



LITHIUMPOWER

INTERNATIONAL LTD

ANNUAL REPORT

FOR THE PERIOD 24 JULY 2015 - 30 JUNE 2016

Corporate Directory

DIRECTORS

Mr Reccared (Ricky) P Fertig
Non-Executive Chairman

Mr Martin C Holland
Chief Executive Officer

Andrew G Phillips
Executive Director | CFO

Dr Luis Ignacio Silva P
Non-Executive Director |
Latin America Regional Manager

COMPANY SECRETARY

Andrew G Phillips

STOCK EXCHANGE LISTING

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

WEBSITE

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AUDITOR

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Telephone: +61 2 9248 5555
Website: www.ey.com/au

SOLICITORS

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Level 17, 175 Pitt Street, Sydney NSW 2000
Telephone: +61 2 9225 2500
Facsimile: +61 2 9225 2599
Website: www.kempstrang.com.au

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 secure, explore and seek to acquire lithium tenements in Australia and South America, 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.

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 our website at www.lithiumpowerinternational.com/constitution-and-corporate-governance

| | |
|--|----|
| Corporate Directory | 2 |
| Chairman's Letter | 4 |
| CEO's Report | 5 |
| Directors' Report | 11 |
| Auditor's Independence Declaration | 22 |
| Statement of profit or loss and other comprehensive income | 23 |
| Statement of financial position | 24 |
| Statement of changes in equity | 25 |
| Statement of cash flows | 26 |
| Notes to the financial statements | 27 |
| Directors' Declaration | 43 |
| Independent Auditor's Report to the members of Lithium Power International Limited | 44 |
| Shareholder Information | 46 |



Chairman's Letter

Dear Shareholders

It is with great pleasure that I write to you in our inaugural year as a publicly-listed company. Our successful listing on June 24th heralded a major milestone for the Company, as the first pure-play lithium company to IPO on the ASX. This outcome was the result of 12 months' hard work by the Company and its advisers, and everyone should be commended on their effort.

We incorporated Lithium Power to be a lithium pure-play with assets diversified across both hard-rock in Western Australia and brine in South America. As we sit here today, the Company has four excellent project regions, equally split across our desired strategy.

In South America, we have recently executed and announced the Investment Agreement for the Maricunga lithium brine joint venture in Chile. Already a known lithium resource, we have completed building the camp and will start the drilling program this month. Our 16 diamond hole drilling program is anticipated to be completed by the end of December and the new pre-feasibility study to be available by the end of March 2017.

With the second-highest lithium grade for all salars in the region, we look forward to improving on the current resource over the next 6 months. Importantly, the Maricunga JV has quickly transitioned Lithium Power from a lithium explorer into a lithium developer, with the realistic prospect of evolving into a lithium producer by 2019/2020.

In Western Australia, we continue to explore for hard-rock pegmatite targets in both our Greenbushes and Pilbara tenements. We have recently undertaken a detailed aeromagnetic survey, as well as soil sampling and rock chip programs. The next steps will be to identify priority drill targets by year-end.

While in Argentina, we have acquired additional tenements adjacent to our existing Centenario project to further increase the value of this strategic asset. We are in the planning stage to commence exploratory drilling on the salar in the coming year.

In summary, Lithium Power has had an enormously successful year in terms of both its public listing and subsequent Maricunga JV announcement. As a result, I would like to take this opportunity to thank the Board, our management team, our technical team, and our advisers, contractors and suppliers for their collective effort and commitment to the Company over the last year.

Finally, I would personally like to thank all our shareholders for their continued support of Lithium Power. The Company has an exciting period ahead, and we look forward to sharing the journey with you.

Yours sincerely



Ricky Fertig
Chairman

LITHIUM POWER INTERNATIONAL

CEO's Report

STRATEGY OVERVIEW

The company's strategy is to be a pure-play lithium explorer and developer, with a portfolio diversified by both geography and deposit type. Over the past two years, the Board has focussed on identifying exploration and development targets in South American and Western Australia.

Our successful IPO on 24 June 2016 allowed the Company to advance the exploration of its tenement portfolio, along with advancing other opportunities such as the Maricunga JV in Chile.

Lithium Power has four distinct projects regions - two in lithium brine, and two in spodumene hard-rock. See Figure 1 below.



FIGURE 1 – LPI PROJECT REGION OVERVIEW

CEO's Report

MARICUNGA LITHIUM BRINE JV – CHILE

On 13 September 2016, LPI announced that it has finalised the details of the Maricunga Salar Lithium Brine JV in Chile. This transaction was a key milestone for the Company, and has quickly transformed LPI from an explorer to developer of lithium assets.

Key points:

- The Maricunga salar is regarded as the highest quality pre-production lithium brine project in South America, with characteristics comparable to the world-leading Atacama lithium brine deposit. As a general rule, brine producers sit at the bottom of the lithium cost curve due to their favourable operating metrics.
- Following prior exploration, Maricunga has a significant 43–101 resource already identified, with a very high lithium grade of 1,250mg/l and a strong potassium by-product (8,970mg/l). This is the second highest lithium grade of the producing salars in South America, behind the Atacama itself.
- It is very well located in terms of geography and infrastructure. The Maricunga salar is: 170km NE of the mining town of Copiapo, 250km from the Chilean coast, and adjacent to International Highway 31 which connects northern Chile and Argentina.
- LPI has entered into a JV agreement with the former partners in the Maricunga tenements, Minera Salar Blanco (MSB) and Li3 Energy (Li3), with the ownership structure shown in Figure 2. The Board and Technical Committee for NewCo will be split between LPI, MSB and Li3 from the outset, based on each company's respective shareholding in the JV.
- LPI will fund exploration and development costs over the next 2.5yrs to earn its 50% equity interest in the JV, with the target of completing a Definitive Feasibility Study by late 2018. LPI will hold 50% voting rights from the start of the JV.

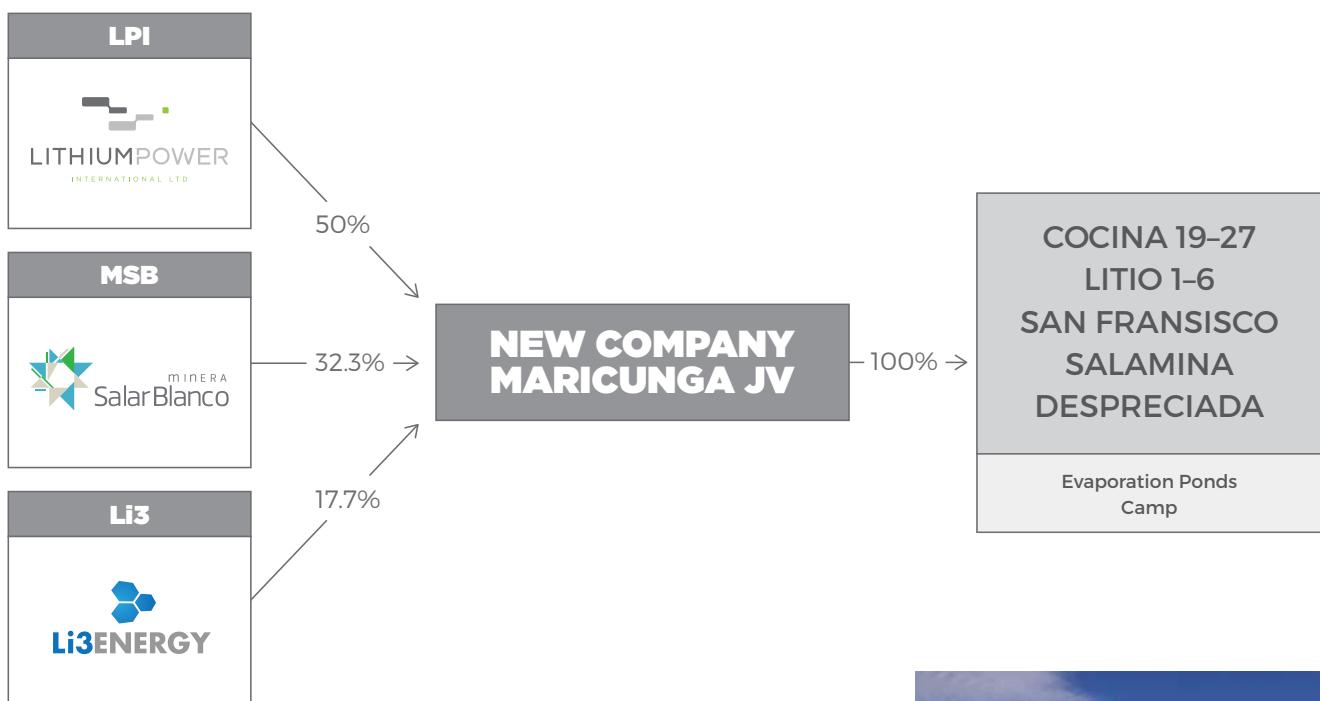


FIGURE 2 – MARICUNGA JV OWNERSHIP STRUCTURE

As mentioned above, The JV tenements has been subject to significant past exploration under the previous partners. More than US\$30m has been invested in these tenements over the past 4 years, in order to consolidate the salar and generate the existing lithium resource. Pumping results from two test production wells undertaken by MSB in 2015 indicated strong brine flow rate and high lithium grades (see P1 and P2 in Figure 3).

Under the new JV, the next phase of exploration will include the drilling of 16 diamond drill holes and 2 pumping wells across the salar, starting at the end of this month. This drilling program is targeting an update of the existing lithium resource, with a new JORC report anticipated in 1Q 2017.



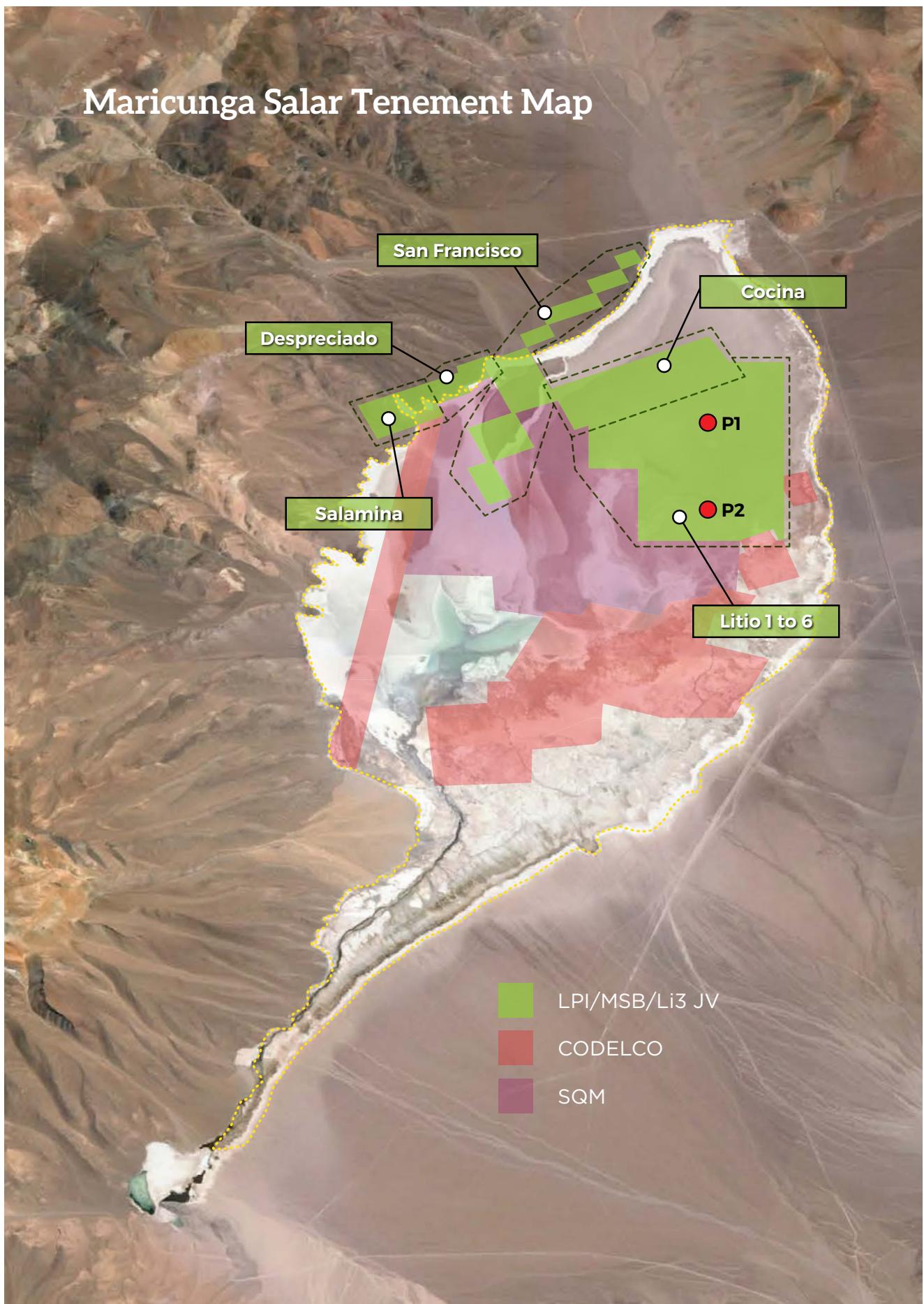


FIGURE 3 – MARICUNGA SALAR TENEMENT MAP

CENTENARIO LITHIUM BRINE PROJECT – ARGENTINA

The Centenario salar is located in north-west Argentina, near the regional centre of Salta.

In February 2016, LPI entered into an agreement to acquire a number of properties within the Centenario salar. More recently on 29 August 2016, the Company announced that it had acquired an additional tenement in the salar, Centenario 3. In total, the 7 properties (6 granted and 1 in application) comprise a total area of approximately 70km². (see Figure 4)

These properties are in the early stages of exploration, but have the potential to host economic concentrations of lithium in subsurface brine, according to the Independent Expert, engaged to provide a report for the Company's IPO prospectus. Initial exploration plans are developed, with commencement of these in early in 2017.

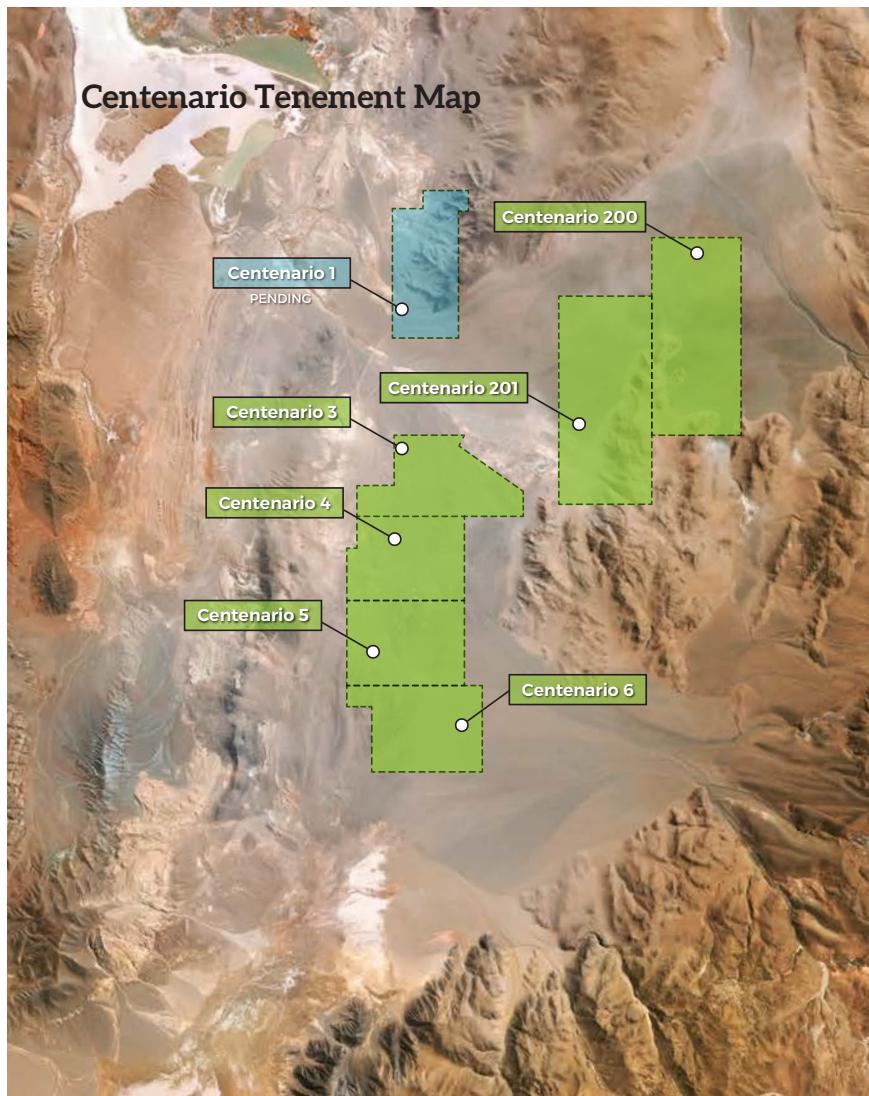


FIGURE 4 – CENTENARIO SALAR TENEMENT MAP



GREENBUSHES HARD-ROCK PROJECT – WESTERN AUSTRALIA

LPI holds two granted exploration tenements adjacent the Tianqi/Talison's lithium mine at Greenbushes totalling 398km²: (see Figure 5)

- **Balingup Project** – a large tenement extending north and west of Talison's Greenbushes mine.
- **Brockman Highway Project** – a tenement extending south of the Greenbushes mine, and divided by the Brockman Highway.

Only 1.5% of LPI's project areas in Greenbushes have been explored for lithium mineral occurrences, despite their close proximity to the Talison mine. Initial sampling and geological mapping is currently underway on these projects.

PILBARA HARD-ROCK PROJECT – WESTERN AUSTRALIA

LPI's tenements in the Pilbara total 203km² in size, and are the final stage of Native Title Agreement negotiations. After more than 12 months in application, the Company hopes to have these tenements granted before December year end.

The largest tenement is held at Pilgangoora-Houston Creek. As can be seen in figure 6 on the next page, this tenement is directly adjacent to the lithium resources identified by Pilbara Minerals and Altura Mining.

In January 2016, LPI completed an aero-magnetic survey across the Pilgangoora-Houston Creek application area, identifying targeted area for priority exploration upon the licenses being granted. Further aero-magnetic work has been completed over all three Pilbara tenement in recent weeks.

CONCLUSION

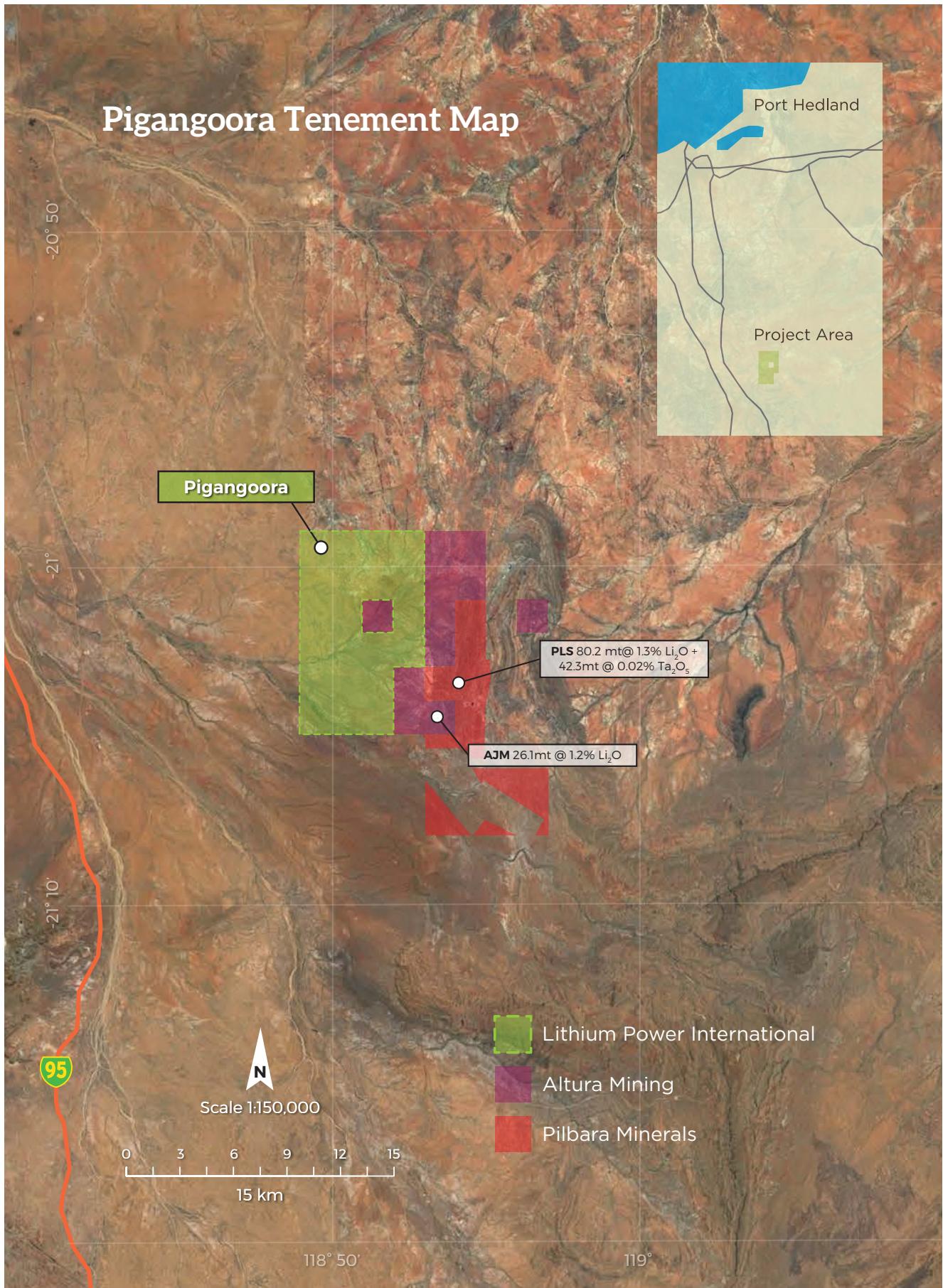
Lithium Power is in a very strong position to advance the exploration and development plans for its South American and Western Australia properties over the next 12 months. The Board and management of LPI are focused on delivering tangible results to fully recognise the potential within the existing tenement portfolio.

Martin C Holland
Chief Executive Officer



FIGURE 5 – GREENBUSHES TENEMENT MAP





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 2016.

DIRECTORS

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

| | |
|---|-----------------------------|
| Reccared P Fertig – Non-Executive Chairman | Appointed 24 July 2015 |
| Martin C Holland – Chief Executive Officer | Appointed 24 July 2015 |
| Andrew G Phillips – Executive Director | Appointed 24 July 2015 |
| Dr Luis Ignacio Silva P – Non-Executive Director | Appointed 16 September 2015 |

PRINCIPAL ACTIVITY

During the financial period the principal activity of the company consisted of the identification and acquisition of lithium assets in Australia and South America.

DIVIDENDS

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

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$1,876,900.

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

The Company successfully completed its IPO on 24 June 2016. The Company was focused on the listing of the Company with the Australia Securities Exchange and the expenditure for the period, primarily funded by seed investors, was for the establishment of the Company, the securing of prospective lithium tenements in Australia and Argentina, and the process of the IPO, including the completion of the due diligence and regulatory requirements including Independent Expert Reports.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The company was incorporated on 24 July 2015.

Since the establishment of Lithium Power International Ltd ('LPI') on 24 July 2015, the company has secured 100% ownership of lithium tenement licenses, pending final approvals, in Australia and Argentina as follows:

Directors' Report

to 30 June 2016

AUSTRALIA

LPI's Australian tenement portfolio covers 601km² across two well-known lithium bearing areas located in Western Australia.

GREENBUSHES (WESTERN AUSTRALIA)

LPI has two granted exploration tenements covering 398km² in the Greenbushes area of southern Western Australia.

The licence details for the Greenbushes tenements are as follows:

- Exploration Licence No E70/4763 – Project name: Balingup – Area 315km²
- Exploration Licence No E70/4774 – Project name: Brockman Hwy – Area 83km²

PILBARA (WESTERN AUSTRALIA)

LPI has three pending exploration applications covering 203km² in the Pilbara region of northern Western Australia.

The licence details for the Pilbara tenements are as follows:

- Exploration Licence Application No E45/4610 – Project name: Pilgangoora-Houston Creek – Area 75km²
- Exploration Licence Application No E45/4637 – Project name: Tabba Tabba – Area 64km²
- Exploration Licence Application No E45/4638 – Project name: Strelley – Area 64km²

LPI expects these licences to be granted in due course.

ARGENTINA

LPI has acquired six tenements covering a total of 61.52km², in the Centenario salar in the Puna Plateau, Argentina.

PUNA PLATEAU

Lithium Power S.A. ('LPSA'), a subsidiary established in February 2016, recently acquired three granted exploration tenements in the Centenario lithium brine salar within the Salta province of the Puna Plateau. In addition, LPSA has rights to one granted exploration tenement which is currently subject to review by the Argentinian Mining authorities, and two pending applications in the same salar. In total, the 6 tenements cover a total area of 61.52km².

- Mining File No 19478 – Centenario 4 – Status: Licence granted – Area 8km²
- Mining File No 19479 – Centenario 5 – Status: Licence granted – Area 8km²
- Mining File No 19480 – Centenario 6 – Status: Licence granted – Area 8km²
- Mining File No 20158 – Centenario 200 – Status: Licence pending – Area 15km²
- Mining File No 20159 – Centenario 201 – Status: Licence pending – Area 14.52km²
- Mining File No 19475 – Centenario 1 – Status: Title of Lacus has been challenged and is undergoing review with the relevant mining authorities in Argentina – Area 8km²

On 24 June 2016, the company completed an initial public offering ('IPO') of 40,000,000 ordinary shares at \$0.20 per share and was admitted to the Official List of ASX Limited with the ASX code LPI. The net proceeds of the IPO after payment of fees, expenses and underwriting discounts were \$7,695,684.

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 29 August 2016 the consolidated entity announced the confirmation of the two Argentine tenements which had the status License Pending, Centenario 200 and 201 was granted to the consolidated entity along with an additional tenement Centenario 3 (8km²) expanding licenced landholding by circa 37.5 km², which represents an 160% increase of the existing landholding. In addition, Centenario 1, which had a status of "challenged" at period end, remains outstanding.

Following announcements throughout July and August 2016, the consolidated entity finalised negotiations and signed a Joint Venture (JV) agreement with Minera Salar Blanco (MSB) and Li3 Energy (Li3) to develop the Maricunga lithium brine salar in Chile on 10 August 2016 (Chilean time). This JV agreement was announced to the market on 13 August 2016. The JV ownership structure is LPI – 50%, MSB – 32.3% and Li3 – 17.7% with all tenement assets transferred into a newly formed JV entity. This JV is seen as a significant development in the consolidated entities overall asset portfolio and has strengthened the consolidated entities commercial and political ties in Chile.

The corporate structure ownership of the Argentina entity, Lithium Power SA is being amended as disclosed in the Company's IPO prospectus. The process of restructure is well underway and is currently being taken through the legal and regulatory requirements of Argentina, and at the time of this report this is yet to be completed but is within its estimated 3 to 6 months' timeframe to complete.

No other matter or circumstance has arisen since 30 June 2016 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 initial exploration programs from the granted tenements and finalising the granting of the outstanding tenement licenses, along with advancing other tenement opportunities.

ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

RECCARED (RICKY) P FERTIG

NON-EXECUTIVE CHAIRMAN

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: None

Interests in shares: 16,585,715 ordinary shares

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

MARTIN C HOLLAND

CHIEF EXECUTIVE OFFICER ('CEO')

Martin has 11 years' management experience focusing on the mining exploration 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): Stratum Metals Limited (ASX: SXT) (resigned 12 March 2014)

Special responsibilities: None

Interests in shares: 21,000,001 ordinary shares

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

ANDREW G PHILLIPS

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

Qualifications: B.B.S. (Applied Management)

Andrew has over 25 years' international commercial experience. He is currently Company Secretary for Sequoia Financial Group Limited, and has served as a director for a number of ASX listed Companies. He also currently serves as a director of a number of Australian proprietary registered companies along with acting for a number of overseas entities as their local director or public officer.

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: None

Interests in shares: 335,000 ordinary shares

Interests in options: 1,500,000 options over ordinary shares



Directors' Report

to 30 June 2016

DR LUIS IGNACIO SILVA P

NON-EXECUTIVE DIRECTOR AND LATIN AMERICA REGIONAL MANAGER

Qualifications: PGeo, Ph.D., CEng

Luis 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 period ended 30 June 2016, and the number of meetings attended by each director were:

| | Full Board | |
|-------------------------|-------------------|-------------|
| | Attended | Held |
| Reccared P Fertig | 8 | 8 |
| Martin C Holland | 8 | 8 |
| Andrew G Phillips | 8 | 8 |
| Dr Luis Ignacio Silva P | 6 | 7 |

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, inclusive of superannuation) proposed for the year ending 30 June 2017 are summarised as follows:



Directors' Report

to 30 June 2016

| Name | FY 2017 Fees |
|-------------------------|----------------------|
| Reccared P Fertig | \$120,000 (plus GST) |
| Dr Luis Ignacio Silva P | US\$50,00 |

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.

A short-term incentives ('STI') program is to be designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and 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 2016.

Further LTI programs are to be developed and presented to the shareholders for approval in the next 12 months.

USE OF REMUNERATION CONSULTANTS

During the financial period ended 30 June 2016, the company, through the Board, engaged Godfrey Remuneration Group Pty Limited ('Godfrey'), remuneration consultants, to review its remuneration policies and provide recommendations on how to implement both the STI and LTI programs. This has resulted in share-based payments remuneration in the form of options (LTI) being implemented. Godfrey was paid \$13,200 for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant not communicate with affected key management personnel without a member of the Board being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

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:

- Reccared P Fertig – Non-Executive Chairman (appointed 24 July 2015)
- Martin C Holland – Chief Executive Officer (appointed 24 July 2015)
- Andrew G Phillips – Executive Director, Company Secretary and Chief Financial Officer (appointed 24 July 2015)
- Luis Ignacio Silva P – Non-Executive Director and Latin America Regional Manager (appointed 16 September 2015)

And the following person:

- Murray R Brooker – Group Technical and Exploration Advisor (appointed 22 February 2016)



REMUNERATION OF KEY MANAGEMENT PERSONNEL

| | Short-term benefits | | Post-employment benefits | Share-based payments | Total \$ | | | |
|--|-------------------------|----------------|--------------------------|----------------------|------------------|--|--|--|
| | Cash salary and fees \$ | Cash bonus \$ | | | | | | |
| 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 | | | |

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

| Name | Fixed remuneration 2016 | At risk – STI | At risk – LTI |
|--|----------------------------|---------------|---------------|
| | | 2016 | 2016 |
| Non-Executive Directors: | | | |
| Reccared P Fertig | 69% | 31% | – |
| Dr Luis Ignacio Silva P | 47% | – | 53% |
| Executive Directors: | | | |
| Martin C Holland | 83% | 17% | – |
| Andrew G Phillips | 43% | 12% | 45% |
| Other Key Management Personnel: | | | |
| Murray R Brooker | 83% | – | 17% |

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

| Name | Cash bonus paid/payable 2016 | |
|---------------------------------|---------------------------------|--|
| | | |
| Non-Executive Directors: | | |
| Reccared P Fertig | 100% | |
| Executive Directors: | | |
| Martin C Holland | 100% | |
| Andrew G Phillips | 100% | |



Directors' Report

to 30 June 2016

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, 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, 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.

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 period ended 30 June 2016.

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 period or future reporting years are as follows:

| Name | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|------------------------------|-----------------------------------|--------------|----------------|-------------------------------------|
| Andrew G Phillips* | 24 June 2016 | 24 June 2021 | \$0.2000 | \$0.13 |
| Dr Luis Ignacio Silva P* | 24 June 2016 | 24 June 2021 | \$0.2000 | \$0.13 |
| Murray R Brooker – tranche 1 | 24 June 2018 | 24 June 2021 | \$0.2000 | \$0.13 |
| Murray R Brooker – tranche 2 | 24 June 2018 | 24 June 2021 | \$0.4000 | \$0.10 |
| Murray R Brooker – tranche 3 | 24 June 2018 | 24 June 2021 | \$0.6000 | \$0.09 |

* The original vesting and exercisable date was 24 June 2016, however a 2 year restriction was placed on these options which will become exercisable on 24 June 2018.

All options were granted on 5 April 2016.

Options granted carry no dividend or voting rights.

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the period ended 30 June 2016 are set out below:

| Name | Grant date | Vesting date | Number of options granted | Value of options granted | Value of options vested | Number of options lapsed |
|-------------------|---------------|--------------|---------------------------|--------------------------|-------------------------|--------------------------|
| Andrew G Phillips | 05 April 2016 | 24 June 2016 | 1,500,000 | 193,500 | – | – |
| Dr Luis Silva P | 05 April 2016 | 24 June 2016 | 500,000 | 64,500 | – | – |
| Murray R Brooker* | 05 April 2016 | 24 June 2018 | 916,667 | 104,425 | – | – |

* Options were issued in 3 separate tranches – tranche 1: 500,000 options, tranche 2: 250,000 options and tranche 3: 166,667 options.

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

SHAREHOLDING

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

| Name | Balance at start of period | Received as part of remuneration | Additions | Disposals/other | Balance at the end of the period |
|-------------------------|----------------------------|----------------------------------|-------------------|-----------------|----------------------------------|
| Ordinary shares | | | | | |
| Reccared P Fertig | – | – | 16,585,715 | – | 16,585,715 |
| Martin C Holland | – | – | 21,000,001 | – | 21,000,001 |
| Andrew G Phillips | – | – | 335,000 | – | 335,000 |
| Dr Luis Ignacio Silva P | – | – | 280,000 | – | 280,000 |
| | – | – | 38,200,716 | – | 38,200,716 |

OPTION HOLDING

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

| Name | Balance at start of period | Granted | Exercised | Expired/forfeited/other | Balance at the end of the period |
|-------------------------------------|----------------------------|------------------|-----------|-------------------------|----------------------------------|
| Options over ordinary shares | | | | | |
| Reccared P Fertig* | – | – | – | 7,550,000 | 7,550,000 |
| Martin C Holland* | – | – | – | 10,000,001 | 10,000,001 |
| Andrew G Phillips | – | 1,500,000 | – | – | 1,500,000 |
| Dr Luis Ignacio Silva P** | – | 500,000 | – | 140,000 | 640,000 |
| Murray R Brooker | – | 916,667 | – | – | 916,667 |
| | – | 2,916,667 | – | 17,690,001 | 20,606,668 |

* Options issues to Reccared P Fertig and Martin C Holland were issued as the Founders Shares issued with an attaching 1 for 2 Option, therefore is not part of their remuneration.

** 140,000 options issued to Luis Ignacio Silva P, were preseed capital shares issued with an attaching 1 for 2 Option, therefore is not part of his remuneration.



Directors' Report

to 30 June 2016

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

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

Andrew G Phillips provided loans of \$205,000 to the consolidated entity during the period of which \$55,000 was converted to 275,000 shares at IPO and \$150,000 was repaid prior to year end. There are no outstanding loan balances at 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 | 25,500,001 |
| 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 |
| | | | 31,356,668 |

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

There were no ordinary shares of Lithium Power International Limited issued on the exercise of options during the period ended 30 June 2016 and up to the date of this report.

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 period, 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 period by the auditor are outlined in note 15 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial period, 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 15 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.

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



Ricky Fertig
Chairman

20 September 2016
Sydney





Ernst & Young Services Pty Limited
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 2016, 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
Sydney
20 September 2016

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ACN 004 860 860

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2016

| | Note | Consolidated 2016 |
|---|------|------------------------------|
| | | \$ |
| Interest revenue | | 9,105 |
| Expenses | | |
| Employee benefits expense | | (969,693) |
| Occupancy costs | | (56,620) |
| IPO transaction costs | | (319,306) |
| Legal and professional fees | | (333,441) |
| Travel expense | | (109,492) |
| Administration expense | | (70,278) |
| Net foreign exchange losses | | (24,848) |
| Finance costs | 5 | (2,327) |
| Loss before income tax expense | | (1,876,900) |
| Income tax expense | 6 | — |
| Loss after income tax expense for the period attributable to the owners of Lithium Power International Limited | | (1,876,900) |
| Other comprehensive income | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Foreign currency translation | | 294 |
| Other comprehensive income for the period, net of tax | | 294 |
| Total comprehensive income for the period attributable to the owners of Lithium Power International Limited | | (1,876,606) |
| | | Cents |
| Basic earnings per share | 22 | (3.25) |
| Diluted earnings per share | 22 | (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 period ended 30 June 2016

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

| | Note | Consolidated 2016 |
|----------------------------|------|------------------------------|
| | | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | | 7,236,696 |
| GST receivable | | 102,792 |
| Other | | 4,115 |
| Total current assets | | 7,343,603 |
| Non-current assets | | |
| Exploration and evaluation | 7 | 1,056,365 |
| Total non-current assets | | 1,056,365 |
| Total assets | | 8,399,968 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 8 | 955,878 |
| Total current liabilities | | 955,878 |
| Total liabilities | | 955,878 |
| Net assets | | 7,444,090 |
| Equity | | |
| Issued capital | 9 | 8,920,643 |
| Reserves | 10 | 400,347 |
| Accumulated losses | | (1,876,900) |
| Total equity | | 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 period ended 30 June 2016

| | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|---------------------------------|-----------------------|-------------------------------------|-------------------------------|
| Balance at 24 July 2015 | – | – | – | – |
| Loss after income tax expense for the period | – | | (1,876,900) | (1,876,900) |
| Other comprehensive income for the period, net of tax | – | 294 | – | 294 |
| Total comprehensive income for the period | – | 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 9) | 8,920,643 | – | – | 8,920,643 |
| Share-based payments (note 23) | – | 400,053 | – | 400,053 |
| Balance at 30 June 2016 | 8,920,643 | 400,347 | (1,876,900) | 7,444,090 |

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



Financial Statements
for the period ended 30 June 2016

STATEMENT OF CASH FLOWS

For the period ended 30 June 2016

| | Consolidated 2016 | |
|--|------------------------------|-----------|
| | Note | \$ |
| Cash flows from operating activities | | |
| Payments to suppliers (inclusive of GST) | | (634,360) |
| Interest received | | 9,105 |
| Interest and other finance costs paid | | (2,327) |
| Net cash used in operating activities | 21 | (627,582) |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation | 7 | (870,450) |
| Net cash used in investing activities | | (870,450) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 9 | 8,847,001 |
| Share issue transaction costs | 9 | (480,373) |
| Loans received from related parties | | 718,100 |
| Loans repaid to related parties | | (350,000) |
| Net cash from financing activities | | 8,734,728 |
| Net increase in cash and cash equivalents | | 7,236,696 |
| Cash and cash equivalents at the beginning of the financial period | | – |
| Cash and cash equivalents at the end of the financial period | | 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 2016

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 14 September 2016. The directors have the power to amend and reissue the financial statements.

The company was incorporated on 24 July 2015 and therefore the results 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.

NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

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

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.



Notes to the Financial Statements

for the period ended 30 June 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 19.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lithium Power International Limited as at 30 June 2016 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 period-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.

REVENUErecognition

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.

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.



Notes to the Financial Statements

for the period ended 30 June 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 period 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.

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 period, adjusted for bonus elements in ordinary shares issued during the financial period.

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 2016. 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.



Notes to the Financial Statements

for the period ended 30 June 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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 as 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.

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. EXPENSES

| | Consolidated 2016 | \$ |
|--|------------------------------|----|
| Loss before income tax includes the following specific expenses: | | |
| Finance costs | | |
| Interest and finance charges paid/payable | 2,327 | |
| Rental expense relating to operating leases | | |
| Minimum lease payments | 53,850 | |
| Superannuation expense | | |
| Defined contribution superannuation expense | 36,575 | |
| Share-based payments expense | | |
| Share-based payments expense | 52,176 | |



Notes to the Financial Statements

for the period ended 30 June 2016

NOTE 6. INCOME TAX EXPENSE

**Consolidated
2016**
\$

Numerical reconciliation of income tax expense and tax at the statutory rate

| | |
|--|-------------|
| Loss before income tax expense | (1,876,900) |
| Tax at the statutory tax rate of 30% | (563,070) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | |
| Non-deductible share-based payments | 120,016 |
| Non-deductible meals and entertainment | 3,000 |
| Foreign travel | 32,848 |
| | (407,206) |
| Current period temporary differences not recognised – IPO transaction costs | 76,633 |
| Current period temporary differences not recognised – Legal and professional fees | 80,026 |
| Current period tax losses not recognised | 250,547 |
| Income tax expense | – |

**Consolidated
2016**
\$

Tax losses not recognised

| | |
|---|-----------|
| Unused tax losses for which no deferred tax asset has been recognised | 1,621,293 |
| Potential tax benefit @ 30% | 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
2016**
\$

Deferred tax assets not recognised

Deferred tax assets not recognised comprises temporary differences attributable to:

| | |
|---|-----------|
| Exploration and evaluation assets | (235,841) |
| Accrued expenses | 16,631 |
| Tax losses | 486,388 |
| Transaction costs arising on shares issued | 144,112 |
| Capital expenditure deductible over 5 years | 156,659 |
| Total deferred tax assets not recognised | 567,949 |

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 7. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION

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

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current financial period 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 |

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.

Included in capitalised exploration and evaluation expenditures is \$185,915 (US\$133,111) for Argentinean tenements which was settled through the issue of 929,518 ordinary shares in the company. The share price used to determine the number of shares issued was \$0.20 which was determined by reference to the price in effect at completion of the company's IPO (refer to note 9).

NOTE 8. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

| | Consolidated 2016 | \$ |
|------------------|------------------------------|---------|
| Trade payables | 900,440 | |
| Accrued expenses | 53,200 | |
| Other payables | 2,238 | |
| | | 955,878 |

Refer to note 12 for further information on financial instruments.

NOTE 9. EQUITY – ISSUED CAPITAL

| | Consolidated 2016 | Consolidated 2016 |
|------------------------------|------------------------------|------------------------------|
| | Shares | \$ |
| Ordinary shares – fully paid | 111,709,582 | 8,920,643 |



Notes to the Financial Statements

for the period ended 30 June 2016

NOTE 9. 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 |

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.

NOTE 10. EQUITY - RESERVES

| | Consolidated 2016 |
|------------------------------|----------------------|
| Foreign currency reserve | 294 |
| Share-based payments reserve | 400,053 |
| | 400,347 |



FOREIGN CURRENCY 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.

MOVEMENTS IN RESERVES

Movements in each class of reserve during the current financial period are set out below:

| Consolidated | Foreign currency | Share-based payments | 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 |

NOTE 11. EQUITY – DIVIDENDS

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

NOTE 12. 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.



Notes to the Financial Statements

for the period ended 30 June 2016

NOTE 12. FINANCIAL INSTRUMENTS CONTINUED

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 – 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 13. 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.

NOTE 14. 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 2016 |
|------------------------------|------------------------------|
| Short-term employee benefits | 767,643 |
| Post-employment benefits | 36,575 |
| Share-based payments | 271,053 |
| | 1,075,271 |



NOTE 15. 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 2016 | \$ |
|---|------------------------------|--------|
| Audit services – Ernst & Young | | |
| Audit or review of the financial statements | | 25,000 |
| Other services – Ernst & Young | | |
| Assurance services for the IPO transaction | | 41,200 |
| | | 66,200 |

NOTE 16. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2016.

NOTE 17. COMMITMENTS

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

NOTE 18. RELATED PARTY TRANSACTIONS

PARENT ENTITY

Lithium Power International Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in note 20.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 14 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

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

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

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

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

LOANS TO/FROM RELATED PARTIES

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

TERMS AND CONDITIONS

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



Notes to the Financial Statements

for the period ended 30 June 2016

NOTE 19. PARENT ENTITY INFORMATION

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

| | Parent 2016 |
|--|----------------|
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | \$ |
| Loss after income tax | (1,862,888) |
| Total comprehensive income | (1,862,888) |
| STATEMENT OF FINANCIAL POSITION | \$ |
| Total current assets | 7,336,006 |
| Total assets | 8,122,144 |
| Total current liabilities | 664,336 |
| Total liabilities | 664,336 |
| Equity | |
| Issued capital | 8,920,643 |
| Share-based payments reserve | 400,053 |
| Accumulated losses | (1,862,888) |
| Total equity | 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 2016.

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 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 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.

NOTE 20. INTERESTS IN SUBSIDIARIES

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

| Name | Principal place of business / Country of incorporation | Ownership interest 2016 | |
|---------------------|---|----------------------------|--|
| | | % | |
| Lithium Power S.A.* | Argentina | 100.00% | |

* The shares are held in trust by Martin Holland and Andrew Phillips on behalf of the beneficial owner Lithium Power International Limited, until the completion of the IPO. The process has commenced to restructure the capital structure of this entity with a time frame of up to six months to complete.

NOTE 21. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

| | Consolidated 2016 |
|--|----------------------|
| | \$ |
| Loss after income tax expense for the period | (1,876,900) |
| Adjustments for: | |
| Share-based payments | 400,053 |
| Foreign exchange differences | 294 |
| Change in operating assets and liabilities: | |
| Increase in GST receivable | (102,792) |
| Increase in other operating assets | (4,115) |
| Increase in trade and other payables | 955,878 |
| Net cash used in operating activities | (627,582) |

NOTE 22. EARNINGS PER SHARE

| | Consolidated 2016 |
|---|----------------------|
| | \$ |
| Loss after income tax attributable to the owners of Lithium Power International Limited | (1,876,900) |
| Number | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 57,816,451 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 57,816,451 |
| Cents | |
| Basic earnings per share | (3.25) |
| Diluted earnings per share | (3.25) |

31,356,668 options on issue have been excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they are considered anti-dilutive.



Notes to the Financial Statements

for the period ended 30 June 2016

NOTE 23. 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

2016

| Grant date | Expiry date | Exercise price | Balance at the start of the period | Granted | Exercised | Expired/forfeited/other | Balance at the end of the period |
|---------------------------------|-------------|----------------|------------------------------------|-----------|-----------|-------------------------|----------------------------------|
| 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 |
| | | | – | 3,916,667 | – | 27,440,001 | 31,356,668 |
| Weighted average exercise price | | | \$0.0000 | \$0.2298 | \$0.0000 | \$0.2000 | \$0.2037 |

The weighted average remaining contractual life of options outstanding at the end of the financial period was 5 years.

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 5/04/2016 | 24/06/2021 | \$0.20 | \$0.20 | 80.00% | – | 1.75% | \$0.13 |
| 5/04/2016 | 24/06/2021 | \$0.20 | \$0.40 | 80.00% | – | 1.75% | \$0.10 |
| 5/04/2016 | 24/06/2021 | \$0.20 | \$0.60 | 80.00% | – | 1.75% | \$0.09 |

NOTE 24. EVENTS AFTER THE REPORTING PERIOD

On 29 August 2016 the consolidated entity announced the confirmation of the two Argentine tenements which had the status License Pending, Centenario 200 and 201 was granted to the consolidated entity along with an additional tenement Centenario 3 (8km²) expanding licenced landholding by circa 37.5km², which represents an 160% increase of the existing landholding. In addition, Centenario 1, which had a status of "challenged" at period end, remains outstanding.

Following announcements throughout July and August 2016, the consolidated entity finalised negotiations and signed a Joint Venture (JV) agreement with Minera Salar Blanco (MSB) and Li3 Energy (Li3) to develop the Maricunga lithium brine salar in Chile on 10 August 2016 (Chilean time). This JV agreement was announced to the market on 13 August 2016. The JV ownership structure is LPI – 50%, MSB – 32.3% and Li3 – 17.7% with all tenement assets transferred into a newly formed JV entity. This JV is seen as a significant development in the consolidated entities overall asset portfolio and has strengthened the consolidated entities commercial and political ties in Chile.

The corporate structure ownership of the Argentina entity, Lithium Power SA is being amended as disclosed in the Company's IPO prospectus. The process of restructure is well underway and is currently being taken through the legal and regulatory requirements of Argentina, and at the time of this report this is yet to be completed but is within its estimated 3 to 6 months' timeframe to complete.

No other matter or circumstance has arisen since 30 June 2016 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 2016 and of its performance for the financial period 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



Reccared P Fertig
Chairman

20 September 2016
Sydney



Independent auditor's report to the members of Lithium Power International Limited

Report on the financial report

We have audited the accompanying financial report of Lithium Power International Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



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Opinion

In our opinion:

- a. the financial report of Lithium Power International Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Lithium Power International Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ryan Fisk
Partner
Sydney
20 September 2016

Shareholder Information

The shareholder information set out below was applicable as at 8 September 2016.

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 | 25 | – |
| 1,001 to 5,000 | 229 | – |
| 5,001 to 10,000 | 158 | – |
| 10,001 to 100,000 | 316 | – |
| 100,001 and over | 100 | 6 |
| | 828 | 6 |
| Holding less than a marketable parcel | 61 | – |

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 | 18.80 |
| CHIFLEY PORTFOLIOS PTY LTD (DAVID HANNON RETIRE FUND A/C) | 15,857,143 | 14.19 |
| GREAT SOUTHERN HOLDINGS PTY LTD (GREAT SOUTHERN HOLDINGS A/C) | 14,300,000 | 12.80 |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 2,785,714 | 2.49 |
| DIAMOND EDGE BUSINESS OPPORTUNITIES LTD | 2,285,715 | 2.05 |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 2,051,115 | 1.84 |
| BT PORTFOLIO SERVICES LIMITED (WARRELL HOLDINGS S/F A/C) | 2,000,000 | 1.79 |
| BRENDAN & JODIE LYONS INVESTMENTS PTY LTD (B&J LYONS FAMILY A/C) | 1,428,571 | 1.28 |
| MR JAMES REX PHILLIPS | 1,400,000 | 1.25 |
| CITICORP NOMINEES PTY LIMITED | 1,260,157 | 1.13 |
| MR ALBERT WONG | 1,225,000 | 1.10 |
| SUBURBAN HOLDINGS PTY LIMITED (SUBURBAN SUPER FUND A/C) | 1,200,000 | 1.07 |
| MS JACQUELINE NINA ALCOCK | 1,000,000 | 0.90 |
| LACUS MINERALS S A | 929,581 | 0.83 |
| SUBURBAN HOLDINGS PTY LTD (THE SUBURBAN SUPER FUND A/C) | 928,572 | 0.83 |
| MR BRENDAN RENALD LYONS & MRS JODIE LOIUSE LYONS (B & J LYONS FAMILY A/C) | 900,000 | 0.81 |
| LITTLE NELL PTY LTD (SINGITA SUPER FUND A/C) | 813,851 | 0.73 |
| GEOFFREY ROSS BAZZAN | 785,714 | 0.70 |
| CHIFLEY PORTFOLIOS PTY LIMITED | 750,000 | 0.67 |
| CHIFLEY PORTFOLIOS PTY LTD (DAVID HANNON RETIREMENT A/C) | 725,000 | 0.65 |
| | 73,626,134 | 65.91 |

UNQUOTED EQUITY SECURITIES

| | Number on issue | Number of holders |
|-------------------------------------|-----------------|-------------------|
| Options over ordinary shares issued | 31,356,668 | 6 |

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 | 7,550,000 |



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 | 18.80 |
| CHIFLEY PORTFOLIOS PTY LTD (DAVID HANNON RETIRE FUND A/C) | 15,857,143 | 14.19 |
| GREAT SOUTHERN HOLDINGS PTY LTD (GREAT SOUTHERN HOLDINGS A/C) | 14,300,000 | 12.80 |

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* | 20 June 2017 | 15,382,440 |
| Ordinary shares** | 24 June 2018 | 50,277,144 |
| Options over ordinary shares* | 20 June 2017 | 1,800,000 |
| Options over ordinary shares** | 24 June 2018 | 29,556,668 |
| | | 97,016,252 |

* expiry date being 12 months from the date of issue

** expiry date being 24 months from the IPO date



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