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ANNUAL REPORT

to 30 JUNE 2017

Corporate Directory

DIRECTORS

Mr David R Hannon – Chairman
Mr Martin C Holland
Mr Reccared P Fertig
Mr Russell C Barwick
Mr Andrew G Phillips
Dr Luis Ignacio Silva P

COMPANY SECRETARY

Mr Andrew G Phillips

REGISTERED OFFICE

Level 7, 151 Macquarie Street Sydney NSW 2000
Tel: +61 2 9276 1245
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SHARE REGISTRY

Boardroom Pty Limited
Level 12, 225 George Street Sydney NSW 2000
Tel: +61 2 9290 9600
Fax: +61 2 9279 0664

AUDITOR

Ernst & Young
The EY Centre, Level 34, 200 George Street
Sydney NSW 2000

SOLICITORS

Baker and McKenzie Clarendon Lawyers
Level 27, 50 Bridge Street Level 29, 55 Collins Street
Sydney NSW 2000 Melbourne VIC 3000

STOCK EXCHANGE LISTING

Lithium Power International Limited shares
are listed on the Australian Securities
Exchange (ASX code: LPI)

WEBSITE

www.lithiumpowerinternational.com



Contents

BUSINESS OBJECTIVES

Lithium Power International Limited has used cash and cash equivalents held at the time of listing and the time since listing to explore, develop and seek to acquire lithium projects in South America and Australia, in a way consistent with its stated business objectives listed in the prospectus dated 24 May 2016 and as listed on the company's website. LPI has a clear path towards becoming a low-cost lithium producer and Chile's next high-grade lithium mine.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement was approved by the Board of Directors at the same time as the Annual Report and can be found on the Investor Relations page at: www.lithiumpowerinternational.com

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Chairman's Letter

Dear Shareholders

As Chairman of Lithium Power International 'LPI', I am delighted to write to you following our first 12 months as an ASX listed lithium company. During this period, significant development and progress has been made to the overall strategy, structure and value of our Company.

LPI, as one of the first ASX listed pure-play lithium companies, has assets diversified across both lithium brine in South America and lithium hard-rock in Western Australia. The Company has made significant advancements in the past year, particularly with our Maricunga Joint Venture (MJV) Agreement completed in January 2017. For this reason, the Company has chosen to focus on the development of the Maricunga lithium brine project, with the impetus that high-grade lithium brine projects will sit on the bottom of the global lithium cost curve, which will ultimately maximize value and return for our shareholders.

LPI has met every expectation and delivered on key milestones to ensure the acceleration of the Maricunga project. In addition to the A\$8M raised in the IPO in June 2016, the Company has contributed substantial funds towards the MJV via two further capital raisings of A\$13.5M in November 2016 and A\$12M in April 2017. The funds enabled LPI to fast-track its highly successful exploration program, resulting in the release of the JORC compliant mineral resource estimate in July 2017.

The updated resource estimate has given the Maricunga lithium project both scale and global significance. The resource now stands under two internationally recognized standards, JORC and NI 43-101, at 2.15 Mt of lithium carbonate equivalent (LCE) and 5.7 Mt of potassium chloride (KCl).

Maricunga's lithium concentrate grade of 1,160 mg/l is classified as the 2nd highest grade lithium brine deposit in South America. The current resource has the potential for a multi-decade mine life, with further potential for a multi-decade mine life in the exploration target.

In parallel, we continue to work towards the completion of the pre-feasibility study (PFS) in December 2017 and the submission of the environmental impact assessment baseline study (EIA) early in 2018.

The Company and its Joint Venture partners have formed a strong working relationship, and we expect the Joint Venture to continue to positively contribute to the development of the Maricunga project.

Given our strategic focus on the MJV, LPI has decided to divest itself of the Argentine lithium brine asset. A Term Sheet for the sale of the Company's Centenario project in Salta, Argentina has been agreed upon, subject to long form documents and final due diligence, with completion anticipated by the end of November 2017.

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The Board has continued to strengthen with the appointment of Mr Russell C Barwick as a Non-Executive Director in April 2017, a mining engineer and former CEO of Newcrest and COO with GoldCorp. I also had the privilege of joining the Board as the Chairman of LPI in February 2017, with my background as a founder and former Chairman of Atlas Iron. LPI will continue to put the right people in the right place at the right time as the Company advances.

I would like to thank the previous Chairman, Mr Reccared P Fertig, who was instrumental in taking the Company to ASX listing last year. Reccared remains as a Non-Executive Director of LPI and has taken up the Chairmanship of the Board of our Chilean Joint Venture entity, Minera Salar Blanco S.A..

I would also like to thank the Executive Board members, our management team, our technical team, and our advisers, contractors and suppliers for their collective effort and commitment over the last year in delivering increased scale and value to our Company.

Finally, I would like to thank you, our shareholders, for your continued support. The Company has had an enormously successful year in terms of accelerating our exploration programs and enhancing our project asset value. We have an exciting period ahead and we look forward to sharing the journey and continued success with you.

Yours sincerely,



David R Hannon
Chairman

28 September 2017
Sydney



Lithium Power International



CEO's Report

COMPANY OVERVIEW

Lithium Power International Limited (the "Company" or "LPI") is an ASX listed pure-play lithium company focusing on the development of Chile's next high-grade lithium mine.

MARICUNGA LITHIUM BRINE JV - CHILE

On 13 January 2017, LPI completed the Shareholders Agreement and the Investment Agreement for the formation of a Joint Venture vehicle for LPI's ownership of 50% of the Maricunga lithium brine project in Chile ('JV'). This transaction was a key milestone for the Company and has quickly transformed LPI from an explorer to a developer of a major lithium project in Chile.

LPI entered into a JV agreement with the former partners in the Maricunga tenements, MSB and Li3, with the ownership structure shown in Figure 1 below. The Board and Technical Committee for the JV is split between LPI, MSB and Li3 from the outset, based on each company's respective shareholding in the JV.

LPI will continue to fund development expenditure until late 2018 to earn its 50% equity interest in the JV, with the target of completing a definitive feasibility study by June 2018. At the date of this report the Company holds 32.5% of this shareholding as "paid capital" with the remaining 17.5% 'unpaid capital' to be progressively released as further payments are made by the Company under the terms of the Investment Agreement.

LPI holds 50% voting rights, along with 50% Board representation from the start of the JV.

FIGURE 1 – MARICUNGA JV OWNERSHIP STRUCTURE

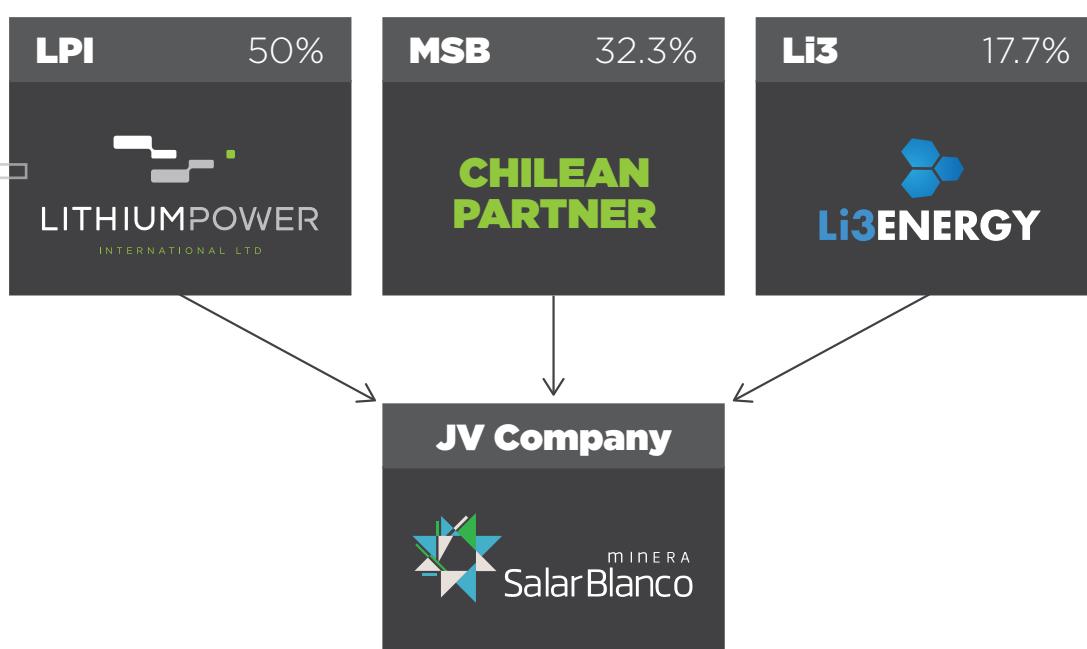




FIGURE 2: MARICUNGA PROJECT LOCATION IN THE LITHIUM TRIANGLE IN CHILE



The Maricunga project (MJV) is located in northern Chile, home to the largest and highest-grade lithium brine mines in the 'Lithium Triangle' (Figure 2) and source of the world's lowest cost lithium production. Maricunga is regarded as one of the highest quality pre-production lithium brine projects globally. The Litio 1–6 properties in the Maricunga salar (salt lake) were subject to significant past exploration by our Joint Venture partners, who generated the historical 2012 NI 43-101 compliant resource estimate.

MINERAL RESOURCES

During 2017 the mineral resource for the MJV was updated, with the details presented in Table 1, below, with an effective date of the 12 July 2017. The mineral resource was prepared in accordance with the requirements of the JORC code and is a substantial increase on the historical NI 43-101 resource.

The 2016-17 drilling program, funded by the Company's earn-in contribution under the JV Investment Agreement, was undertaken to expand the resource on the existing Litio properties and those acquired since the 2012 resource estimate (Cocina, San Francisco, Despreciada and Salamina). The 2016-17 program expanded the resource 3.7 fold to 2.15 Mt lithium carbonate equivalent (LCE) at 1,160 mg/l and 5.7 Mt potassium chloride (KCl) at 8,500 mg/l through the discovery of higher porosity sediments in the more recently acquired properties (Table 1).

TABLE 1: JULY 2017 MARICUNGA JV MINERAL RESOURCE ESTIMATE

| | Measured | | Indicated | | Inferred | | Measured+Indicated | | Total Resource | |
|--|-----------|---|-----------|---|-----------|---|--------------------|---|----------------|---|
| ELEMENT | Li | K | Li | K | Li | K | Li | K | Li | K |
| Mean grade g/m ³ of aquifer | 56 | | 409 | | 114 | | 801 | | 114 | |
| Mean concentration mg/l | 1,174 | | 8,646 | | 1,071 | | 7,491 | | 1,289 | |
| Resource tonnes | 170,000 | | 1,250,000 | | 155,000 | | 1,100,000 | | 80,000 | |
| Lithium Carbonate Equivalent tonnes | 900,000 | | 820,000 | | 430,000 | | 1,720,000 | | 2,150,000 | |
| Potassium Chloride tonnes | 2,400,000 | | 2,100,000 | | 1,200,000 | | 4,500,000 | | 5,700,000 | |

Lithium is converted to lithium carbonate (Li_2CO_3) with a conversion factor of 5.32. Values may not add due to rounding. No cut-off grade is applied in the resource.

Potassium is converted to potassium chloride (KCl) with a conversion factor of 1.91

^ Inferred underlies the Measured in the Litio properties

The current 2.15 Mt LCE resource is defined from surface to 200 m depth with 80% accounted for in the Measured and Indicated categories and 20% in the Inferred category. During the 2016-17 drilling program, only one hole (S-19) was drilled to test below 200 m depth. S-19 encountered a continuation of the lower brine aquifer over its entire length, ending in mineralization at 360 m depth and returning lithium concentrations at 975 mg/l.

Based on the results of exploration drill hole S-19, an exploration target* of 1.0 to 2.5 Mt of lithium carbonate equivalent (LCE) and 2.9 to 6.6 Mt of potassium chloride (KCl) is defined below the base of the resource at 200 m, to a depth up to 400 m (Table 2). With the exploration target* (Figure 3 and Figure 4) there is significant potential for resource expansion. Figure 3 illustrates the comparison of the 2012 resource estimate and the updated July 2017 estimate. Figure 4 shows growth of the Maricunga resource and exploration target* and how Maricunga, with very high grades, compares to other lithium brine projects.

TABLE 2: MARICUNGA EXPLORATION TARGET*

The target is based on limited drilling and geophysical data suggesting continuation of lithium and potassium mineralised brine below the updated resource

| SUBAREA | Area km ² | Thickness m | Mean drainable porosity % | Brine volume million m ³ | Lithium Concentration mg/L | Contained Lithium tonnes | Lithium Carbonate LCE tonnes | Potassium Concentration mg/L | Contained Potassium tonnes | Potassium Chloride KCl tonnes |
|--|-------------------------|----------------|------------------------------------|---|----------------------------------|--------------------------------|---------------------------------------|------------------------------------|----------------------------------|-------------------------------------|
| UPPER RANGE SCENARIO | | | | | | | | | | |
| Western | 4.23 | 100 | 10% | 42.3 | 1,000 | 40,000 | 200,000 | 6,500 | 270,000 | 500,000 |
| Central | 21.41 | 200 | 10% | 428.0 | 1,000 | 430,000 | 2,300,000 | 7,500 | 3,200,000 | 6,100,000 |
| Continues from directly below the resource | | | | | | | 470,000 | 2,500,000 | 3,470,000 | 6,600,000 |
| LOWER RANGE SCENARIO | | | | | | | | | | |
| Western | 4.23 | 100 | 6% | 25.4 | 600 | 15,000 | 80,000 | 5,000 | 130,000 | 240,000 |
| Central | 21.41 | 200 | 6% | 257.0 | 700 | 180,000 | 950,000 | 5,500 | 1,400,000 | 2,700,000 |
| Continues from directly below the resource | | | | | | | 195,000 | 1,030,000 | 1,530,000 | 2,940,000 |

Lithium is converted to lithium carbonate (Li_2CO_3) with a conversion factor of 5.32. Numbers may not add due to rounding.

Potassium is converted to potassium chloride (KCl) with a conversion factor of 1.91

* It must be stressed that an exploration target is not a mineral resource. The potential quantity and grade of the exploration target is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource in the volume where the Exploration Target is outlined. It is uncertain if further exploration drilling will result in the determination of a Mineral Resource in this volume.



The upgraded JORC compliant mineral resource estimate has greatly elevated the scale and potential mine life of the MJV, while results from drill hole S-19 suggest there is a reasonable expectation that deeper drilling could add considerable resources to the project.

In addition to a favourable resource base, our technical team has also confirmed the positive porosity and permeability characteristics of sediments hosting the brine for future extraction. This, along with the very high lithium and potassium grades contained in the brine, offers the potential for a robust operation.

POROSITY TEST WORK

Porosity testing of sediment samples by four reputable laboratories and pumping tests carried out by the MJV indicate that the porosity and permeability characteristics of the sediments containing brine are favourable for brine extraction by pumping.

FIGURE 3: RELATIONSHIP BETWEEN THE 2012 RESOURCE ESTIMATE, THE NEW EXPANDED 2017 RESOURCE AND THE DEEPER EXPLORATION TARGET

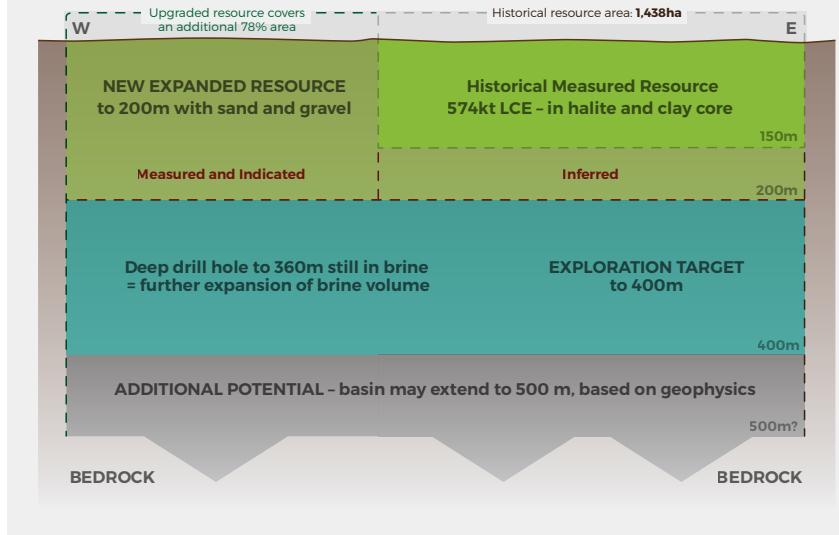
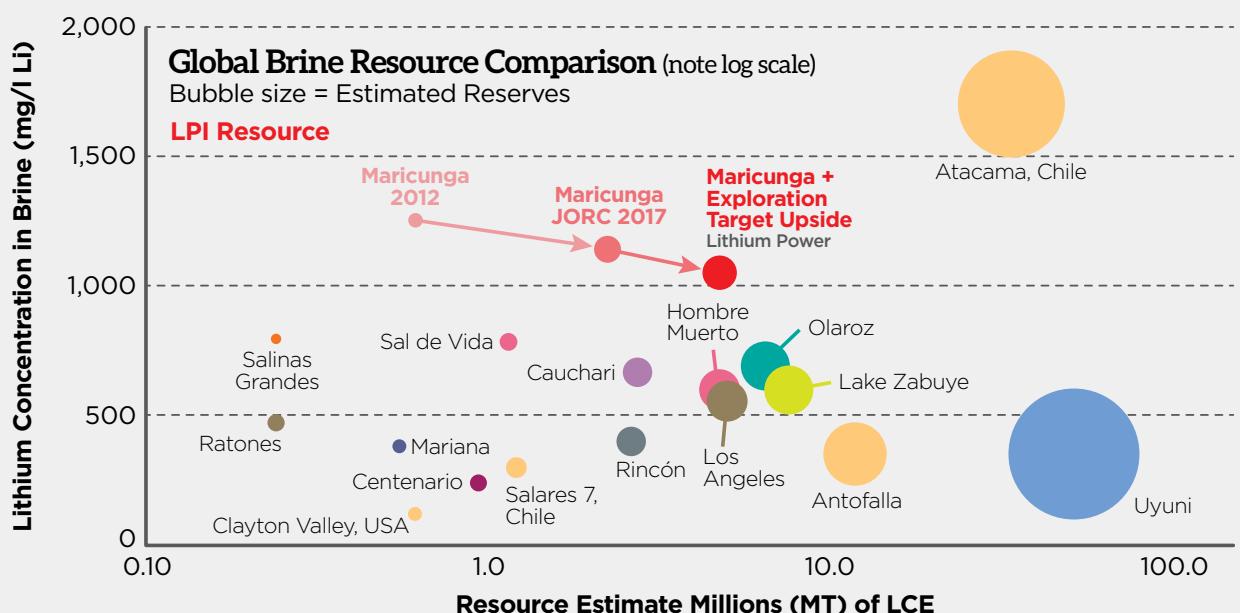


FIGURE 4: PROJECT LITHIUM BRINE CONCENTRATION AND RESOURCE ESTIMATES
showing the previous Maricunga resource, the new Measured+Indicated+Inferred resource and the addition of the high case for the exploration target.
Diagram modified after Albemarle (March 2017 presentation).



Based on results collected for the project to date, average drainable porosity values have been assigned to each of the geological units reflecting their composition of different sediment types. The results used for resource estimation are consistent with reasonable values for drainable porosity used on other brine projects globally.

PROCESS TEST WORK

Process test work completed to date on extracting lithium and potassium from the Maricunga brine has also been positive. It is considered there are reasonable grounds for future economic extraction of the resource, considering the necessary modifying factors and using wells installed to and beyond the depth of current drilling. Lithium brine has been extracted from salars in Chile and Argentina for over 34 years for production of lithium chemicals. Test work at the MJV is ongoing with major process engineering companies Veolia and GEA to optimise lithium extraction.

Field evaporation test work continues in ponds at the Maricunga project site, providing valuable information regarding brine evolution under site environmental conditions. The project weather station is providing important information on local evaporation conditions.

INFRASTRUCTURE

Studies determining the infrastructure requirements for the project continue. The project is very well supported with existing infrastructure, being located beside a well maintained international road linking Chile to Argentina. The project is 2.5 hours from the mining support centre of Copiapo, where a wide range of support services to the mining industry are available.

PRE-FEASIBILITY AND ENVIRONMENTAL STUDIES

Tier-1 engineering consultancy, WorleyParsons, is advancing with preliminary engineering design for the project, including the sizing and location of the evaporation ponds and plant. This will be completed as part of the PFS targeted for December 2017.

Evaluation of the power and water supply options are well advanced. The Company's environmental consultants, Montgomery Watson, are advancing with environmental monitoring for the environmental impact assessment (EIA) to support the pre-feasibility study (PFS).



COARSE GRAVEL WEST OF THE PROPERTIES



VOLCANICLASTIC UNIT UNDERLYING THE AREA



CEO's Report

OTHER PROJECTS

PILGANGOORA - PILBARA - NORTH WESTERN AUSTRALIA

The 100% owned Pilgangoora tenement (E45/4610) is situated adjacent to the Pilbara Minerals and Altura Mining lithium pegmatite deposits, which combined form one of the largest global lithium pegmatite resource. LPI is exploring for lithium pegmatites on a continuation of the same sequence of rocks immediately west of these deposits.

PILGANGOORA DRILLING PROGRAM

A significant area of the Pilgangoora tenement is covered by soil and alluvium; hence, a preliminary reconnaissance drilling program was undertaken in different areas across the tenement to test for potential greenstone rocks interpreted from the aeromagnetic survey. Thirty-five reverse circulation holes totalling 2,410 m highlighted several areas of interest where drilling encountered the preferred greenstone host rock and intervals of pegmatitic intrusive. The Company is actively collecting additional information in these areas and others not covered by the reconnaissance drilling. Magnetic susceptibility (intensity) measurements have been made on the drill chips to refine interpretation of the aeromagnetic data.

Samples have been analysed for a broad suite of elements using the ICP analytical method with further drilling targets being identified from these results.



Surveying at Pilgangoora

TABBA TABBA AND STRELLEY PROJECTS - NORTHWEST WESTERN AUSTRALIA

LPI's 100% owned Tabba Tabba and Strelley properties (E45/4637 and E45/4638) were granted on 12 May 2017. Planning is underway for the Company's initial exploration program, which will include soil and rock chip sampling and geological mapping.

GREENBUSHES - SOUTHWEST WESTERN AUSTRALIA

A number of interesting areas have been identified through targeted rock and soil sampling programs and new geophysical interpretation of existing data sets. Planning for an expanded and more in depth sampling program is under way.



Sampling at Tabba Tabba

CENTENARIO - SALTA PROVINCE, ARGENTINA

As previously announced, LPI made the decision to divest its interests in the Centenario Lithium Brine Project to allow the Company's resources to be focused on the development of the MJV. On 1 September 2017, LPI entered into a binding Term Sheet to sell 100% of the shares in Company's subsidiary Lithium Power International Holdings (Argentina) Pty Ltd, subject to final due diligence and the completion of long form documents. The transaction is for a total consideration of A\$3.75m plus a 1.5% gross royalty and a backdated success payment and is expected to complete by November 2017.



Centenario Salar, Argentina

SUMMARY

The Company is in a very strong position to advance its development plans on the MJV in Chile over the next 12 months. LPI's Board and management are firmly focused on delivering the significant potential of the MJV with a clear path to becoming Chile's next high grade – low cost lithium producer.

Martin C Holland
Chief Executive Officer

A clear path to **low cost** **lithium production** developing Chile's next **high grade** **lithium mine**

Only
one
option
exists
to
minimize
costs
and
risk



Sonic drill rig at Maricunga

Only
person
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Maricunga site camp



Drill rig setup

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Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Lithium Power International Limited (referred to hereafter as the 'company', 'LPI' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2017.

DIRECTORS

The following persons were directors of Lithium Power International Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr David R Hannon – Non-Executive Chairman (appointed on 9 February 2017)

Mr Martin C Holland – Managing Director and Chief Executive Officer

Mr Reccared P Fertig – Non-Executive Director (Non-Executive Chairman until 9 February 2017)

Mr Russell C Barwick – Non-Executive Director (appointed on 6 April 2017)

Mr Andrew G Phillips – Executive Director and Chief Financial Officer

Dr Luis Ignacio Silva P – Non-Executive Director

PRINCIPAL ACTIVITY

During the financial year the principle activity of the consolidated entity consisted of the identification, acquisition and exploration of lithium assets in Chile, Argentina and Australia.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$7,247,167 (30 June 2016: \$1,876,900).

During the financial year the consolidated entity successfully completed a Joint Venture agreement to acquire 50% of the Maricunga lithium brine project in Chile. The Joint Venture agreement resulted in the consolidated entity immediately obtaining a 50% beneficial interest in the Maricunga lithium brine project. The consolidated entity made payment of USD\$17.7m in respect of 32.5% of the project during the year, with a further USD\$9.5M payable in respect of the remaining 17.5%. The remainder due is to be paid in installments by September 2018. The funds paid into the Joint Venture to date have been used for a combination of acquiring tenements from land holders (USD\$5.22m) with the remainder for funding the comprehensive development program.

As a consequence of this Joint Venture, the Company has completed two capital raises for \$13.5m in November 2016 and \$12m in April 2017, to fund this Joint Venture program.

In addition, the Company has conducted an initial drilling program at its Pilgangoora project in Western Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As detailed in the review of operations, the significant changes in the state of affairs during the period were:

Directors' Report

to 30 June 2017

- the completion of the Maricunga Joint Venture, with a total AUD\$23.5m (USD\$17.7m) paid, to date, for the acquisition and exploration of the Maricunga asset in Chile. As at reporting date the consolidated entity has paid for 32.5% of its 50% shareholding in the Joint Venture with the remaining 17.5% of unpaid capital to be settled by September 2018;
- the issue of 83.7m shares in relation to the capital raising process in November 2016 (36.6m shares) and April 2017 (31.1m shares) along with 16m shares issued to the Chilean JV partner in relation the transaction;
- the issue of 37.5m, twelve month listed options under ASX code LPIO at an exercise price of \$0.55 to expire 24 November 2017;
- on 9 February 2017, the consolidated entity engaged Mr David R Hannon as Non-Executive Chairman. Mr Hannon brings significant Australian public company experience to the Chairman's role. Mr Reccared P Fertig resigned as Chairman of the Company and has been appointed Chairman of the Maricunga JV entity Minera Salar Blanco S.A. Mr Fertig remains a Non-Executive Director of the Company; and
- on 6 April 2017, the consolidated entity appointed Mr Russell C Barwick as a Non-Executive Director. Mr Barwick brings significant Australian public company experience along with a background in mining, engineering and Latin American mine development.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 5 July 2017, the Company announced the release of 929,581 shares from escrow. These shares were issued to the vendor of the Centenario salar properties at the time of the IPO for part consideration for the title of these properties.

On 7 July 2017, the Company, as approved at the General Meeting of Shareholders, issued 34.6m twenty-four month listed options, under the ASX Code LPIOA at an exercise price of \$0.55 to expire 6 July 2019, to participants in the recent capital raise. In addition, the Company, as approved at the General Meeting, issued 2m thirty-six month unlisted options to each of David R Hannon and Russell C Barwick at an exercise price of \$0.60 to expire 6 July 2020, along with 526,315 fully paid ordinary shares and attaching options to Russell C Barwick under the same conditions as the April 2017 capital raise.

On 7 September 2017, the Company announced the signing of a Term Sheet for the sale of the Argentinian project in the Centenario Salar, subject to final Due Diligence and long form sales documentation. The transaction is for the sale of the shares in the wholly owned subsidiary Lithium Power International Holdings (Argentina) Pty Ltd which owns 100% of the shares in the Company's Argentine subsidiary company. The transaction is for a total of AUD\$3.75m plus a 1.5% gross royalty and a backdated success fee payable on the finalisation of a JORC resource. The expectation is to complete this transaction by the end of October 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity is focused on the development of its 50% owned Maricunga lithium brine project in Chile.

ENVIRONMENTAL REGULATION

The consolidated entity is subject to and compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

INFORMATION ON DIRECTORS

DAVID R HANNON

NON-EXECUTIVE CHAIRMAN (APPOINTED 9 FEBRUARY 2017)

Mr Hannon holds a Bachelor of Economics from Macquarie University and is a Fellow of the Financial Services Institute of Australia (FINSIA). Mr Hannon commenced his commercial career as a stockbroker/investment banker in 1985. He later became a Director of a private investment bank specialising in venture capital with a focus on the mining sector. Mr. Hannon has operated a private investment group, Chifley Investor Group Pty Limited for over 15 years.

Mr Hannon's other listed mining company experience involves being a founding Director of Atlas Iron Limited ("Atlas") in 2004. Mr Hannon remained a member of the Atlas Board for 10 years and was Chairman while it maintained its position as a member of the ASX 100 Index with a market capitalisation of over \$2 billion. Throughout this period Mr Hannon held various positions including Chairman of the Audit Committee and Chairman of the Nominations and Remunerations Committee. While Atlas embarked upon an iron ore growth strategy of its Pilbara assets it became the fourth largest iron ore producer in Australia.

Other current directorships: Minrex Resources Limited (ASX: MRR)

Former directorships (last 3 years): None

Special responsibilities: None

Interests in shares: 20,715,484 ordinary shares

Interests in options: 11,011,316 options over ordinary shares

MARTIN C HOLLAND

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER ('CEO')

Mr Holland has 12 years' management experience focusing on the mining sector. Previously he was CEO of gold explorer Stratum Metals Limited from 2010 to 2014, which listed on the ASX in 2011. He is Chairman of Sydney based private investment company, Holland International Pty Limited, which has strong working relationships with leading institutions and banks across Australia and the Asia Pacific region.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Director on the Maricunga Joint Venture Board

Interests in shares: 21,000,001 ordinary shares

Interests in options: 10,000,001 options over ordinary shares

RECCARED (RICKY) P FERTIG

NON-EXECUTIVE DIRECTOR

Mr Fertig is a senior executive with over 30 years' international commercial experience across the property, healthcare and mining services sector. He is the Chief Executive Officer of Adrenna Property Group Limited, a Johannesburg property fund. He was also Chairman of Quyn International Outsource, a South African-based human resource group that has over 3,000 employees in Southern Africa, servicing the mining, construction and commercial industries; RMS Corporate Solutions, one of the leading property and facilities management companies in Southern Africa; and East Sydney Private Hospital in Sydney, Australia, which he co-founded.

Other current directorships: Adrenna Property Group Ltd (JSE: ANA)

Former directorships (last 3 years): None

Special responsibilities: Chairman of the Maricunga Joint Venture Board

Interests in shares: 16,585,715 ordinary shares

Interests in options: 7,550,000 options over ordinary shares

RUSSELL C BARWICK (appointed on 6 April 2017)

NON-EXECUTIVE DIRECTOR

Mr Barwick is an internationally renowned mining executive and engineer with over 43 years technical, managerial and corporate experience in various commodities. Mr Barwick has an extremely strong development, operational and corporate background, particularly in Latin America. Formerly CEO of Newcrest and COO of GoldCorp. Mr Barwick is currently Chairman of Red Metal Limited and a Non-Executive Director for Mount Gibson Iron Limited.

Other current directorships: Red Metal Limited (ASX: RDM), Mount Gibson Iron Limited (ASX: MGX)

Former directorships (last 3 years): None

Special responsibilities: None

Interests in shares: 526,315 ordinary shares

Interests in options: 2,526,315 options over ordinary shares

ANDREW G PHILLIPS

EXECUTIVE DIRECTOR, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER ('CFO')

Qualifications: B.B.S.

Mr Phillips has over 25 years' international commercial experience previously working in senior financial and commercial management positions with a number of public and multinational companies in Australia and New Zealand with extensive networks throughout Asia. He is currently a non-executive director for 2 ASX listed companies, and has served as a director and/or company secretary for a number of ASX listed Companies.

Other current directorships: Longreach Oil Limited (ASX: LGO), Southern Cross Exploration NL (ASX: SXX)

Former directorships (last 3 years): Dateline Resources Ltd (ASX: DTR) (resigned 5 June 2015), Crestal Petroleum Ltd (ASX: CRX) (resigned 15 April 2016), Richfield International Limited (ASX: RIS) (resigned 15 April 2016)

Special responsibilities: Director on the Maricunga Joint Venture Board

Interests in shares: 598,158 ordinary shares

Interests in options: 1,763,158 options over ordinary shares



Directors' Report

to 30 June 2017

DR LUIS IGNACIO SILVA P

NON-EXECUTIVE DIRECTOR AND LATIN AMERICA REGIONAL MANAGER

Qualifications: PGeo, Ph.D., CEng

Dr Silva has over 40 years' experience in mining exploration and environmental studies, which includes the lithium sector over the last 10 years. He has managed projects in Chile and Panama and has additional experience in Argentina, Bolivia, Costa Rica and Peru. He was previously Deputy Manager of Geology at SERNAGEOMIN (the Chilean Geological Survey) for two years, from February 2012 to April 2014. Prior to that he was the Exploration and General Manager for Talison's Salares-7 lithium project from December 2009 to December 2011. He has worked with some of the largest mining companies in the world, including Talison Lithium Limited, Freeport McMoRan Gold Corporation, Amax Gold de Chile Ltda., Barrick-IGCI, Lundin, Minera Homestake Chile S.A., Conzinc Rio Tinto Australia Limited, Pegasus Minera de Chile S.A., Chilean Nuclear Energy Commission and Shell-Billiton S.A.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: None

Interests in shares: 280,000 ordinary shares

Interests in options: 640,000 options over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Mr Andrew G Phillips is an experienced company secretary and occupies this role along with being an executive director of the company. Refer to Information on Directors for further details on Mr Phillips.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each director were:

| | Full Board Attended | Full Board Held |
|----------------------|------------------------|--------------------|
| David R Hannon | 2 | 2 |
| Martin C Holland | 5 | 5 |
| Reccared P Fertig | 5 | 5 |
| Russell C Barwick | 1 | 1 |
| Andrew G Phillips | 5 | 5 |
| Luis Ignacio Silva P | 5 | 5 |

Held: represents the number of meetings held during the time the director held office.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

Due to the current size of the company and the Board, a Nomination and Remuneration Committee has not been formed, and the role typically performed by such a Committee is being performed by the full Board, in consultation with external advisors, when required.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the company.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

NON-EXECUTIVE DIRECTORS REMUNERATION

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. Under the company's Constitution and as set out in the IPO Prospectus, total aggregate remuneration available to Non-executive directors was set at \$500,000 per annum. Non-executive director fees (Directors' fees and committee fees) proposed for the year ending 30 June 2018 are summarised as follows:

Directors' Report

to 30 June 2017

| Name | FY 2018 Fees |
|-------------------------|--------------|
| David R Hannon | \$120,000 |
| Reccared P Fertig | \$120,000 |
| Russell C Barwick | \$80,000 |
| Dr Luis Ignacio Silva P | US\$50,000 |

Options were also awarded to two of the newly appointed Non-Executive Directors on 7 July 2017. Such options are issued to attract high calibre Directors to the board.

EXECUTIVE REMUNERATION

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The long-term incentives ('LTI') includes share-based payments. Options were awarded to executives and vested upon successful completion of the initial public offering ('IPO') or over a 2 year vesting period. Options vesting upon completion of the IPO are held in escrow for between 12 and 24 months from the vesting date, as required by the Australian Securities Exchange ('ASX'). The Board reviewed the long-term equity-linked performance incentives specifically for executives for the period ended 30 June 2017.

USE OF REMUNERATION CONSULTANTS

During the financial year ended 30 June 2017, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2016 ANNUAL GENERAL MEETING ('AGM')

At the 28 November 2016 AGM, 99.95% of the votes received supported the adoption of the remuneration report for the year period 30 June 2016. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

DETAILS OF REMUNERATION

AMOUNTS OF REMUNERATION

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Lithium Power International Limited:

- David R Hannon – Non-Executive Chairman (appointed 9 February 2017)
- Martin C Holland – Managing Director and Chief Executive Officer
- Reccared P Fertig – Non-Executive Director
- Russell C Barwick – Non-Executive Director (appointed 6 April 2017)
- Andrew G Phillips – Executive Director, Company Secretary and Chief Financial Officer
- Luis Ignacio Silva P – Non-Executive Director and Latin America Regional Manager

And the following person:

- Murray R Brooker – Group Technical and Exploration Advisor



| | Short-term benefits | | | Post-employment benefits | | Share-based payments | Total \$ | |
|---------------------------------------|----------------------------|------------------|--------------------|--------------------------|--------------------------|----------------------|------------------|--|
| | Cash salary and fees \$ | Cash bonus \$ | Non-monetary \$ | Super-annuation \$ | Long service leave \$ | Equity-settled \$ | | |
| 2017 | | | | | | | | |
| Non-Executive Directors: | | | | | | | | |
| David R Hannon* | 47,000 | – | – | 4,465 | – | – | 51,465 | |
| Reccared P Fertig | 120,000 | – | – | – | – | – | 120,000 | |
| Russell C Barwick* | 18,485 | – | – | 1,756 | – | – | 20,241 | |
| Dr Luis Ignacio Silva P | 58,721 | – | – | – | – | – | 58,721 | |
| Executive Directors: | | | | | | | | |
| Martin C Holland | 240,000 | – | – | 22,800 | – | – | 262,800 | |
| Andrew G Phillips | 180,000 | – | – | 32,500 | – | – | 212,500 | |
| Other Key Management Personnel | | | | | | | | |
| Murray R Brooker** | 319,870 | – | – | – | – | 52,213 | 372,083 | |
| | 984,076 | – | – | 61,521 | – | 52,213 | 1,097,810 | |

* represents remuneration from date of appointment

** short term benefits is represented by salaries and fees of \$49,280 paid by the Company up until October 2016 and \$270,590 of salaries and fees paid by the Maricunga Joint Venture Company from October 2016

| | Short-term benefits | | | Post-employment benefits | Long term benefits | Share-based payments | Total \$ | | | | |
|---------------------------------------|----------------------------|-------------------|--------------------|--------------------------|--------------------|----------------------|------------------|--|--|--|--|
| | Cash salary and fees \$ | Cash bonus* \$ | Non-monetary \$ | | | | | | | | |
| 24 July 2015 to 30 June 2016 | | | | | | | | | | | |
| Non-Executive Directors: | | | | | | | | | | | |
| Reccared P Fertig | 110,000 | 50,000 | – | – | – | – | 160,000 | | | | |
| Dr Luis Ignacio Silva P | 57,143 | – | – | – | – | 64,500 | 121,643 | | | | |
| Executive Directors: | | | | | | | | | | | |
| Martin C Holland | 220,000 | 50,000 | – | 20,900 | – | – | 290,900 | | | | |
| Andrew G Phillips | 165,000 | 50,000 | – | 15,675 | – | 193,500 | 424,175 | | | | |
| Other Key Management Personnel | | | | | | | | | | | |
| Murray R Brooker | 65,500 | – | – | – | – | 13,053 | 78,553 | | | | |
| | 617,643 | 150,000 | – | 36,575 | – | 271,053 | 1,075,271 | | | | |

* IPO completion bonus paid



Directors' Report

to 30 June 2017

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | At risk – STI | At risk – LTI |
|--|-----------------------|---------------|---------------|
| | 2017 | 2017 | 2017 |
| Non-Executive Directors: | | | |
| David R Hannon | 100% | – | – |
| Reccared P Fertig | 100% | – | – |
| Russell C Barwick | 100% | – | – |
| Dr Luis Ignacio Silva P | 100% | – | – |
| Executive Directors: | | | |
| Martin C Holland | 100% | – | – |
| Andrew G Phillips | 100% | – | – |
| Other Key Management Personnel: | | | |
| Murray R Brooker | 86% | – | 14% |

The proportion of the cash bonus paid/payable or forfeited is as follows:

| Name | Cash bonus paid/payable | | Cash bonus forfeited | |
|---------------------------------|-------------------------|------------------------------------|----------------------|------------------------------------|
| | 2017 | 25 June 2015 to 30 June 2016 | 2017 | 24 July 2015 to 30 June 2016 |
| Non-Executive Directors: | | | | |
| Reccared P Fertig | – | 100% | – | – |
| Executive Directors: | | | | |
| Martin C Holland | – | 100% | – | – |
| Andrew G Phillips | – | 100% | – | – |

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

MARTIN C HOLLAND

CHIEF EXECUTIVE OFFICER

Agreement commenced: 1 August 2015

Term of agreement: No fixed term

Details: Base salary for the year ending 30 June 2017 of \$240,000 plus superannuation and any GST. Base salary is to be reviewed from time to time by the Board in accordance with constitution and policies. Mr Holland and the company may terminate the agreement at any time and for any reason by giving 12 months' written notice to the other party. Mr Holland's employment may otherwise be terminated at any time for cause by notice to Mr Holland from the company.

ANDREW G PHILLIPS

EXECUTIVE DIRECTOR, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Agreement commenced: 1 August 2015

Term of agreement: No fixed term

Details: Base salary for the year ending 30 June 2017 of \$180,000 plus superannuation and any GST, plus 1,500,000 sign-on Options issued. Base salary is to be reviewed from time to time by the Board in accordance with constitution and policies. Mr Phillips and the company may terminate the agreement at any time and for any reason by giving 12 months' written notice to the other party. Mr Phillips' employment may otherwise be terminated at any time for cause by notice to Mr Phillips from the company.



MURRAY BROOKER
GROUP TECHNICAL ADVISOR

Agreement commenced: 24 June 2016 (date of listing)

Term of agreement: Fixed Term up to 28 November 2019

Details: Fixed fee of \$1,000 per day from Commencement date until 30 September 2016 and then increased to \$1,600 per day thereafter, for a minimum of 100 days per year. The Company to pay these fees up until 30 September and the Chile JV to pay fees thereafter. In addition, 916,667 sign-on options issued, 1,000,000 shares issued plus 2,000,000 Performance Options subject to delivery of key milestones and currently unissued.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

SHARE-BASED COMPENSATION

ISSUE OF SHARES

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

OPTIONS

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|----------------------------|-----------------------------------|--------------|----------------|-------------------------------------|
| Murray R Brooker – 500,000 | 24 June 2018 | 24 June 2021 | \$0.2000 | \$0.13 |
| Murray R Brooker – 250,000 | 24 June 2018 | 24 June 2021 | \$0.4000 | \$0.10 |
| Murray R Brooker – 166,667 | 24 June 2018 | 24 June 2021 | \$0.6000 | \$0.09 |

All options were granted on 5 April 2016.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017.

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

SHAREHOLDING

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/other | Balance at the end of the year |
|-------------------------|----------------------------------|----------------------------------|-------------------|-----------------|--------------------------------|
| Ordinary shares | | | | | |
| David R Hannon* | – | – | 20,715,484 | – | 20,715,484 |
| Martin C Holland | 21,000,001 | – | – | – | 21,000,001 |
| Reccared P Fertig** | 16,585,715 | – | 1,052,632 | – | 17,638,347 |
| Andrew G Phillips** | 335,000 | – | 263,158 | – | 598,158 |
| Dr Luis Ignacio Silva P | 280,000 | – | – | – | 280,000 |
| | 38,200,716 | – | 22,031,274 | – | 60,231,990 |

* All shares held were acquired prior to appointment.

** Additions represent shares acquired as part of the November 2016 share placement. All shares were acquired under the standard terms and conditions of the share placement offer.



Directors' Report

to 30 June 2017

OPTION HOLDING

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|-------------------------------------|----------------------------------|-------------------|-----------|---------------------------------|--------------------------------|
| Options over ordinary shares | | | | | |
| David R Hannon*/** | – | 8,811,316 | – | – | 8,811,316 |
| Martin C Holland | 10,000,001 | – | – | – | 10,000,001 |
| Reccared P Fertig** | 7,550,000 | 1,052,632 | – | – | 8,602,632 |
| Andrew G Phillips** | 1,500,000 | 263,158 | – | – | 1,763,158 |
| Dr Luis Ignacio Silva P | 640,000 | – | – | – | 640,000 |
| Murray R Brooker | 916,667 | – | – | – | 916,667 |
| | 20,606,668 | 10,127,106 | – | – | 30,733,774 |

* Options issued to David R Hannon were issued as the Founders Shares issued with an attaching 1 for 2 Option, therefore is not part of their remuneration

** Options issued to Reccared P Fertig, David R Hannon and Andrew G Phillips were options issued as part of the share placement which had attaching options

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

During the year ended 30 June 2017, the consolidated entity paid \$66,600 (plus GST) to DHJPM Pty Ltd (a director related entity of David R Hannon) for the rental of office space. No amounts remaining outstanding at 30 June 2017.

During the period ended 30 June 2016, Recared P Fertig provided loans of \$450,000 to the consolidated entity of which \$250,000 was converted to 1,250,000 shares at IPO and \$200,000 was repaid prior to 30 June 2017. There are no outstanding loan balances at 30 June 2017 or 30 June 2016.

During the period ended 30 June 2016, Andrew G Phillips provided loans of \$205,000 to the consolidated entity of which \$55,000 was converted to 275,000 shares at IPO and \$150,000 was repaid prior to 30 June 2017. There are no outstanding loan balances at 30 June 2017 or 30 June 2016.

THIS CONCLUDES THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED.

SHARES UNDER OPTION

Unissued ordinary shares of Lithium Power International Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|-------------------|------------------|----------------|---------------------|
| 21 September 2015 | 24 June 2021 | \$0.2000 | 25,400,001 |
| 25 September 2015 | 24 June 2021 | \$0.2000 | 1,940,000 |
| 5 April 2016 | 24 June 2021 | \$0.2000 | 3,500,000 |
| 5 April 2016 | 24 June 2021 | \$0.4000 | 250,000 |
| 5 April 2016 | 24 June 2021 | \$0.6000 | 166,667 |
| 28 November 2016 | 27 November 2017 | \$0.5500 | 31,578,947 |
| 28 November 2016 | 27 November 2017 | \$0.5500 | 5,263,158 |
| 28 November 2016 | 27 November 2017 | \$0.5500 | 2,000,000 |
| 28 November 2016 | 27 November 2017 | \$0.5500 | 1,052,632 |
| 28 November 2016 | 27 November 2017 | \$0.5500 | 263,158 |
| 6 July 2017 | 5 July 2019 | \$0.5500 | 34,578,947 |
| 6 July 2017 | 5 July 2020 | \$0.6000 | 4,000,000 |
| | | | 109,993,510 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.



SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Lithium Power International Limited were issued during the year ended 30 June 2017 and up to the date of this report on the exercise of options granted:

| Date options granted | Exercise price | Number of shares issued |
|----------------------|----------------|-------------------------|
| 12 September 2015 | \$0.2000 | 100,000 |

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF ERNST & YOUNG

There are no officers of the company who are former partners of Ernst & Young.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration follows this directors' report.

Directors' Report

to 30 June 2017

AUDITOR

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



David R Hannon

Chairman

28 September 2017

Sydney

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

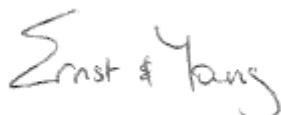
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Lithium Power International Limited

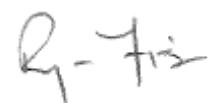
As lead auditor for the audit of Lithium Power International Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lithium Power International Limited and the entities it controlled during the financial year.



Ernst & Young



Ryan Fisk
Partner
28 September 2017

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

| | Note | 2017 | Consolidated 24 July 2015 to 30 June 2016 |
|---|------|--------------------|--|
| | | \$ | \$ |
| Other revenue | 5 | 22,182 | 9,105 |
| Share of losses of joint ventures accounted for using the equity method | 27 | (4,100,155) | – |
| Expenses | | | |
| Employee benefits expense | | (1,087,301) | (969,693) |
| Occupancy costs | | (76,955) | (56,620) |
| Depreciation and amortisation expense | 6 | (184) | – |
| IPO transaction costs | | – | (319,306) |
| Legal and professional fees | | (912,078) | (333,441) |
| Travel expense | | (267,438) | (109,492) |
| Administration expense | | (398,353) | (70,278) |
| Net foreign exchange losses | | (400,124) | (24,848) |
| Other expenses | | (17,293) | – |
| Finance costs | 6 | (9,468) | (2,327) |
| Loss before income tax expense | | (7,247,167) | (1,876,900) |
| Income tax expense | 7 | – | – |
| Loss after income tax expense for the year attributable to the owners of Lithium Power International Limited | | (7,247,167) | (1,876,900) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation | | 8,623 | 294 |
| Other comprehensive income for the year, net of tax | | 8,623 | 294 |
| Total comprehensive income for the year attributable to the owners of Lithium Power International Limited | | (7,238,544) | (1,876,606) |

| | | Cents | Cents |
|------------------------|----|--------|--------|
| Basic loss per share | 29 | (4.79) | (3.25) |
| Diluted loss per share | 29 | (4.79) | (3.25) |

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

Financial Statements
for the year ended 30 June 2017

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | Note | Consolidated | |
|---|------|---------------------|-------------|
| | | 2017 | 2016 |
| Assets | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 8 | 3,616,971 | 7,236,696 |
| GST receivable | | 20,941 | 102,792 |
| Other | | 52,265 | 4,115 |
| | | 3,690,177 | 7,343,603 |
| Assets of disposal groups classified as held for sale | 9 | 298,189 | – |
| Total current assets | | 3,988,366 | 7,343,603 |
| Non-current assets | | | |
| Investments accounted for using the equity method | 10 | 37,456,279 | – |
| Property, plant and equipment | | 4,860 | – |
| Exploration and evaluation | 11 | 1,472,405 | 1,056,365 |
| Total non-current assets | | 38,933,544 | 1,056,365 |
| Total assets | | 42,921,910 | 8,399,968 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | 8,036,306 | 955,878 |
| | | 8,036,306 | 955,873 |
| Liabilities directly associated with assets classified as held for sale | 13 | 33,771 | – |
| Total current liabilities | | 8,070,077 | 955,878 |
| Non-current liabilities | | | |
| Payables | 14 | 4,590,000 | – |
| Total non-current liabilities | | 4,590,000 | – |
| Total liabilities | | 12,660,077 | 955,878 |
| Net assets | | 30,261,833 | 7,444,090 |
| Equity | | | |
| Issued capital | 15 | 37,258,548 | 8,920,643 |
| Reserves | 16 | 2,127,352 | 400,347 |
| Accumulated losses | | (9,124,067) | (1,876,900) |
| Total equity | | 30,261,833 | 7,444,090 |

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

| Consolidated | Issued capital \$ | Reserves \$ | Retained profits \$ | Total equity \$ |
|--|----------------------|----------------|------------------------|--------------------|
| Balance at 24 July 2015 | – | – | – | – |
| Loss after income tax expense for the year | – | | (1,876,900) | (1,876,900) |
| Other comprehensive income for the year, net of tax | – | 294 | – | 294 |
| Total comprehensive income for the year | – | 294 | (1,876,900) | (1,876,606) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 15) | 8,920,643 | – | – | 8,920,643 |
| Share-based payments (note 30) | – | 400,053 | – | 400,053 |
| Balance at 30 June 2016 | 8,920,643 | 400,347 | (1,876,900) | 7,444,090 |

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|----------------------|------------------|--------------------------|--------------------|
| Balance at 1 July 2016 | 8,920,643 | 400,347 | (1,876,900) | 7,444,090 |
| Loss after income tax expense for the year | – | – | (7,247,167) | (7,247,167) |
| Other comprehensive income for the year, net of tax | – | 8,623 | – | 8,623 |
| Total comprehensive income for the year | – | 8,623 | (7,247,167) | (7,238,544) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 15) | 30,004,074 | – | – | 30,004,074 |
| Share-based payments (note 30) | – | 52,213 | – | 52,213 |
| Fair value of options attached to private placement | (1,666,169) | 1,666,169 | – | – |
| Balance at 30 June 2017 | 37,258,548 | 2,127,352 | (9,124,067) | 30,261,833 |

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



Financial Statements
for the year ended 30 June 2017

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

| | Note | 2017 | Consolidated 24 July 2015 to 30 June 2016 |
|--|------|--------------|--|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers (inclusive of GST) | | (3,809,953) | (634,360) |
| Interest received | | 22,182 | 9,105 |
| Interest and other finance costs paid | | (9,468) | (2,327) |
| Net cash used in operating activities | 28 | (3,797,239) | (627,582) |
| Cash flows from investing activities | | | |
| Payments for new joint venture capital invested | | (23,086,434) | – |
| Payments for property, plant and equipment | | (5,044) | – |
| Payments for exploration and evaluation | 11 | (655,082) | (870,450) |
| Net cash used in investing activities | | (23,746,560) | (870,450) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 15 | 25,700,002 | 8,847,001 |
| Share issue transaction costs | 15 | (1,775,928) | (480,373) |
| Loans received from related parties | | – | 718,100 |
| Loans repaid to related parties | | – | (350,000) |
| Net cash from financing activities | | 23,924,074 | (8,734,728) |
| Net increase/(decrease) in cash and cash equivalents | | (3,619,725) | 7,236,696 |
| Cash and cash equivalents at the beginning of the financial year | | 7,236,696 | – |
| Cash and cash equivalents at the end of the financial year | 8 | 3,616,971 | 7,236,696 |

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



Notes to the Financial Statements

for the period ended 30 June 2017

NOTE 1. GENERAL INFORMATION

The financial statements cover Lithium Power International Limited as a consolidated entity consisting of Lithium Power International Limited ('company' or 'parent entity') and the entities it controlled at the end of, or during, the period (collectively referred to as the 'consolidated entity'). The financial statements are presented in Australian dollars, which is Lithium Power International Limited's functional and presentation currency.

Lithium Power International Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 7, 151 Macquarie Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activity are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2017. The directors have the power to amend and reissue the financial statements.

The company was incorporated on 24 July 2015 and therefore the results for the comparative period are for the period from incorporation to 30 June 2016.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

GOING CONCERN

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The company has incurred a net loss after tax of \$7,247,167 (2016: \$1,876,900) for the year ended 30 June 2017 and had a net current liability position of \$4,081,711 (2016: net asset position of \$6,387,725) as at 30 June 2017.

The Directors have prepared cash flow forecasts that indicate that the current cash resources will be sufficient to fund the next two payments to the Maricunga joint venture earn in, the planned exploration expenditure in the Western Australia projects, other principle activities and working capital requirements. Through current cash reserves and the sale of the Argentine asset, the Company has sufficient funds to execute the next two payments for the Maricunga joint venture to total 39.8% with the two final payments due in June and September 2018. The Company intends to make the final 2 payments in June and September 2018 however should the Company elect not to make these final two payments, the Company will relinquish the unpaid portion of 10.2% of the Maricunga joint venture.

Notes to the Financial Statements

30 June 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

HISTORICAL COST CONVENTION

The financial statements have been prepared under the historical cost convention.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lithium Power International Limited as at 30 June 2017 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is Lithium Power International Limited's functional and presentation currency.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.



REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

INTEREST

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

OTHER REVENUE

Other revenue is recognised when it is received or when the right to receive payment is established.

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE AND OTHER RECEIVABLES

Other receivables are recognised at amortised cost, less any provision for impairment.

Notes to the Financial Statements

30 June 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

NON-CURRENT ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

JOINT VENTURES

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment: 3–7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.



EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the period in which the decision is made.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

OTHER LONG-TERM EMPLOYEE BENEFITS

The liability employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

DEFINED CONTRIBUTION SUPERANNUATION EXPENSE

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

SHARE-BASED PAYMENTS

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.



Notes to the Financial Statements

30 June 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of Lithium Power International Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies, if disclosed, are net of the amount of GST recoverable from, or payable to, the tax authority.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.



AASB 9 FINANCIAL INSTRUMENTS

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an ‘expected credit loss’ ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018. It is not expected to significantly impact the financial statements on the basis that the main financial assets recognised represent cash and cash equivalent and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price. Both asset classes will continue to be measured at face value. Other financial asset classes are not material to the consolidated entity. Financial liabilities of the consolidated entity are not impacted as the consolidated entity does not carry them at fair value.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. It is not expected to significantly impact the financial statements on the basis that most of the consolidated entity's revenue is recognised at the time of transfer of units to customer which represents the satisfaction of the primary performance obligation.

AASB 16 LEASES

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 ‘Leases’ and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a ‘right-of-use’ asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a ‘right-of-use’ asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Notes to the Financial Statements

30 June 2017

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

SHARE-BASED PAYMENT TRANSACTIONS

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

EXPLORATION AND EVALUATION COSTS

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

NOTE 4. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The consolidated entity is organised into one operating segment, being the exploration and evaluation of early stage Lithium resources. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated.

NOTE 5. OTHER REVENUE

| | Consolidated | |
|----------|------------------------------------|--------------|
| | 24 July 2015 to 30 June 2016 | 2017 |
| | \$ | \$ |
| Interest | | 22,182 9,105 |

NOTE 6. EXPENSES

| | Consolidated | |
|--|------------------------------------|--------|
| | 24 July 2015 to 30 June 2016 | 2017 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| Depreciation | | |
| Plant and equipment | | 184 – |
| Finance costs | | |
| Interest and finance charges paid/payable | 9,468 | 2,327 |
| Rental expense relating to operating leases | | |
| Minimum lease payments | 72,600 | 53,850 |
| Superannuation expense | | |
| Defined contribution superannuation expense | 61,521 | 36,575 |
| Share-based payments expense | | |
| Share-based payments expense | 52,213 | 52,176 |



Notes to the Financial Statements

30 June 2017

NOTE 7. INCOME TAX EXPENSE

| | Consolidated | |
|--|------------------------------------|-------------|
| | 24 July 2015 to 30 June 2017 | 2016 |
| | \$ | \$ |
| Numerical reconciliation of income tax expense and tax at the statutory rate | | |
| Loss before income tax expense | (7,247,167) | (1,876,900) |
| Tax at the statutory tax rate of 30% | (2,174,150) | (563,070) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-deductible share-based payments | 52,313 | 120,016 |
| Share of losses – associates | 1,230,047 | – |
| Non-deductible meals and entertainment | 1,804 | 3,000 |
| Foreign travel | – | 32,848 |
| | (889,986) | (407,206) |
| Current period temporary differences not recognised – IPO transaction costs | 243,093 | 76,633 |
| Current period temporary differences not recognised – Legal and professional fees | – | 80,026 |
| Current period tax losses not recognised | 646,893 | 250,547 |
| Income tax expense | – | – |
| Tax losses not recognised | | |
| Unused tax losses for which no deferred tax asset has been recognised | 4,743,177 | 1,621,293 |
| Potential tax benefit at statutory tax rates | 1,422,953 | 486,388 |
| The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. | | |
| | Consolidated | |
| | 2017 | 2016 |
| | \$ | \$ |
| Deferred tax assets not recognised | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Exploration and evaluation assets | 205,880 | (235,841) |
| Accrued expenses | – | 16,631 |
| Tax losses | 1,422,953 | 486,388 |
| Capital expenditure deductible over 5 years | 658,379 | 156,659 |
| Total deferred tax assets not recognised | 2,287,212 | 423,837 |

The above potential tax benefit, which includes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.



NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

| | Consolidated | |
|-----------------|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Cash at bank | 3,533,545 | 7,236,696 |
| Cash on deposit | 83,426 | – |
| | 3,616,971 | 7,236,696 |

NOTE 9. CURRENT ASSETS – ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

| | Consolidated | |
|----------------------------|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Receivables | 14,601 | – |
| Other current assets | 44,546 | – |
| Exploration and evaluation | 239,042 | – |
| | 298,189 | – |

Assets held for sale represents the assets of the Company's special purpose subsidiary, Lithium Power International (Argentina) Pty Ltd and its wholly owned subsidiary incorporated in Argentina, Lithium Power SA. Lithium Power SA owns the licences for the six Company owned properties in Argentina totalling 61.5km in the Centenario salar.

NOTE 10. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Consolidated | |
|---|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Investment in the Maricunga Joint Venture | 37,456,279 | – |

Refer to note 27 for further information on interests in joint ventures.

During the year ended 30 June 2017, the consolidated entity, through the company's newly formed subsidiary entity Lithium Power Inversiones Chile Spa ('LPI Chile') began the process of completing the Maricunga Joint Venture ('JV') to acquire 50% of the Maricunga lithium brine project in Chile. The JV was completed in Santiago, Chile on 13 January 2017 ('Closing') with constituting the JV Shareholder Agreement for the JV Company, Minera Salar Blanco SA ('NewCo').

As at 30 June 2017, the consolidated entity has a 50% beneficial interest in the JV. The consolidated entity has contributed US\$17.7m for a 32.5% interest in the JV as at 30 June 2017. The remaining 17.5% is due to be fully paid by September 2018, of which \$7,800,000 is included in trade and other payables as a current liability and \$4,590,000 is included in payables as a non-current liability.

As at 30 June 2017 the following funds were allocated to the JV via LPI Chile:

- A secured loan of US\$2.7m to NewCo via LPI Chile which was subsequently converted to equity in the JV at closing;
- The acquisition of tenements directly from the landowners for US\$5.22m by LPI Chile;
- The company transferred to LPI Chile's bank account US\$4.25m which was converted to equity in the JV at closing; and
- The consolidated entity transferred US\$4.5m on 29 May 2017 and US\$1.02m on 5 June 2017 to LPI Chile which was subsequently transferred to NewCo on 7 June 2017.



Notes to the Financial Statements

30 June 2017

NOTE 11. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION

| | Consolidated | |
|---|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Exploration and evaluation expenditures – at cost | 1,472,405 | 1,056,365 |

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Exploration and evaluation expenditures \$ | Total \$ |
|-----------------------------|---|-------------|
| Balance at 24 July 2015 | – | – |
| Additions | 1,056,365 | 1,056,365 |
| Balance at 30 June 2016 | 1,056,365 | 1,056,365 |
| Additions | 655,082 | 655,082 |
| Classified as held for sale | (239,042) | (239,042) |
| Balance at 30 June 2017 | 1,472,405 | 1,472,405 |

Capitalised exploration and evaluation expenditures are comprised of the costs incurred to acquire the consolidated entity's lithium tenements in Western Australia and Argentina and exploration and evaluation activities incurred to date.

NOTE 12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

| | Consolidated | |
|------------------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Trade payables | 214,346 | 900,440 |
| Accrued expenses | 21,960 | 53,200 |
| Payable to Maricunga Joint Venture | 7,800,000 | – |
| Other payables | – | 2,238 |
| | 8,036,306 | 955,878 |

Refer to note 18 for further information on financial instruments.

As at 30 June 2017, the consolidated entity has contributed US\$17.7m which represents consideration paid for 32.5% of its 50% interest in the JV. The consideration payable with respect to the remaining 17.5% interest in the JV is due to be fully paid by September 2018. The payable to Maricunga Joint Venture represents the current portion payable with respect to the remaining 17.5% interest in the JV. Refer to note 10 for further details.



NOTE 13. CURRENT LIABILITIES – LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

| | Consolidated | |
|------------------|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Trade payables | 514 | – |
| Accrued expenses | 33,257 | – |
| | 33,771 | – |

Liabilities held for sale represents the liabilities of the company's special purpose subsidiary, Lithium Power International (Argentina) Pty Ltd and its wholly owned subsidiary incorporated in Argentina, Lithium Power SA. Lithium Power SA owns the licences for the six Company owned properties in Argentina totalling 61.5km in the Centenario salar.

NOTE 14. NON-CURRENT LIABILITIES – PAYABLES

| | Consolidated | |
|------------------------------------|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Payable to Maricunga Joint Venture | 4,590,000 | – |

Refer to note 18 for further information on financial instruments.

As at 30 June 2017, the consolidated entity has contributed US\$17.7m which represents consideration paid for 32.5% of its 50% interest in the JV. The consideration payable with respect to the remaining 17.5% interest in the JV is due to be fully paid by September 2018. The payable to Maricunga Joint Venture represents the non-current portion payable with respect to the remaining 17.5% interest in the JV. Refer to note 10 for further details.

NOTE 15. EQUITY – ISSUED CAPITAL

| | Consolidated | | | |
|------------------------------|---------------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares – fully paid | 195,388,537 | 111,709,582 | 37,258,548 | 8,920,643 |



Notes to the Financial Statements

30 June 2017

NOTE 15. EQUITY – ISSUED CAPITAL CONTINUED

MOVEMENTS IN ORDINARY SHARE CAPITAL

| Details | Date | Shares | Issue price | \$ |
|---|---------------------|--------------------|-------------|-------------------|
| Balance | 24 July 2015 | – | | – |
| Issue of shares | 24 July 2015 | 1 | \$1.0000 | 1 |
| Issue of shares | 21 September 2015 | 20,000,000 | \$0.0001 | 2,000 |
| Conversion of loan | 21 September 2015 | 31,000,000 | \$0.0001 | 3,100 |
| Issue of shares | 25 September 2015 | 3,480,000 | \$0.0250 | 87,000 |
| Conversion of loan | 25 September 2015 | 400,000 | \$0.0250 | 10,000 |
| Issue of shares | 21 October 2015 | 14,900,000 | \$0.0700 | 1,043,000 |
| Conversion of loan | 21 October 2015 | 714,286 | \$0.0700 | 50,000 |
| Issue of shares | 27 November 2015 | 285,714 | \$0.0700 | 20,000 |
| Shares issued at IPO | 24 June 2016 | 40,000,000 | \$0.2000 | 8,000,000 |
| Issue of shares | 24 June 2016 | 929,581 | \$0.2000 | 185,915 |
| Less issue costs net of taxation | | – | \$0.0000 | (480,373) |
| Balance | 30 June 2016 | 111,709,582 | | 8,920,643 |
| Issue of shares | 20 October 2016 | 16,756,437 | \$0.3800 | 6,367,446 |
| Issue of shares | 2 December 2016 | 14,822,517 | \$0.3800 | 5,632,556 |
| Issue of shares | 2 December 2016 | 2,631,579 | \$0.3800 | 1,000,000 |
| Issue of shares to Directors | 2 December 2016 | 263,158 | \$0.3800 | 100,000 |
| Issue of shares to Directors | 2 December 2016 | 1,052,632 | \$0.3800 | 400,000 |
| Issue of shares to key management personnel | 2 December 2016 | 1,000,000 | \$0.3800 | 380,000 |
| Issue of shares on acquisition of interest in Joint Venture | 2 December 2016 | 16,000,000 | \$0.3800 | 6,080,000 |
| Conversion of options | 16 December 2016 | 100,000 | \$0.2000 | 20,000 |
| Issue of shares | 6 April 2017 | 31,052,632 | \$0.3800 | 11,800,000 |
| Less fair value of options attached to private placement | | – | \$0.0000 | (1,666,169) |
| Less issue costs net of taxation | | – | \$0.0000 | (1,775,928) |
| Balance | 30 June 2017 | 195,388,537 | | 37,258,548 |

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

CAPITAL RISK MANAGEMENT

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is not subject to certain financing arrangements covenants.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.



NOTE 16. EQUITY – RESERVES

| | Consolidated | |
|--------------------------------------|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Foreign currency translation reserve | 8,917 | 294 |
| Share-based payments reserve | 452,266 | 400,053 |
| Options reserve | 1,666,169 | – |
| | 2,127,352 | 400,347 |

FOREIGN CURRENCY TRANSLATION RESERVE

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

SHARE-BASED PAYMENTS RESERVE

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

OPTIONS RESERVE

The reserve is used to recognise the value of equity benefits provided to shareholders who receive an one for one attaching option for each share acquired in the Company.

MOVEMENTS IN RESERVES

Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Foreign currency | Share-based payments | Options | Total |
|------------------------------|-------------------------|-----------------------------|----------------|--------------|
| | \$ | \$ | \$ | \$ |
| Balance at 24 July 2015 | – | – | – | – |
| Foreign currency translation | 294 | – | – | 294 |
| Share-based payments | – | 400,053 | – | 400,053 |
| Balance at 30 June 2016 | 294 | 400,053 | – | 400,347 |
| Balance at 30 June 2016 | 294 | 400,053 | – | 400,347 |
| Foreign currency translation | 8,623 | – | – | 8,623 |
| Share-based payments | – | 52,213 | – | 52,213 |
| Options reserve | – | – | 1,666,169 | 1,666,169 |
| Balance at 30 June 2017 | 8,917 | 452,266 | 1,666,169 | 2,127,352 |

NOTE 17. EQUITY – DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

Notes to the Financial Statements

30 June 2017

NOTE 18. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

MARKET RISK

FOREIGN CURRENCY RISK

The consolidated entity operates internationally and is exposed to foreign currency risk from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were not significant.

PRICE RISK

The consolidated entity is not exposed to any significant price risk.

INTEREST RATE RISK

The consolidated entity is not exposed to any significant interest rate risk.

CREDIT RISK

The consolidated entity is not exposed to any significant credit risk.

LIQUIDITY RISK

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

REMAINING CONTRACTUAL MATURITIES

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| | Weighted average interest rate | 1 year or less | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Remaining contractual maturities |
|------------------------------------|---|-------------------|--------------------------|--------------------------|--------------|--|
| Consolidated – 2017 | % | \$ | \$ | \$ | \$ | \$ |
| Non-derivatives | | | | | | |
| Non-interest bearing | | | | | | |
| Trade payables | – | 214,860 | – | – | – | 214,860 |
| Payable to Maricunga Joint Venture | – | 7,800,000 | 4,590,000 | – | – | 12,390,000 |
| Total non-derivatives | | 8,014,860 | 4,590,000 | – | – | 12,604,860 |

| | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|------------------------------|---|-------------------------|--------------------------------|--------------------------------|--------------------|--|
| Consolidated – 2016 | | | | | | |
| Non-derivatives | | | | | | |
| Non-interest bearing | | | | | | |
| Trade payables | – | 900,440 | – | – | – | 900,440 |
| Other payables | – | 2,238 | – | – | – | 2,238 |
| Total non-derivatives | | 902,678 | – | – | – | 902,678 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTE 19. FAIR VALUE MEASUREMENT

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

NOTE 20. KEY MANAGEMENT PERSONNEL DISCLOSURES

COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|------------------------------|------------------------------------|-----------|
| | 24 July 2015 to 30 June 2016 | 2016 |
| | \$ | \$ |
| Short-term employee benefits | 984,076 | 767,643 |
| Post-employment benefits | 61,521 | 36,575 |
| Share-based payments | 52,213 | 271,053 |
| | 1,097,810 | 1,075,271 |

NOTE 21. REMUNERATION OF AUDITORS

During the financial period the following fees were paid or payable for services provided by Ernst & Young, the auditor of the company:

| | Consolidated | |
|---|------------------------------------|--------|
| | 24 July 2015 to 30 June 2016 | 2016 |
| | \$ | \$ |
| Audit services – Ernst & Young | | |
| Audit or review of the financial statements | 45,000 | 25,000 |
| Other services – Ernst & Young | | |
| Assurance services for the IPO transaction | – | 41,200 |
| | 45,000 | 66,200 |



Notes to the Financial Statements

30 June 2017

NOTE 22. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2017 (2016: nil).

NOTE 23. COMMITMENTS

| | Consolidated | |
|---|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Lease commitments – operating | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | – | 12,750 |

NOTE 24. RELATED PARTY TRANSACTIONS

PARENT ENTITY

Lithium Power International Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in note 26.

JOINT VENTURES

Interests in joint ventures are set out in note 27.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

| | Consolidated | |
|--|---|-------------|
| | 24 July 2015 to 30 June 2016 | 2016 |
| | \$ | \$ |
| Payment for other expenses: | | |
| Rental expense paid to director related entity | 66,600 | – |

During the period ended 30 June 2016, Recارد P Fertig provided loans of \$450,000 to the consolidated entity of which \$250,000 was converted to 1,250,000 shares at IPO and \$200,000 was repaid prior to 30 June 2016. There are no outstanding loan balances at 30 June 2017 or 30 June 2016.

During the period ended 30 June 2016, Andrew G Phillips provided loans of \$205,000 to the consolidated entity of which \$55,000 was converted to 275,000 shares at IPO and \$150,000 was repaid prior to 30 June 2016. There are no outstanding loan balances at 30 June 2017 or 30 June 2016.

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

LOANS TO/FROM RELATED PARTIES

There were no loans to or from related parties at the current and previous reporting date.

TERMS AND CONDITIONS

All transactions were made on normal commercial terms and conditions and at market rates.



NOTE 25. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Parent | |
|----------------------------|------------------------------------|-------------|
| | 24 July 2015 to 30 June 2016 | 2017 |
| | \$ | \$ |
| Loss after income tax | (1,862,888) | (1,660,522) |
| Total comprehensive income | (1,862,888) | (1,660,522) |

STATEMENT OF FINANCIAL POSITION

| | Parent | |
|------------------------------|---------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Total current assets | 3,578,896 | 7,336,006 |
| Total assets | 36,089,410 | 8,122,144 |
| Total current liabilities | 235,975 | 664,336 |
| Total liabilities | 235,975 | 664,336 |
| Equity | | |
| Issued capital | 37,258,409 | 8,920,643 |
| Share-based payments reserve | 452,266 | 400,053 |
| Options reserve | 1,666,169 | – |
| Accumulated losses | (3,523,409) | (1,862,888) |
| Total equity | 35,853,435 | 7,457,808 |

GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Notes to the Financial Statements

30 June 2017

NOTE 26. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|-------------------------------------|--|--------------------|--------|
| | | 2017 % | 2016 % |
| Lithium Power S.A. | Argentina | 100.00 | 100.00 |
| Lithium Power Inversiones Chile SpA | Chile | 100.00 | – |

NOTE 27. INTERESTS IN JOINT VENTURES

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|-------------------------|--|--------------------|--------|
| | | 2017 % | 2016 % |
| Maricunga Joint Venture | Chile | 50.00 | – |

SUMMARISED FINANCIAL INFORMATION

| | Maricunga Joint Venture | |
|---|-------------------------|------|
| | 2017 | 2016 |
| | \$ | \$ |
| Summarised statement of financial position | | |
| Cash and cash equivalents | 7,759,215 | – |
| Other current assets | 1,303,543 | – |
| Exploration and evaluation assets | 32,929,121 | – |
| Total assets | 41,991,879 | – |
| Current liabilities | 827,841 | – |
| Total liabilities | 827,841 | – |
| Net assets | 41,164,038 | – |

Summarised statement of profit or loss and other comprehensive income

| | | |
|----------------------------|-------------|---|
| Expenses | (8,906,446) | – |
| Loss before income tax | (8,906,446) | – |
| Income tax benefit | 706,136 | – |
| Loss after income tax | (8,200,310) | – |
| Other comprehensive income | – | – |
| Total comprehensive income | (8,200,310) | – |

Reconciliation of the consolidated entity's carrying amount

| | | |
|--------------------------------|-------------|---|
| Opening carrying amount | – | – |
| Investment paid/payable | 41,556,434 | – |
| Share of loss after income tax | (4,100,155) | – |
| Closing carrying amount | 37,456,279 | – |

CONTINGENT LIABILITIES

The consolidated entity has no contingent liabilities relating to the joint venture as at 30 June 2017.

COMMITMENTS

The consolidated entity has no commitments relating to the joint venture as at 30 June 2017 other than those disclosed in note 10.

SIGNIFICANT RESTRICTIONS

As at 30 June 2017 there are no significant restrictions on the ability of the joint venture to transfer funds to the consolidated entity.

NOTE 28. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

| | Consolidated | 24 July 2015 to 30 June 2016 |
|--|--------------------|------------------------------------|
| | 2017 | \$ |
| Loss after income tax expense for the year | (7,247,167) | (1,876,900) |
| Adjustments for: | | |
| Depreciation and amortisation | 184 | – |
| Share of loss – joint ventures | 4,100,155 | – |
| Share-based payments | 52,213 | 400,053 |
| Foreign exchange differences | 8,623 | 294 |
| Change in operating assets and liabilities: | | |
| Increase in GST receivable | 81,851 | (102,792) |
| Increase in other operating assets | (107,297) | (4,115) |
| Increase/(decrease) in trade and other payables | (685,801) | 955,878 |
| Net cash used in operating activities | (3,797,239) | (627,582) |

Notes to the Financial Statements

30 June 2017

NOTE 29. EARNINGS PER SHARE

| | Consolidated | |
|---|------------------------------------|-------------|
| | 24 July 2015 to 30 June 2016 | 2017 |
| | \$ | \$ |
| <hr/> | | |
| Loss after income tax attributable to the owners of Lithium Power International Limited | (7,247,167) | (1,876,900) |
| <hr/> | | |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 151,189,386 | 57,816,451 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 151,189,386 | 57,816,451 |
| <hr/> | | |
| | Cents | Cents |
| Basic loss per share | (4.79) | (3.25) |
| Diluted loss per share | (4.79) | (3.25) |

37,526,323 options on issue have been excluded from the weighted average number of ordinary shares used in calculating diluted loss per share as they are considered anti-dilutive.

NOTE 30. SHARE BASED PAYMENTS

OPTIONS GRANTED TO THE COMPANY FOUNDERS

As an incentive for agreeing to provide initial funding to the company, the company granted each founder and pre-seed equity purchaser with 1 option for every 2 shares acquired. Each option entitles the holder to purchase one ordinary share for \$0.20 per share. All of the options were granted at the time the shares were initially issued and became exercisable upon listing on the Australian Securities Exchange, with an expiry five years from listing, without restrictions.

OPTIONS GRANTED TO OTHER KEY MANAGEMENT PERSONNEL AND EXTERNAL PARTIES

The company granted 3,916,667 options to certain key management personnel and external advisors, for services provided in connection with the successful completion of the IPO. Each option entitles the holder to purchase one ordinary share for \$0.20 per share. Options were granted at the time the shares were initially issued and vest upon listing on the Australian Securities Exchange or over a 2 year two year period, with an expiry date of five years from listing, without restrictions.

OPTIONS GRANTED WITH SHARE PLACEMENT

All shares issued on 20 October 2016 and 2 December 2016 except those issued to key management personnel and those issued in connection with the joint venture, had a one for one attaching option. Each option entitles the holder to subscribe for one share in the Company. The options vested immediately, have an exercise price of \$0.55 and expire on 24 November 2017. Included in the share transaction costs is \$1,666,169 which represents the fair value of options vested on the day they were granted.



OPTIONS

| 2017 | | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
|---------------------------------|-------------|----------------|----------------------------------|------------|------------|-------------------------|--------------------------------|
| Grant date | Expiry date | | | | | | |
| 21/09/2015 | 24/06/2021 | \$0.2000 | 25,500,001 | – | (100,000) | – | 25,400,001 |
| 25/09/2015 | 24/06/2021 | \$0.2000 | 1,940,000 | – | – | – | 1,940,000 |
| 05/04/2016 | 24/06/2021 | \$0.2000 | 3,500,000 | – | – | – | 3,500,000 |
| 05/04/2016 | 24/06/2021 | \$0.4000 | 250,000 | – | – | – | 250,000 |
| 05/04/2016 | 24/06/2021 | \$0.6000 | 166,667 | – | – | – | 166,667 |
| 25/11/2016 | 24/11/2017 | \$0.5500 | – | 37,526,323 | – | – | 37,526,323 |
| | | | | 31,356,668 | 37,526,323 | (100,000) | – |
| Weighted average exercise price | | | | \$0.2037 | \$0.5500 | \$0.2000 | \$0.0000 |
| 2016 | | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
| Grant date | Expiry date | | | | | | |
| 21/09/2015 | 24/06/2021 | \$0.2000 | – | 25,500,001 | – | – | 25,500,001 |
| 25/09/2015 | 24/06/2021 | \$0.2000 | – | 1,940,000 | – | – | 1,940,000 |
| 05/04/2016 | 24/06/2021 | \$0.2000 | – | 3,500,000 | – | – | 3,500,000 |
| 05/04/2016 | 24/06/2021 | \$0.4000 | – | 250,000 | – | – | 250,000 |
| 05/04/2016 | 24/06/2021 | \$0.6000 | – | 166,667 | – | – | 166,667 |
| | | | | – | 31,356,668 | – | – |
| Weighted average exercise price | | | | \$0.0000 | \$0.2298 | \$0.0000 | \$0.0000 |

The weighted average remaining contractual life of options outstanding at the end of the financial period was 2 years (2016: 5 years).

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 25/11/2016 | 24/11/2017 | \$0.3100 | \$0.5500 | 80.00% | - | 1.75% | \$0.05 |

NOTE 31. EVENTS AFTER THE REPORTING PERIOD

On 5 July 2017, the Company announced the release of 929,581 shares from escrow. These shares were issued to the vendor of the Centenario Salar properties at the time of the IPO for part consideration for the title of these properties.

On 7 July 2017, the Company, as approved at the General Meeting of Shareholders, issued 34.6m twenty-four month listed options, under the ASX Code LPIOA at an exercise price of \$0.55 to expire 6 July 2019, to participants in the recent capital raise. In addition, the Company, as approved at the General Meeting, issued 2m thirty-six month unlisted options to each of David R Hannon and Russell C Barwick at an exercise price of \$0.60 to expire 6 July 2020, along with 526,315 fully paid ordinary shares and attaching options to Russell C Barwick under the same conditions as the April 2017 capital raise.

On 7 September 2017, the Company announced the signing of a Term Sheet for the sale of the Argentinian project in the Centenario Salar, subject to final Due Diligence and long form sales documentation. The transaction is for the sale of the shares in the wholly owned subsidiary Lithium Power International Holdings (Argentina) Pty Ltd which owns 100% of the shares in the Company's Argentine subsidiary company. The transaction is for a total of AUD\$3.75m plus a 1.5% gross royalty and a backdated success fee payable on the finalisation of a JORC resource. The expectation is to complete this transaction by the end of October 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



David R Hannon
Chairman

28 September 2017
Sydney

Independent Auditor's Report to the Members of Lithium Power International Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lithium Power International Limited and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



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1. Valuation of equity accounted investment

Why significant

The Group's equity accounted investment in the Maricunga Joint Venture (the "JV") of \$37,456,279 as at 30 June 2017, represents 87% of total assets.

Subsequent to initial recognition at cost, the value of the investment in the consolidated financial statements includes the Group's share of profit or loss and other comprehensive income of the equity accounted investment.

As disclosed in the financial report, the Directors' assess the Group's equity accounted investment for indicators of impairment at each balance date. This involves assessment of any potential indications of impairment including (but not limited to) significant changes to the market, economic or the legal environments in which Lithium Power International Limited and the JV operate. This assessment determines whether a full impairment assessment is required.

This is considered a key audit matter due to the magnitude of the balance in the statement of financial position, and the significant judgments and assumptions involved in the assessment of indicators of impairment.

How our audit addressed the key audit matter

Our procedures included the following:

- ▶ We read the JV agreement and subsequent amendments thereto and verified the Group's investments to date and the remaining amounts due;
- ▶ We evaluated management's conclusion that joint control exists and that the equity accounting method must be applied under the requirements of AASB 11 *Joint Arrangements* and AASB 128 *Investments in Associates and Joint Ventures*;
- ▶ We recalculated the Group's share of equity accounted losses during the year;
- ▶ We assessed whether the methodology used by the Group to identify indicators of impairment met the requirements of Australian Accounting Standard AASB 136 *Impairment of Assets*;
- ▶ We evaluated the Group's assessment of indicators of impairment at year-end by validating the assumptions made by management;
- ▶ We considered market announcements made by the Group and Board meeting minutes throughout the year and through to the date of this report for any facts or circumstances that would indicate any indicators of impairment; and
- ▶ We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates.

2. Carrying value of exploration and evaluation assets

| Why significant | How our audit addressed the key audit matter |
|---|--|
| <p>Capitalised exploration and evaluation assets represent 3% of the Group's total assets. The carrying value of exploration and evaluation assets is impacted by the Group's ability, and intention, to continue to explore their exploration assets. The results of exploration work also determines to what extent the mineral reserves and resources may or may not be commercially viable for extraction. Due to the significance of this asset and the subjectivity involved in determining its carrying value, this is a key audit matter.</p> <p>Refer to Note 11 - Exploration and evaluation assets to the financial statements for the amounts held on the Balance sheet by the Group as at 30 June 2017 and related disclosure.</p> | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> ▶ considered the Company's right to explore in the relevant exploration areas which included obtaining and assessing relevant documentation such as license agreements; ▶ considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included assessment of the Group's cash-flow forecast models and discussions with senior management and Directors as to the intentions and strategy of the Group; ▶ assessed the Group's consideration of the existence of any indicators of impairment; and ▶ considered the adequacy of disclosures included within Note 11 of the financial report. |

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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



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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

Report on the Audit of the Remuneration Report

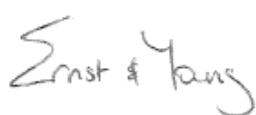
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2017.

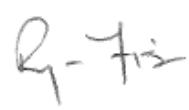
In our opinion, the Remuneration Report of Lithium Power International Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Ryan Fisk
Partner
Sydney
28 September 2017

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Shareholder Information

The shareholder information set out below was applicable as at 17 September 2017.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares | Number of holders of options over ordinary shares |
|---------------------------------------|--|--|
| 1 to 1,000 | 106 | 1 |
| 1,001 to 5,000 | 352 | 6 |
| 5,001 to 10,000 | 267 | 14 |
| 10,001 to 100,000 | 558 | 102 |
| 100,001 and over | 190 | 135 |
| | 1,473 | 258 |
| Holding less than a marketable parcel | 106 | – |

Shareholder Information

EQUITY SECURITY HOLDERS

TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|--|-----------------|--------------------------|
| | Number held | % of total shares issued |
| Holland International Pty Ltd (Holland Family A/C) | 21,000,001 | 10.72 |
| Chifley Portfolios Pty Limited (David Hannon Retirement A/C) | 17,806,697 | 9.09 |
| Minera Salar Blanco Spa | 16,000,000 | 8.17 |
| Great Southern Holdings Pty Ltd | 14,300,000 | 7.30 |
| Yarandi Investments Pty Ltd (Griffith Family No 2 A/C) | 5,998,445 | 3.06 |
| JP Morgan Nominees Australia Limited | 5,829,906 | 2.98 |
| G Harvey Nominees Pty Ltd (Harvey 1995 Disc A/C) | 5,771,303 | 2.95 |
| Morgan Stanley Australia Securities (Nominee) Pty Limited (No 1 Account) | 5,340,514 | 2.73 |
| HSBC Custody Nominees (Australia) Limited | 5,000,304 | 2.55 |
| DM Capital Management Pty Ltd (McEvoy Family A/C) | 5,127,850 | 2.11 |
| National Nominees Limited (DB A/C) | 3,759,894 | 1.92 |
| Diamond Edge Business Opportunities Ltd | 3,338,347 | 1.70 |
| Suburban Holdings Pty Limited (Suburban Super Fund A/C) | 2,628,572 | 1.34 |
| Citicorp Nominees Pty Limited | 2,075,264 | 1.06 |
| Chifley Portfolios Pty Limited | 2,048,787 | 1.05 |
| Brendan & Jodie Lyons Investments P/L (B & J Lyons Family A/C) | 1,691,730 | 0.86 |
| BT Portfolio Services Limited (Warrell Holdings S/F A/C) | 1,539,474 | 0.79 |
| Allowah HH Pty Ltd (Griffith Super Pension A/C) | 1,455,000 | 0.74 |
| Mr James Rex Phillips | 1,400,000 | 0.71 |
| Dr Stuart Lloyd Phillips & Mrs Fiona Jane Phillips (SL & FJ Phillips S/Fund A/C) | 1,200,000 | 0.61 |
| | 122,312,088 | 62.43 |

TWENTY LARGEST QUOTED HOLDERS OF LISTED OPTIONS OVER ORDINARY SHARES

The names of the twenty largest holders of quoted options over ordinary shares are listed below:

| | Listed options over ordinary shares | % of total options issued |
|--|--|--------------------------------------|
| | Number held | Number held |
| Dr Stuart Lloyd Phillips & Mrs Fiona Jane Phillips (SL & FJ Phillips S/F A/C) | 4,600,000 | 6.38 |
| G Harvey Nominees Pty Ltd (Harvey 1995 Disc A/C) | 4,210,525 | 5.84 |
| HSBC Custody Nominees (Australia) Limited | 3,947,368 | 5.47 |
| Morgan Stanley Australia Securities (Nominee) Pty Limited (No 1 Account) | 3,947,368 | 5.47 |
| National Nominees Limited (DB A/C) | 3,142,105 | 4.36 |
| JP Morgan Nominees Australia Limited | 2,236,842 | 3.10 |
| Mr Samuel Boyd Williams | 2,000,000 | 2.77 |
| Yarandi Investments Pty Ltd (Griffith Family No 2 A/C) | 1,631,579 | 2.26 |
| Jindabyne Capital Pty Ltd (Providence Equity A/C) | 1,500,000 | 2.08 |
| Invesco Nominee Pty Ltd | 1,435,203 | 1.99 |
| Mr David Hannon | 1,261,316 | 1.75 |
| Mr Malcolm Geoffrey Heron & Mrs Melissa Anne Heron (Heron Super Fund A/C) | 1,207,633 | 1.67 |
| Mr Joseph Wills | 1,200,000 | 1.66 |
| Farris Corporation Pty Ltd (The Peter Farris Super A/C) | 1,107,164 | 1.54 |
| Diamond Edge Business Opportunities Ltd | 1,052,632 | 1.46 |
| BB Capital Pty Ltd | 1,026,315 | 1.42 |
| Dirdot Pty Limited (Griffith Super Fund A/C) | 1,000,000 | 1.39 |
| Jetosea Pty Ltd | 850,000 | 1.18 |
| Larrakeyah Pty Limited (The Moore Family A/C) | 800,000 | 1.11 |
| Blue Ocean Equities Pty Limited; Everblu Capital Pty Ltd; Sprott Private Wealth LP and Zenix Nominees Pty Ltd each hold 750,000 options | 3,000,000 | 4.16 |
| | 41,156,050 | 57.06 |

UNQUOTED EQUITY SECURITIES

| | Number on issue | Number of holders |
|---|------------------------------|------------------------------|
| Name | Class | Number held |
| Options over ordinary shares issued | | 35,256,668 |
| | | 12 |
| The following persons hold 20% or more of unquoted equity securities: | | |
| Name | Class | Number held |
| Martin C Holland | Options over ordinary shares | 10,000,001 |
| Reccared P Fertig | Options over ordinary shares | 7,750,000 |
| David R Hannon | Options over ordinary shares | 9,750,000 |

Shareholder Information

SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

| | Ordinary shares | |
|--|-----------------|--------------------------|
| | Number held | % of total shares issued |
| Holland International Pty Ltd (Holland Family A/C) | 21,000,001 | 10.72 |
| Chifley Portfolios Pty Limited | 20,715,484 | 10.57 |
| Minera Salar Blanco Spa | 16,000,000 | 8.17 |
| Great Southern Holdings Pty Ltd | 14,300,000 | 7.30 |

| | Listed options over ordinary shares | |
|---|-------------------------------------|--------------------------|
| | Number held | % of total shares issued |
| Dr Stuart Lloyd Phillips & Mrs Fiona Jane Phillips (SL & FJ Phillips S/F A/C) | 4,600,000 | 6.38 |
| G Harvey Nominees Pty Ltd (Harvey 1995 Disc A/C) | 4,210,525 | 5.84 |
| HSBC Custody Nominees (Australia) Limited | 3,947,368 | 5.47 |
| Morgan Stanley Australia Securities (Nominee) Pty Limited (No 1 Account) | 3,947,368 | 5.47 |

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

ORDINARY SHARES

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

RESTRICTED SECURITIES

| Class | Expiry date by | Number of shares |
|-------------------------------|------------------|------------------|
| Ordinary shares* | 24 June 2018 | 66,462,858 |
| Options over ordinary shares* | 24 June 2018 | 29,556,668 |
| Ordinary shares** | 30 November 2018 | 1,000,000 |
| | | 97,019,526 |

* expiry date being 24 months from the IPO date

** expiry date being 24 months from the date of issue



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