive a one off payment of EUR 50,000 in cash and LIT Shares to the value of EUR 200,000.

### Technology Alliances

- **MetalsTech Limited** (ASX: MTC) - MTC was formed to identify, fund, acquire, explore and develop high grade hard rock lithium projects in Quebec, Canada. Lithium Australia was a seed investor as part of the strategy to establish a partnership and collaboration agreement for Sileach™ and LieNa™ as well as the further development of lithium extraction technology specific to the spodumene at the MTC projects in Quebec. There is a technology licence agreement between the companies and Lithium Australia was issued a further 1 million shares when MTC listed on ASX on 24 February 2017.
- **Letter Agreement with Pilbara Minerals Limited in regard to the Sileach™ Joint Venture** - Lithium Australia and Pilbara Minerals Limited have entered into an agreement to establish the Sileach™ Joint Venture on a 50:50 basis to produce lithium carbonate or lithium hydroxide from a Sileach™ processing plant fed by Pilbara Minerals spodumene concentrate.

A first pilot test has been completed and Lithium Australia is in the process of completing technical analysis of the data generated to deliver a scoping study at which point a decision will be made whether to proceed to a prefeasibility study for the construction of a large scale

### Looking Ahead

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 2016 was \$2,649,977 (31 December 2015: \$1,759,795).

No dividend has been paid during or is recommended for the financial period ended 31 December 2016.

## DIRECTORS' REPORT (Continued)

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### FINANCIAL POSITION

The Consolidated Entity's working capital, being current assets less current liabilities was \$6,231,265 at 31 December 2016 (30 June 2016: working capital of \$8,890,671). 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 twenty-five cent partly paid shares that are currently paid to \$0.0001.

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 20 January 2017, the Company issued 1,496,774 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 6 February 2017, the Company advised its intention to make a conditional off-market scrip-bid for all the fully paid ordinary shares in fellow WA lithium explorer and developer, Lepidico Ltd (ASX: LPD).

On the 24 February 2017, MetalsTech Ltd listed on ASX. At listing, Lithium Australia held a total of 2 million shares in MTC. As a result of being a seed shareholder and through a collaboration agreement, the initial investment of \$100,000 was valued at \$540,000 as at close of trade on 24 February 2017. Further transaction details appear in Note 9 (a) of the financial report.

On 24 February 2017, Lithium Australia and Lepidico Ltd settled litigation by mutual agreement. All commercial details of the settlement remain confidential.

On 27 February 2017, the Company entered into a binding Memorandum of Understanding to form a Joint Venture with Tin International AG (subsidiary of German listed Deutsche Rohstoff).

On 2 March 2017, Lithium Australia lodged a Bidder's Statement in relation to the offer to Lepidico Ltd (LPD) shareholders for the consideration of 1 LIT share for every 13.25 LPD shares.

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 2016.

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



**Adrian Griffin**  
Managing Director

Dated at Perth this 9<sup>th</sup> day of March 2017

*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 Audit & Corporate  
(WA) Pty Ltd

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

A handwritten signature in blue ink that reads "Bentleys".

**BENTLEYS**  
**Chartered Accountants**

A handwritten signature in blue ink that reads "Mark Delaurentis".

**MARK DELAURENTIS CA**  
**Director**

Dated at Perth this 9<sup>th</sup> day of March 2017



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- Accountants
- Auditors
- Advisors

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
**For the Half-Year Ended 31 December 2016**

	31 December 2016	31 December 2015
	Note	\$
<b>Continuing Operations</b>		
Revenue		22,064
Other revenue	5	879,161
Occupancy costs		(44,726)
Professional fees		(155,120)
Corporate fees		(387,180)
Employee benefits expense		(743,129)
Share based payment expense		(140,545)
Administration costs		(180,285)
Fair value of investments adjustment		(40,040)
Realised gains/(losses) on financial assets		96,905
Unrealised gains/(losses) on financial assets		(1,395,714)
Exploration and evaluation costs written off		(548,936)
Depreciation and amortisation		(12,432)
Loss on disposal of subsidiary		-
<b>Loss before income tax</b>		<u>(2,649,977)</u>
Income tax expense		-
<b>Loss from continuing operations</b>		<u>(2,649,977)</u>
Other comprehensive income		-
Items that may be reclassified subsequently to profit or loss:		-
Net fair value loss on available for sale financial assets		(321,319)
Foreign exchange translation of subsidiary disposed of, transferred to income statement		-
<b>Total comprehensive income for the period</b>		<u>94,304</u>
		<u>(2,971,296)</u>
		<u>(1,665,491)</u>
<b>Loss for the year attributable to:</b>		
Members of the controlling entity		(2,550,967)
Non-controlling interest		(99,010)
		<u>(2,649,977)</u>
		<u>(1,759,795)</u>
<b>Total comprehensive income attributable to:</b>		
Members of the controlling entity		(2,872,286)
Non controlling interest		(99,010)
		<u>(2,971,296)</u>
		<u>(1,665,491)</u>
Basic loss per share (cents per share)		1.06
		1.33

*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 2016**

		<b>31 December 2016</b>	<b>30 June 2016</b>
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		6,076,617	5,756,645
Trade and other receivables		432,970	317,221
Other assets		819,371	3,385,822
Total Current Assets		<u>7,328,958</u>	<u>9,459,688</u>
<b>Non Current Assets</b>			
Financial assets		784,540	288,496
Exploration Expenditure	6	2,465,994	147,050
Intangibles	7	2,211,288	703,118
Property, plant and equipment		84,473	23,292
Total Non Current Assets		<u>5,546,295</u>	<u>1,161,956</u>
<b>TOTAL ASSETS</b>		<u><u>12,875,253</u></u>	<u><u>10,621,644</u></u>
<b>Current Liabilities</b>			
Trade and other payables		1,097,693	569,017
Total Current Liabilities		<u>1,097,693</u>	<u>569,017</u>
<b>TOTAL LIABILITIES</b>		<u><u>1,097,693</u></u>	<u><u>569,017</u></u>
<b>NET ASSETS</b>		<b><u>11,777,560</u></b>	<b><u>10,052,627</u></b>
<b>Equity</b>			
Issued capital	8	25,471,100	20,936,454
Reserves		650,905	814,791
Accumulated losses		(14,249,585)	(11,698,618)
<b>Controlling entity interest</b>		<b><u>11,872,420</u></b>	<b><u>10,052,627</u></b>
Non controlling interest		(94,860)	-
<b>TOTAL EQUITY</b>		<b><u>11,777,560</u></b>	<b><u>10,052,627</u></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 2016**

	<b>Issued Capital</b>	<b>Share Based Payment Reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Investment Revaluation Reserve</b>	<b>Accumulated Losses</b>	<b>Non Controlling Interest</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
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	-	-
<b>Balance at 31 December 2015</b>	<b>11,710,766</b>	<b>800,935</b>	-	-	<b>(11,683,110)</b>	-	<b>828,591</b>
Balance at 1 July 2016	20,936,454	691,225	(2,414)	125,980	(11,698,618)	-	10,052,627
Loss for the period	-	-	-	-	(2,550,967)	(99,010)	(2,649,977)
Other comprehensive income	-	-	-	-	-	-	-
Net fair value loss on available for sale financial assets	-	-	-	(321,319)	-	-	(321,319)
Total comprehensive loss for the period	-	-	-	(321,319)	(2,550,967)	(99,010)	(2,971,296)
Transaction with owner, directly recorded in equity:							
Issue of shares	4,449,799	-	-	-	-	-	4,449,799
Non-controlling interest arising on the incorporation of subsidiary	-	-	-	-	-	4,150	4,150
Capital raising costs	(20,153)	-	-	-	-	-	(20,153)
Transfer from share based payments reserve	105,000	(105,000)	-	-	-	-	-
Issue of performance rights and performance option rights	-	262,433	-	-	-	-	262,433
Options expired	-	-	-	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>25,471,100</b>	<b>848,658</b>	<b>(2,414)</b>	<b>(195,339)</b>	<b>(14,249,585)</b>	<b>(94,860)</b>	<b>11,777,560</b>

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 2016**

	<b>31 December 2016</b>	<b>31 December 2015</b>
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers and employees	(1,259,324)	(478,033)
Payments for exploration and evaluation	(598,633)	(219,356)
Interest received	22,064	4,690
Net cash outflow from operating activities	<u>(1,835,893)</u>	<u>(692,699)</u>
<b>Cash Flows from Investing Activities</b>		
Sale of financial assets	-	250
Purchase of property, plant and equipment	(66,281)	(8,123)
Payment for investment assets	(480)	-
Payment for other financial assets	(161,306)	-
Payments for intangible assets	<u>(1,227,376)</u>	<u>(151,511)</u>
Net cash outflow from investing activities	<u>(1,455,443)</u>	<u>(159,384)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares and options	3,625,211	1,010,593
Payment for capital raising costs	<u>(13,903)</u>	<u>(11,621)</u>
Net cash inflows from financing activities	<u>3,611,308</u>	<u>998,972</u>
Net increase in cash held	319,972	146,889
Cash and cash equivalents at the beginning of the period	5,756,645	852,685
<b>Cash and cash equivalents at the end of the period</b>	<b>6,076,617</b>	<b>999,574</b>

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

# **NOTES TO THE FINANCIAL STATEMENTS**

## **For The half-year ended 31 December 2016 (continued)**

### **1. CORPORATE INFORMATION**

The financial report of Lithium Australia NL and controlled entities ("the Consolidated Entity") for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 9 March 2017. Lithium Australia NL is a no liability company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

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 2016 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 2016.

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.

### **3. SEGMENT INFORMATION**

#### **(a) Description of segments**

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 2016 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The half-year ended 31 December 2016 (continued)**

**4. OPERATING SEGMENTS**

**(i) Segment performance**

**31 December 2016**

	R&D	Exploration	Total
	\$	\$	\$
Revenue	-	-	-
Expenses	(2,100)	(548,936)	(551,036)
<b>Total segment loss</b>	<b>(2,100)</b>	<b>(548,936)</b>	<b>(551,036)</b>

**Total**

Reconciliation of segment result to Company net loss	\$
i) Unallocated items	
- Interest revenue	22,064
- Other	(2,121,005)
<b>Net loss from continuing operations</b>	<b>(2,649,977)</b>

**31 December 2015**

	R&D	Exploration	Total
	\$	\$	\$
Revenue	-	-	-
Expenses	(2,100)	(256,084)	(258,184)
<b>Total segment loss</b>	<b>(2,100)</b>	<b>(256,084)</b>	<b>(258,184)</b>

Reconciliation of segment result to Company net loss

i) Unallocated items	
- Interest revenue	4,690
- Other	(1,508,301)
<b>Net loss from continuing operations</b>	<b>(1,759,795)</b>

**(ii) Segment Assets**

**31 December 2016**

	R&D	Exploration	Total
	\$	\$	\$
<b>Segment Assets</b>	<b>2,211,288</b>	<b>2,465,994</b>	<b>4,677,282</b>
<b>Unallocated assets:</b>			
- Cash and cash equivalents		6,039,270	
- Trade and other receivables		432,970	
- Other Assets		1,725,731	
<b>Total Company Assets</b>		<b>12,875,253</b>	

**30 June 2016**

	R&D	Exploration	Total
	\$	\$	\$
<b>Segment Assets</b>	<b>703,118</b>	<b>147,050</b>	<b>850,168</b>
<b>Unallocated assets:</b>			
- Cash and cash equivalents		5,756,645	
- Trade and other receivables		317,221	
- Other Assets		3,697,610	
<b>Total Company Assets</b>		<b>10,621,644</b>	

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The half-year ended 31 December 2016 (continued)**

(ii)	Segment Liabilities			
	31 December 2016	R&D	Exploration	Total
	Segment Liabilities	\$	\$	\$
	<b>Unallocated Liabilities:</b>			
	- Trade and other payables			<u>1,097,693</u>
	<b>Total Company Liabilities</b>			<u><b>1,097,693</b></u>
	 <b>30 June 2016</b>			
		R&D	Exploration	Total
	Segment Liabilities	\$	\$	\$
	<b>Unallocated Liabilities:</b>			
	- Trade and other payables			<u>569,017</u>
	<b>Total Company Liabilities</b>			<u><b>569,017</b></u>
<b>5.</b>	<b>OTHER REVENUE</b>			\$
	Sale of Gold and Nickel Exploration Rights at Mount Day with zero cost base			720,000
	Research and Development Government Grant			159,161
	 <b>Total Other Revenue</b>			<u><b>879,161</b></u>
<b>6.</b>	<b>CAPITALISED EXPLORATION EXPENDITURE</b>			
		31-Dec-16	30-Jun-16	
		\$	\$	
	<b>Opening balance</b>	<b>147,050</b>	<b>22,000</b>	
	Lithophile Acquisition (i)	194,167	-	
	Interest in Rights – Buckland (ii)	111,991	-	
	Lithium Rights – Lake Johnston (iii)	1,743,750	-	
	Electra Acquisition (iv)	166,946	125,050	
	Greenbushes Acquisition (v)	102,090	-	
	 <b>Closing balance</b>	<b>2,465,994</b>	<b>147,050</b>	
	(i) On 20 July 2016, the Company issued total 500,000 fully paid ordinary shares at \$ 0.25 each and 500,000 partly paid shares at \$0.001 as part consideration for the acquisition of Lithophile Pty Ltd.			
	(ii) On 16 October 2016, the Company issued total 400,000 fully paid ordinary shares at \$0.25 each to Buckland Capital as consideration for the Widgiemooltha Project Lithium Rights.			
	(iii) On 16 October 2016, the Company issued total 9,000,000 fully paid ordinary shares at \$0.185 each to Lefroy Exploration Ltd as consideration for the acquisition of the lithium rights at Lake Johnston.			
	(iv) On 11 November 2016, 500,000 fully paid shares and 500,000 partly paid shares were issued to Alix Resources Corp to raise the initial 25% interest to 49% as part of the farm-in terms for the Electra Joint Venture entered into 8 February 2016.			
	(v) On 11 November 2016, the Company issued total 283,039 fully paid ordinary shares at \$0.1767 each and paid \$50,000 cash as consideration for the Greenbushes consolidation.			

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The half-year ended 31 December 2016 (continued)**

**7. INTANGIBLE ASSETS**

	31-Dec-16	30-Jun-16
	\$	\$
<b>Opening balance</b>	<b>703,118</b>	-
Expenditure during period(i)	1,510,270	707,318
Less: Amortisation of intangible asset	(2,100)	(4,200)
<b>Closing balance</b>	<b>2,211,288</b>	<b>703,118</b>
(i) During the period, the company spent \$1,510,270 on development costs relating to the new lithium processing technology.		

**8. ISSUED CAPITAL**

(a) Issued and paid up capital

	31 December 2016	30 June 2016		
	Number	\$	Number	\$
Share capital				
Ordinary Shares				
Fully paid of no par value	256,336,055	25,469,480	231,573,560	20,934,934
(b) Movement in ordinary shares on issue				
Other equity securities				
Partly-paid contributing shares	132,850,148	1,620	133,225,724	1,520
<b>Total contributed equity</b>	<b>389,186,203</b>	<b>25,471,100</b>	<b>364,799,284</b>	<b>20,936,454</b>

**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 2016	231,573,560	20,934,934
Shares issued during the period:		
20 July 2016 (i)	500,000	125,000
20 July 2016 (ii)	40,662	10,641
20 July 2016 (iii)	236,207	-
20 July 2016 (iv)	472,650	118,115
27 July 2016 (v)	278,306	69,549
09 August 2016 (vi)	41,000	10,245
09 August 2016 (vii)	26,676	243
31 August 2016 (viii)	93,373	23,334
02 September 2016 (ix)	804,005	184,733
16 October 2016 (x)	9,000,000	1,665,000
16 October 2016 (xi)	400,000	100,000
16 October 2016 (xii)	1,025	256
10 November 2016 (xiii)	500,000	87,500
11 November 2016 (xiv)	283,039	50,000
18 November 2016 (xv)	10,899,875	1,961,974
01 December 2016 (xvi)	1,000,000	105,000

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The half-year ended 31 December 2016 (continued)**

8. ISSUED CAPITAL (CONTINUED)	No. of shares	Value \$
01 December 2016 (xvii)	185,677	46,401
Adjustment	-	(3,292)
Less: Transaction costs	-	(20,153)
<b>Closing balance 31 December 2016</b>	<b>256,336,055</b>	<b>25,469,480</b>

- (i) On 20 July 2016, the Company issued total 500,000 fully paid ordinary shares at \$ 0.25 each as part consideration for the acquisition of Lithophile Pty Ltd.
- (ii) On 20 July 2016, the Company issued total 40,662 fully paid ordinary shares on conversion of LITAQ at a conversion price of \$0.2499 to raise \$10,641 before costs.
- (iii) On 20 July 2016, the Company issued total 236,207 fully paid ordinary shares on conversion of LITAQ at a conversion price of \$0.2499 to raise \$58,549 before costs. Funds recognised in prior period.
- (iv) On 20 July 2016, the Company issued total 472,650 fully paid ordinary shares on conversion of LITAQ at a conversion price of \$0.2499 to raise \$118,115 before costs.
- (v) On 27 July 2016, the Company issued total 278,306 fully paid ordinary shares on conversion of LITAQ at a conversion price of \$0.2499 to raise \$69,549 before costs.
- (vi) On 09 August 2016, the Company issued total 41,000 fully paid ordinary shares on conversion of LITAQ at a conversion price of \$0.2499 to raise \$10,245 before costs.
- (vii) On 09 August 2016, the Company issued total 26,676 fully paid ordinary shares on conversion of LITCD at an average conversion price of \$0.009 to raise \$243 before costs.
- (viii) On 31 August 2016, the Company issued total 93,373 fully paid ordinary shares on conversion of LITAQ at a conversion price of \$0.2499 to raise \$23,334 before costs.
- (ix) On 02 September 2016, the Company issued total 804,005 fully paid ordinary shares at \$ 0.2298 each under Director and Senior Management Fee & Remuneration Sacrifice Share Plan.
- (x) On 16 October 2016, the Company issued total 9,000,000 fully paid ordinary shares at \$0.185 each to Lefroy Exploration Ltd as consideration for the acquisition of the lithium rights at Lake Johnston.
- (xi) On 16 October 2016, the Company issued total 400,000 fully paid ordinary shares at \$0.25 each to Buckland Capital as consideration for the Widgiemooltha Project Lithium Rights.
- (xii) On 16 October 2016, the Company issued total 1,025 fully paid ordinary shares on conversion of LITAQ at a conversion price of \$0.2499 to raise \$256 before costs.
- (xiii) On 10 November 2016, the Company issued total 500,000 fully paid ordinary shares at \$ 0.1750 each as part consideration for phase 2 of the Electra Joint Venture.
- (xiv) On 11 November 2016, the Company issued total 283,039 fully paid ordinary shares at \$0.1767 each as consideration for the Greenbushes consolidation.
- (xv) On 18 November 2016, the Company issued total 10,899,875 fully paid ordinary shares at \$0.18 each following completion of the Share Purchase Plan.
- (xvi) On 01 December 2016, the Company issued 1,000,000 fully paid ordinary shares at \$0.105 each pursuant to the the hurdle as approved by shareholders in the 2015 annual general meeting.
- (xvii) On 01 December 2016, the Company issued total 185,677 fully paid ordinary shares on conversion of LITCE at a conversion price of \$0.2499 to raise \$46,401 before costs.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The half-year ended 31 December 2016 (continued)**

**8. 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:

	<b>No. of shares</b>	<b>Value</b>
	\$	\$
Opening balance 1 July 2016	26,676	-
09 August 2016 (i)	(26,676)	-
<b>Closing balance 31 December 2016</b>	<b>-</b>	<b>-</b>

(i) On 09 August 2016, the Company converted 26,676 partly paid shares(LITCD) to LIT at an average of \$0.009 to raise \$243 before costs.

**Reconciliation of the number of contributing shares - partly paid**

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

	<b>No. of shares</b>	<b>Value</b>
	\$	\$
Opening balance 1 July 2016	133,199,048	1,520
20 July 2016 (i)	(276,869)	-
20 July 2016 (ii)	(472,650)	-
20 July 2016 (iii)	500,000	50
27 July 2016 (iv)	(278,306)	-
09 August 2016 (v)	(41,000)	-
31 August 2016 (vi)	(93,373)	-
16 October 2016 (vii)	(1,025)	-
10 November 2016 (viii)	500,000	50
01 December 2016 (ix)	(185,677)	-
<b>Closing balance 31 December 2016</b>	<b>132,850,148</b>	<b>1,620</b>

There are 132,850,148 partly paid shares with outstanding calls of \$0.2499 each. The dates for the future calls are not before 31 December 2016. The partly paid shares carry a right to a dividend on the same basis as holders of Ordinary Shares. Partly paid shares carry the right to vote in proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). The Company has the power to forfeit any shares where the call remains unpaid 14 days after the call was payable. The Company must then offer the shares forfeited for public auction within six weeks of the call becoming payable.

(i) On 20 July 2016, the Company converted 276,869 partly paid shares(LITAQ) to LIT at an issue price of \$0.2499 to raise \$69,190 before costs.

(ii) On 20 July 2016, the Company converted 472,650 partly paid shares(LITAQ) to LIT at an issue price of \$0.2499 to raise \$118,115 before costs.

(iii) On 20 July 2016, the Company issued 500,000 partly paid shares at \$0.001 each as part consideration for the acquisition of Lithophile Pty Ltd.

(iv) On 27 July 2016, the Company issued 278,306 partly paid shares(LITAQ) to LIT at an issue price of \$0.2499 to raise \$69,549 before costs.

(v) On 09 August 2016, the Company converted 41,000 partly paid shares(LITAQ) to LIT at an issue price of \$0.2499 to raise \$10,245 before costs.

(vi) On 31 August 2016, the Company converted 93,373 partly paid shares(LITCE) to LIT at an issue price of \$0.2499 to raise \$23,334 before costs.

(vii) On 16 October 2016, the Company converted 1,025 partly paid shares(LITCE) to LIT at an issue price of \$0.2499 to raise \$256 before costs.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The half-year ended 31 December 2016 (continued)**

**8. ISSUED CAPITAL (CONTINUED)**

(viii) On 10 November 2016, the Company issued 500,000 partly paid shares at \$0.001 each as part consideration for phase 2 of the Electra Joint Venture.

(ix) On 01 December 2016, the Company converted 185,677 partly paid shares (LITCE) to LIT at an issue price \$0.2499 to raise \$46,400 before costs.

**(c) Options as at 31 December 2016**

Unlisted options on issue as at 31 December 2016 as follows:

	Number	Exercise Price	Fair Value \$
Options outstanding 1 July 2016	21,391,666		
No options exercised or issued during the period	-		
Options outstanding as at 31 December 2016	<u>21,391,666</u>		

**(d) Performance Rights**

Unlisted performance rights on issue as at 31 December 2016 as follows:

	Number	Hurdle	Fair Value
<b>Performance Rights outstanding</b>			
<b>1 July 2016</b>	<b>11,340,000</b>		
01 December 2016 Performance Rights Converted	(1,000,000)	12 months service	(\$105,000)
Issued 28 November 2016	1,000,000	Successful PFS on Sileach™ technology	\$170,000
Issued 28 November 2016	2,000,000	Procurement of feed to support 17,000tpa Li Carbonate from Sileach™ plant	\$170,000
Issued 28 November 2016	3,000,000	Commitment decision to large-scale pilot facility	\$102,000
Issued 28 December 2016	4,000,000	Financial investment decision for full scale commercial plant	\$34,000
Issued 01 December 2016	500,000	Successful PFS on Sileach™ technology	\$82,500
Issued 01 December 2016	1,000,000	Procurement of feed to support 17,000tpa Li Carbonate from Sileach™ plant	\$82,500
Issued 01 December 2016	1,500,000	Commitment decision to large-scale pilot facility	\$49,500
Issued 01 December 2016	2,000,000	Financial investment decision for full scale commercial plant	\$16,500
Issued 20 December 2016	125,000	Successful PFS on Sileach™ technology	\$16,875
Issued 20 December 2016	250,000	Procurement of feed to support 17,000tpa Li Carbonate from Sileach™ plant	\$16,875
Issued 20 December 2016	375,000	Commitment decision to large-scale pilot facility	\$10,125
Issued 20 December 2016	500,000	Financial investment decision for full scale commercial plant	\$3,375
<b>Performance Rights outstanding as at 31 December 2016</b>	<b>26,590,000</b>		

# **NOTES TO THE FINANCIAL STATEMENTS**

## **For The half-year ended 31 December 2016 (continued)**

### **9. SUBSEQUENT EVENTS**

- (a) On 20 January 2017, the Company issued 1,496,774 ordinary fully paid shares at various deemed issue prices per share as part of the Director and Senior Management Fee & Remuneration Sacrifice Share Plan.
- (b) On 6 February 2017, the Company advised its intention to make a conditional off-market scrip-bid for all the fully paid ordinary shares in fellow WA lithium explorer and developer, Lepidico Ltd (ASX: LPD).
- (c) On 24 February 2017, MetalsTech Ltd listed on ASX. At listing, Lithium Australia held a total of 2 million shares in MTC. As a result of being a seed shareholder and through a collaboration agreement, the initial investment of \$100,000 was valued at \$540,000 as at close of trade on 24 February 2017.
- (d) On 24 February 2017, Lithium Australia and Lepidico Ltd settled litigation by mutual agreement. All commercial details of the settlement remain confidential.
- (e) On 27 February 2017, the Company entered into a binding Memorandum of Understanding to form a Joint Venture with Tin International AG (subsidiary of German listed Deutsche Rohstoff).
- (f) On 2 March 2017, the Company released its Bidder's Statement for the takeover of Lepidico Ltd(LPD). The Company is offering LPD shareholders 1 LIT Share for every 13.25 LPD shares held.

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.

### **10. CONTINGENT ASSETS**

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

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

- (a) Completion Payment : MetalsTech will issue LIT 1,000,000 Shares upon:
  - the execution of the binding Letter Agreement; and
  - the completion of the listing of MetalsTech on the ASX
- (b) Proof of Concept: MetalsTech will issue LIT 500,000 Shares upon LIT achieving representative >90% Li extraction from bench scale testing using spodumene sourced from a MetalsTech projects
- (c) Quality Tests: MetalsTech will issue LIT 500,000 Shares upon LIT achieving representative >95% Li<sub>2</sub>CO<sub>3</sub> purity ppt from leach liquors, using spodumene sourced from a MetalsTech project
- (d) Pilot Tests: MetalsTech will issue LIT 1,000,000 Shares and 500,000 Options upon LIT achieving representative extraction >90% Li recovery and >85% from leach liquor, in a continuous plant operation, using spodumene sourced from a MetalsTech projects.
- (e) Scoping Study: MetalsTech will issue LIT 1,000,000 Shares and 500,000 Options upon MetalsTech delivering of a scoping study on one of the MetalsTech projects demonstrating that using the Technology, MetalsTech can produce a lithium carbonate product or lithium hydroxide product on cost competitive terms.
- (f) Definitive Feasibility Study: MetalsTech will issue LIT 1,000,000 Shares and 500,000 Options upon MetalsTech delivering of a definitive feasibility study on one of the MetalsTech projects demonstrating that using the Technology, MetalsTech can produce a lithium carbonate product or lithium hydroxide product on cost competitive terms.
- (g) Offtake: MetalsTech will issue LIT 500,000 Options upon MetalsTech executing a binding offtake agreement(s) for the supply of >5,000 tpa of lithium carbonate and/or lithium hydroxide from a processing plant using the Technology.
- (h) Commencement of Plant Construction: MetalsTech will issue LIT 500,000 Options upon MetalsTech commission construction of a full-scale processing plant using the Technology (excluding pilot plant construction).
- (i) First Commercial Production: MetalsTech will issue LIT 500,000 Options upon MetalsTech achieving first commercial production and sales of lithium carbonate and/or lithium hydroxide from a full-scale processing plant using the Technology.

### **11. CONTINGENT LIABILITIES**

The Consolidated Entity has the following contingent liabilities as at 31 December 2016 (30 June 2016: Nil).

Acquisition of Lithophile Pty Ltd

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

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

# **NOTES TO THE FINANCIAL STATEMENTS**

## **For The half-year ended 31 December 2016 (continued)**

### **12. COMMITMENTS**

Lithium Australia NL and Tin International AG, (subsidiary of German listed Deutsche Rohstoff AG), have entered into a binding Memorandum of Understanding (MoU) to form a Joint Venture. The JV will include the Sadisdorf deposit, located in Saxony, Germany as key asset of the Joint Venture. LIT has the right to earn 15% of the to be established company by spending a total of EUR 750,000 on exploration of Sadisdorf until the end of 2017. Alternatively, the company can elect to pay the outstanding amount in cash to Tin International by year-end. By investment of a further EUR 1.25 million over a 3-year period Lithium Australia has the right to further increase its interest in the Joint Venture Company to 50%. After the completion of this "earn-in" period, the partners equally bear the project development costs or are diluted accordingly. Tin International will receive a one-off payment of EUR 200,000 in LIT shares and EUR 50,000 in cash.

### **13. 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.

### **14. SUBSIDIARY ACQUIRED**

<b>31 December 2016</b>	<b>Principle Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Share Acquired</b>	<b>Consideration Transferred</b>
BlackEarth Minerals NL	Mineral Exploration	14/08/2016	34.48% <sup>(a)</sup>	\$1

Due to the composition of Board of Directors, Lithium Australia controls the financial and operating policies of BlackEarth Minerals NL.

- (a) Lithium Australia NL holds 10,000,000 partly paid shares in BlackEarth Minerals NL and has the discretion to pay up on these shares at any time to convert them to ordinary shares in the Company. BlackEarth Mineral NL also has the power to forfeit any shares where the call remains unpaid 14 days after the call was payable. BlackEarth Mineral NL must then offer the shares forfeited for public auction within six weeks of the call becoming payable.

## **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 2016 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 9th day of March 2017



Bentleys Audit & Corporate  
(WA) Pty Ltd

London House  
Level 3,  
216 St Georges Terrace  
Perth WA 6000

PO Box 7775  
Cloisters Square WA 6850  
ABN 33 121 222 802  
T +61 8 9226 4500  
F +61 8 9226 4300  
[bentleys.com.au](http://bentleys.com.au)

## 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 2016, 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 2016 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.



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- Accountants
- Auditors
- Advisors

# Independent Auditor's Review Report

To the Members of Lithium Australia NL (Continued)



## 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 2016 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.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS  
Chartered Accountants

A handwritten signature in blue ink that reads "Mark Delaurentis".

MARK DELAURENTIS CA  
Director

Dated at Perth this 9<sup>th</sup> day of March 2017