



# **NOVO LÍTIO LTD**

**(Formerly Dakota Minerals Limited)**

**ABN: 16 009 146 794**

## **Annual Financial Report**

**For the year ended 30 June 2017**

CONTENTS

CHAIRMAN’S LETTER.....	3
DIRECTORS’ REPORT.....	4
AUDITOR’S INDEPENDENCE DECLARATION .....	18
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	19
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	20
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	21
CONSOLIDATED STATEMENT OF CASH FLOWS .....	22
NOTES TO FINANCIAL STATEMENTS .....	23
DIRECTORS’ DECLARATION .....	52
INDEPENDENT AUDIT REPORT .....	53
CORPORATE GOVERNANCE .....	57
ADDITIONAL ASX SHAREHOLDERS’ INFORMATION .....	58
TENEMENT SCHEDULE.....	60

## CHAIRMANS' LETTER

I am pleased to provide you with the Annual Report on the performance of Novo Lítio for the FY2017 period, a period of significant activity and challenge.

During FY2017 the Company's focus moved to Europe with the aim of becoming an early mover in the growing European lithium market. After definition drilling of the Lynas Find asset in Western Australia identified a Mineral Resource which was not of sufficient size to develop as a stand-alone asset the Company sold this project to Pilbara Minerals Limited ASX:PLS ("Pilbara") for total consideration of \$8.0 million which comprised \$5.0 million in cash payments and a further \$3.0 million in Pilbara shares. Within 12 months Novo had identified and drilled out a maiden Mineral Resource at Lynas Find (7.3Mt @ 1.25% Li<sub>2</sub>O) and monetised this asset leaving the Company well-funded to pursue the European strategy.

Novo's long-term strategy is to be a major supplier of lithium minerals and chemicals to the globally significant European market. The Directors have identified Europe as likely to be the earliest mover in widespread electric vehicle penetration and home energy storage using lithium-ion batteries. Manufacturers in the region have already begun to commit significant investment towards new all-electric vehicle models. The Company's two senior executives moved to Europe to pursue this strategy.

The Company's primary focus in Europe has been the Sepeda project in Northern Portugal. Novo has managed to quickly define a Mineral Resource at this project, conduct successful preliminary metallurgical testwork and initiate offtake discussions. After significant early success, this project is now effectively stalled as a consequence of a legal dispute over title. Notwithstanding the Company maintaining that it has a binding agreement to acquire from the vendors of the Sepeda project, Lusorecursos Lda. and Lusorecursos Arg. Lda. (together "Lusorecursos") 100% of both the granted Sepeda licence and nearby exploration applications and that under the agreement, Lusorecursos is required to satisfy the conditions necessary for Ministerial consent for the grant and transfer of the licences, it has refused to do so. In addition, the Company understands that the granted Sepeda exploration licence held by Lusorecursos will expire on 7 December 2017, and the Company has been frustrated by the Vendor for several months in its endeavour to submit a Mining Licence application to replace the Sepeda exploration licence. As a consequence, Novo has taken legal action against Lusorecursos to protect the Company's interests in the Sepeda project. At this stage, there is uncertainty as to how long the final legal resolution will take.

Subsequent to year end, Novo has acquired a very large (354km<sup>2</sup>) granted tenement package over an area of known LCT-type pegmatite occurrences around the Sepeda Lithium Project, from TSX-V listed Medgold Resources Corp. ("Medgold"). This transaction is a major strategic achievement for Novo within the northern pegmatite belt in Portugal. This tenement package is one of the few holdings along the belt that is not subject to overlapping exploration tenement applications. The acquisition provides the Company with an exploration pipeline for petalite/spodumene lithium deposit targets in the immediate vicinity of its core Sepeda project.

In addition to the Portuguese projects, the company has a highly prospective package of tenements in Sweden where surface sampling has yielded high grade lithium values, including 2.77% Li<sub>2</sub>O, from spodumene-bearing rock chip samples. Mapping has shown the presence of pegmatite outcrops over a strike length of 340m, and up to 100m wide, with surrounding areas masked by glacial cover. Drill targets have been defined for this project and permitting is underway.

I would like to thank the shareholders for their support during a year that started with considerable promise but has ended up being frustrating and challenging. The short-term focus on the company remains on resolving the tenure dispute at Sepeda. In the event that this can be satisfactorily achieved in the short term, the Company is well-placed to take advantage of the opportunities present in the European lithium market.

Yours Sincerely



John Fitzgerald  
CHAIRMAN OF THE BOARD

## **DIRECTORS' REPORT**

The Board of Novo Lítio Ltd ("Novo" or "the Company") presents its report on the Company for the year ended 30 June 2017.

## **DIRECTORS**

The following persons were directors of Novo for the whole of the financial year and up to the date of this report unless noted otherwise:

Mr John Fitzgerald (Non-executive Chairman)  
Dr Francis Wedin (Executive Director)  
Mr David Frances (Managing Director)  
Prof Dudley Kingsnorth (Non-executive Director) – appointed 22 August 2016

## **PRINCIPAL ACTIVITIES**

The nature of the operations and principal activities of the Company are mineral exploration and project development.

## **FINANCIAL RESULTS AND FINANCIAL POSITION**

The net loss of the Company after income tax for the financial year ended 30 June 2017 was \$3,911,098 (2016: \$1,912,204).

The Company has not reached a stage in its development where it is generating an operating profit. All the Company's efforts go into project exploration and development.

At the end of the financial period the Company had cash on hand, including deposits of \$14,398,232 (2016: \$14,115,625) and Net Assets of \$16,315,270 (2016: \$19,403,226).

## **DIVIDENDS**

No dividends have been declared since the end of the previous financial year and no dividends have been recommended by the directors.

## **REVIEW OF OPERATIONS**

During the 2017 financial year the Company progressed its long-term strategy to become a sustainable, European-focused lithium Company. Significant highlights included:

- Discovering and defining a maiden JORC Mineral Resource, on schedule, at the Lynas Find Lithium Project in Western Australia, and subsequently finding a successful commercial outcome for the project, by selling it for \$8 million to neighbouring Pilbara Minerals Ltd.
- Discovering and defining a maiden JORC Mineral Resource at the Sepeda Lithium Project in Portugal, making it the largest LCT pegmatite-hosted JORC lithium Mineral Resource in Europe<sup>1</sup>. Regrettably at the date of this report the vendor of the Sepeda tenements continues to frustrate the transfer of the licences for the project. The Company considers it has binding and enforceable legal rights and is currently pursuing the matter on an expedited basis in the Courts of Portugal<sup>2</sup>.
- Producing battery grade (99.97% Li<sub>2</sub>CO<sub>3</sub>) lithium carbonate, and very low-impurity petalite concentrate, from metallurgical testwork<sup>3</sup> on a sample from the Sepeda Lithium Project;
- Advancing its Phase Three and Phase Four drilling at Sepeda, which continues to produce highly encouraging results<sup>4</sup> towards a Mineral Resource update later in the year;
- Progressing the Scoping Study at Sepeda in partnership with the Company's civil, processing and mining engineering consultants; and
- Commencing field exploration works at the Company's Swedish lithium projects, with high grade results from surface sampling including 2.77% Li<sub>2</sub>O from spodumene-bearing pegmatites<sup>5</sup>.

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<sup>1</sup> NLI announcement 20/2/2017

<sup>2</sup> NLI announcement 28/7/17 & 8/9/17

<sup>3</sup> NLI announcement 29/05/17

<sup>4</sup> NLI announcement 3/05/17

<sup>5</sup> NLI announcement 28/07/17

Novo Lítio's aim is to become a sustainable supplier of ultra-low impurity petalite concentrate and lithium carbonate/hydroxide, to the high-tech glass and ceramics industry and the European electric vehicle and stationary storage battery markets respectively, via its projects in northern Portugal and Sweden. Europe has been identified as the likely first mover in widespread electric vehicle penetration and home energy storage using lithium-ion batteries. European industrial groups are already producing affordable home energy storage units and leading automotive manufacturers in the region continue to commit significant investment towards new, all-electric vehicle models. Significant and increasing demand from various industrial groups for ultra-low impurity lithium mineral concentrates such as petalite also means that Novo Lítio potentially has the optionality to produce dual-stream products.

## Technical Activity

The technical focus for the year, after successfully developing and selling its Lynas find Project in WA, was to rapidly advance the NLI's European lithium strategy, chiefly by developing the Company's Sepeda lithium discovery in Portugal.

### Lusidakota (Northern Portugal) Project

Having entered into an agreement with Lusorecursos LDA to acquire 100% rights to a number of key tenements prospective for lithium mineralisation in Northern Portugal, NLI made rapid progress exploring the area known as Sepeda, within granted tenement MNPP04612. Having identified a newly discovered lithium-bearing pegmatite system<sup>1</sup>, NLI commenced drilling a Phase 1 reconnaissance programme very soon afterwards<sup>2</sup>. Encouraging results<sup>3</sup> precipitated a Phase 2 drilling programme, which resulted in the definition of a maiden JORC Mineral Resource of 10Mt @ 1% Li<sub>2</sub>O, at the time the largest LCT pegmatite-hosted JORC lithium Mineral Resource in Europe<sup>4</sup>. A scoping study and EIA were also commenced<sup>5</sup>, with a view to quickly developing the Sepeda Lithium Project.

Shortly after the definition of the maiden Mineral Resource at Sepeda, a Phase 3 RC and diamond drilling programme was commenced on the project<sup>6</sup>, in order to upgrade confidence categories in the fully Inferred Mineral Resource at Sepeda, to increase the size of the Mineral Resource by testing a plunge extension theory to the known area of mineralisation, and to provide geotechnical and structural information from diamond drilling for future feasibility studies. This programme has been highly successful at defining thick, high grade extensions to the known mineralisation, and at increasing confidence in known areas<sup>7</sup>, with spectacular, best ever drill results at Sepeda including 83.1m @ 1.43 % Li<sub>2</sub>O, and 70.88m @ 1.74% Li<sub>2</sub>O. During this time, cognisant of the tight timeframe required to become a successful lithium producer in Europe, NLI accelerated the project. A Phase 4 diamond drilling programme<sup>8</sup> was initiated to run concurrently with Phase 3, for the dual purpose of providing additional infill drilling data for future feasibility studies, and to provide a bulk, 10-20t metallurgical test sample that could be used for pilot metallurgical testwork and to provide concentrate samples for potential offtake customers. Subsequent to the end of the 2017 financial year, NLI have also entered into an agreement to acquire a significant (354km<sup>2</sup>), granted tenement package over an area of known LCT –type pegmatite occurrences around the Sepeda lithium Project from TSX-v listed Medgold Resources Corp. This now makes the Company the largest granted tenement holder in the northern Portugal lithium belt.

### Sweden - Spodumenberget

In May this year, NLI announced<sup>9</sup> that it had identified, applied for and acquired a portfolio of three tenement areas highly prospective for lithium in Sweden, as part of its strategy to become a supplier of lithium from Europe, for Europe. Fieldworks commenced at one of the projects, and spodumene-bearing LCT pegmatites were identified in the subsequent quarter, with a peak lithium grade<sup>10</sup> of 2.77% Li<sub>2</sub>O. The area was named Spodumenberget, meaning “Spodumene Mountain” in Swedish. At the time of writing, NLI had submitted an application for permission to drill some test holes at Spodumenberget later in the year.

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<sup>1</sup> NLI announcement 14/07/2016

<sup>2</sup> NLI announcement 30/08/2016

<sup>3</sup> NLI announcement 10/10/2016

<sup>4</sup> NLI announcement 20/02/2017

<sup>5</sup> NLI announcement 21/11/2016

<sup>6</sup> NLI announcement 07/03/2017

<sup>7</sup> NLI announcements 28/07/2017, 03/05/2017, 24/04/2017

<sup>8</sup> NLI announcement 10/04/2017

<sup>9</sup> NLI announcement 08/05/2017

<sup>10</sup> NLI announcement 28/07/2017

## Corporate

### Capital structure

As at the date of this report the Company's Capital structure is as follows:

#### Quoted Securities:

Number	Class	ASX Code
370,404,879	Ordinary Fully Paid	NLI

#### Un-quoted Securities:

Number	Class	ASX Code
2,750,000	Options exercisable at \$0.016 expiring 31 December 2018	NLIAA
2,437,500	Options exercisable at \$0.035 expiring 31 December 2017	NLIAB
16,625,000	Options exercisable at \$0.060 expiring 31 December 2017	NLIAB
9,250,000	Options exercisable at \$0.090 expiring 31 December 2017	NLIAB

#### Performance Rights \*

Number	Class	ASX Code
3,312,500	Tranche 2 Performance Rights, Vesting on establishment of a 15 million tonne JORC Compliant Mineral Resource of Li <sub>2</sub> O of a grade of at least 1% by 29 November 2019.	NLIAE
3,312,500	Tranche 3 Performance Rights, Vesting on establishment of a 30 million tonne JORC Compliant Mineral Resource of Li <sub>2</sub> O of a grade of at least 1% by 29 November 2020.	NLIAE

\* 12,250,000 Performance rights vested on 10 October 2016 following the establishment by the Company of a 5 million tonne JORC Compliant inferred Mineral Resource of Li<sub>2</sub>O of a grade of at least 1.2% at Lynas Find.

\* 6,625,000 Performance rights vested on 24 February 2017 following the establishment by the Company of a 7.5 million tonne JORC Compliant inferred Mineral Resource of Li<sub>2</sub>O of a grade of at least 1.0% at Sepeda.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

- On 28 July 2017 the Company commenced legal proceedings in the courts of Portugal against the vendors of the Sepeda project, Lusorecursos Lda. and Lusorecursos Arg. Lda. (together "Lusorecursos"), seeking an order of the Court to protect the Company's interests in the granted licence and licence applications comprising the Sepeda project. The Company maintains that it has a binding agreement to acquire from Lusorecursos 100% of the granted licence, and the exploration licences on the grant of the applications, and that under the agreement, Lusorecursos is required to satisfy the conditions necessary for Ministerial consent for the grant and transfer of the licences.

Lusorecursos has an agreement with the Portuguese Government granting Lusorecursos the drilling and exploration mining rights over the Sepeda project licence, which ends on 7 December 2017. The Company understands that the granted Sepeda exploration licence held by Lusorecursos will expire on 7 December 2017, and the Company has been frustrated by the Vendors for several months in its endeavour to submit a Mining Licence application to replace the Sepeda exploration licence.

On the 8<sup>th</sup> September the Company has sought an urgent injunction to require Lusorecursos to fulfil the conditions necessary for the grant of the licence applications and the transfer of the licences to Novo Lítio. The Company anticipates that the injunction proceedings will be determined in November 2017, which would allow Novo to submit the Mining Licence application before 7 December, which is the last date for application. There is no certainty that the Company will be successful in its Court proceedings or in its endeavours to secure the transfer of the Sepeda tenements.

- On 4 September 2017 the Company signed a binding contract to acquire a significant (354km<sup>2</sup>), granted tenement package over an area of known LCT –type pegmatite occurrences around the Sepeda lithium Project from TSX-v

listed Medgold Resources Corp. Under the acquisition Lusidakota, a wholly-owned subsidiary of Novo, will purchase 100% of Medgold's wholly owned subsidiary for €167,500.

Other than the events outlined above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations, the results of those operations, or the state of affairs of the Company in future financial years.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Company will continue its evaluation of its mineral projects and undertake generative work to identify and acquire new resource projects and opportunities. Due to the nature of the business, the result is not predictable.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Other than reported above in the Review of Operations, there were no significant changes in the state of affairs of the Company during the reporting period.

## **ENVIRONMENTAL REGULATIONS AND PERFORMANCE**

The Company is required to carry out the exploration and evaluation of its mining tenements in accordance with various State Government Acts and Regulations.

In regard to environmental considerations, the Company is required to obtain approval from various State regulatory authorities before any exploration requiring ground disturbance, such as line clearing, drilling programs and costeaning is carried out. It is normally a condition of such regulatory approval that any area of ground disturbed during the Company's activities is rehabilitated in accordance with various guidelines. The Company conducts its exploration activities in an environmentally sensitive manner and is not aware of any significant breaches of these guidelines.

## **INFORMATION ON DIRECTORS**

### **CURRENT DIRECTORS**

Name	Mr John Fitzgerald
Title	Non-executive Chairman
Appointed	23 December 2015
Experience and Expertise	Mr Fitzgerald is an experienced Company Director and resource financier. He has worked with the resources sector for 30 years providing corporate advisory, project finance and commodity risk management services to a large number of companies in that sector. Mr Fitzgerald is Lead Independent Director of Northern Star Resources Ltd (appointed 30 November 2012), Danakali Resources Ltd (appointed 19 February 2015) and Non-executive Chairman of Carbine Resources Limited (appointed 13 April 2016). He has previously held positions as Chairman of Integra Mining Ltd and Atherton Resources as well as senior executive roles with a number of Investment Banks with a focus on the provision of services to the mining sector. Mr Fitzgerald is a Chartered Accountant, a Fellow of FINSIA and a graduate member of the Australian Institute of Company Directors.

Name	Mr David Frances
Title	Managing Director
Appointed	19 April 2016
Experience and Expertise	David Frances is an international mining executive of 25 years with a track record of developing assets in Africa (Democratic Republic of Congo) with Mawson West (TSX: MWE) from 2006- 2012. Mr Frances took MWE private in 2009 when it was a \$5M ASX listed company with exploration and development projects in the DRC. After successfully completing a transaction with Anvil Mining and subsequently recommissioning and restarting the Dikulushi copper-silver mine Mr Frances then completed the largest base metals capital raise and IPO in the world for 2010 when MWE was listed on the TSX with a market capitalisation of \$250M. David has also overseen other successful developments and his experience in successfully exploring, funding, and developing projects, his proven corporate strategic skills, and his knowledge of equity capital and debt markets will complement the highly experienced and successful management team of Novo.

Name	Dr Francis Wedin
Title	Executive- Technical Director
Appointed	23 December 2015
Experience and Expertise	Francis Wedin is an experienced mining industry professional, with a diverse expatriate working background spanning three continents and multiple commodities, producing a proven track record of exploration management, discovery and resource development success in the industry. Francis has a PhD in mineral exploration parameters focused on the Tethyan Metallogenic Belt, is a Fellow of the Geological Society, London, and a member of the Australasian Institute of Mining and Metallurgy. He is bilingual in English and Turkish, with proficiencies in other languages, and is currently studying an MBA with a focus on renewable energy technologies

Name	Professor Dudley Kingsnorth
Title	Non-executive Director
Appointed	22 August 2016
Experience and Expertise	Professor Kingsnorth is a Fellow of the Australian Institute of Company Directors, in addition to being a Fellow and past VP of the Australasian Institute of Mining and Metallurgy (AusIMM), and a Fellow of the Institute of Materials, Minerals, and Mining (UK). He has more than 45 years' experience in the international mining industry, and is internationally recognised as a world authority on lithium and rare earths markets. Dudley is the current leader of the Curtin Graduate School of Business's Critical Materials Initiative. He is also an experienced director and has acted as Chairman, Managing Director, CEO, Director, Project Manager, and Marketing Manager, for various listed and unlisted Companies in the, lithium, rare earths, tantalum, gold, iron ore and aluminium sectors.

## COMPANY SECRETARY

### Mr Mathew Whyte BCom CPA FCIS

Mr Whyte was appointed as Company Secretary and CFO on 9 November 2011. He is a CPA and a fellow of the Governance Institute of Australia (formerly Chartered Secretaries Australia). He has over 25 years' commercial experience in the financial management, direction and corporate governance of ASX listed companies. He has held senior executive roles on a number of Australian listed entities with operations in Australia and overseas in the mining, mining services, power infrastructure and biotech industries. Mr Whyte is currently a Non- executive director and Company Secretary of Aurora Labs Ltd (ASX: A3D) and was Company Secretary for Kingston Resources Limited from September 2011 to July 2016.



## **DIRECTORS' INTERESTS IN SHARES AND PERFORMANCE RIGHTS OF THE COMPANY**

As at the date of this report, the interest of the directors in securities of Novo Lítio Ltd were:

	<i>Number of Ordinary Shares</i>	<i>Performance Rights</i>
J Fitzgerald	5,500,000	1,000,000
Francis Wedin <sup>1</sup>	8,750,000	2,000,000
David Frances	7,780,000	2,500,000
Dudley Kingsnorth	1,900,000	500,000

<sup>1</sup> As disclosed in the Appendix 3X of 24 December 2015 and Appendix 3Y of 16 September 2016 and 5 December 2016, under an agreement between Mr Wedin and Ariana Resources plc (Ariana), Ariana has agreed to procure the transfer to Mr Wedin of 14% of any Milestone Shares (up to 4,116,000 Ordinary shares in the entity) that are issued by the entity to Asgard Metals Pty Ltd (Asgard), a wholly owned subsidiary of Ariana, under the binding Lynas Find Project heads of agreement dated 18 December 2015.

## **DIRECTORS' MEETINGS**

The following table sets out the number of meetings of directors held during the year ended 30 June 2017 and the number of meetings attended by each director.

	<b>Meetings of Directors Held While in Office</b>	<b>Number of Meetings Attended</b>
J Fitzgerald	6	6
F Wedin	6	6
D Frances	6	5
D Kingsnorth (Appointed 22 August 2016)	6	6

## **REMUNERATION REPORT (Audited)**

The Directors of Novo Lítio Ltd present the Remuneration Report ('the Report') for the Company for the year ended 30 June 2017 ("FY17"). This Report forms part of the Directors Report and has been audited as required by section 300 A of the *Corporations Act 2001*.

### **Key management personnel disclosed in this report**

For the purposes of this Report, key management personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including a director (whether executive or otherwise) of the Company.

Details of key management personnel:

Current:

Mr John Fitzgerald (Non-executive Chairman) – Appointed 23 December 2015

Dr Francis Wedin (Executive Director) – Appointed 23 December 2015

Mr David Frances (Managing Director) – Appointed 19 April 2016

Mr Dudley Kingsnorth (Non- executive Director) – Appointed 22 August 2016

### **Remuneration Philosophy**

The performance of the Company depends upon the quality of its Directors and Executives. To prosper the Company must attract, motivate and retain highly skilled directors and KMP.

To this end Novo aims to reward executives with a level and mix of remuneration commensurate with their position and responsibility so as to align the interests of executives with those of shareholders and to ensure total remuneration is competitive by market standards.

Remuneration and nomination issues are handled at the full Board level. Due to the small number of directors and KMP no committee has been established for this purpose.

Board members, as per groupings detailed below, are responsible for determining and reviewing compensation arrangements.

In order to maintain good corporate governance, the Non- executive Directors assume responsibility for determining and reviewing compensation arrangements for the Executive Directors of the Group. The Executive Directors in turn are responsible for determining and reviewing the compensation arrangements for the Non – executive Directors.

The assessment considers the appropriateness of the nature and amount of remuneration of KMP's on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Independent external advice is sought from remuneration consultants when required, however no advice has been sought during the period ended 30 June 2017. The Corporate Governance Statement provides further information on the Company's remuneration governance.

## **Remuneration structure**

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive Director's remuneration is separate and distinct.

### **A. Non-executive Directors remuneration**

#### ***Objective***

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

#### ***Structure***

The Board policy is to remunerate non-executive directors at commercial market rates for comparable companies for their time, commitment and responsibilities.

On appointment to the Board, all non-executive directors sign a letter of appointment. The letter summarises the Board policies and terms including remuneration, relevant to the office of director.

The constitution and the ASX Listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by shareholders at general meeting. The latest determination was at the Annual General Meeting (held on 29 November 2016 when shareholders approved an increase in the aggregate remuneration from \$150,000 to \$240,000 per annum.

Non-executive directors receive a fixed fee plus superannuation contributions. Fees for non-executive directors are not linked to the performance of the Company. Subject to approval by shareholders, Non-executive directors' remuneration may also include an incentive portion consisting of Performance Rights, which are granted for the same reasons and objectives and on the same terms as performance rights granted to Executive Directors as outlined in Section B below. To this end Non- executive Directors are entitled to participate in the Company's Long Term Incentive Plan (LTI Plan).

Following shareholder approval at the AGM held 29 November 2016 Mr Dudley Kingsnorth was granted 1,000,000 Performance Rights and 1,000,000 Ordinary Shares pursuant to the LTI Plan.

The remuneration of Non – executive Directors for the period ended 30 June 2017 is detailed in the table in Section C of this Report.

### **B. Executive Directors remuneration**

#### ***Objective***

The Company aims to reward Executive Directors with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Align the interests of Executive Directors with those of shareholders.
- Link rewards with the strategic goals and performance of the Company
- Ensure total remuneration is competitive by market standards.

## **Structure**

In determining the level of remuneration paid to Executive Directors, the Board took into account the activities of the Company and available benchmarks.

Employment Contracts have been entered into with all Executive Directors of the Company. Details of these contracts are provided in Section D of this Report.

Remuneration consist of the following key elements:

- Fixed remuneration
- Variable Remuneration
  - Short Term Incentive (STI); and
  - Long Term Incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential STI and LTI incentives) is established for each Executive Director by the Board. The table in Section C of this Report details the fixed and variable components (%) of the Executive Directors of the Company.

## **Fixed Remuneration**

The level of fixed remuneration is set as a cash salary plus superannuation contributions so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

The Board reviewed the fixed remuneration of Executive directors on 21 September 2016. Changes to the fixed remuneration as outlined in Section D were made effective from 1 July 2016.

## **Variable remuneration – Long Term Incentives (LTI)**

LTI grants to executives are delivered in the form of Performance Rights issued pursuant to the Company's LTI Plan as approved by shareholders on 12 February 2016.

The table in Section C provides details of Performance Rights granted and the value of equity instruments granted, exercised and lapsed during the year. Performance Rights were issued free of charge. Each Performance Right entitles the holder to subscribe for one (1) fully paid ordinary share in the Company based on achieving vesting conditions at a nil exercise price. The terms and conditions including the service and performance criteria that must be met are as follows:-

Each Performance Right, issued for nil consideration, entitles the participant to acquire one (1) fully paid ordinary share, by way of issue of new Shares or transfer of existing Shares.

During the year the following Performance Rights issued to KMP vested into fully paid ordinary shares:

- 11,000,000 vested on 10 October 2016 following the establishment by the Company of a 5 million tonne JORC Compliant Inferred Mineral Resource of Li<sub>2</sub>O of a grade of at least 1.2% at Lynas Find; and
- 6,000,000 vested on 24 February 2017 following the establishment of a 7.5 million tonne JORC Compliant inferred Mineral Resource of Li<sub>2</sub>O of a grade of at least 1.0% at Sepeda.

The following Performance Rights issued to KMP remain unvested as at the date of this report:

Tranche	Performance Hurdle	Number of Performance Rights	Expiry date*
Tranche 2	The establishment by the Company of a 15 million tonne JORC Compliant Mineral Resource of Li <sub>2</sub> O of a grade of at least 1.0%.	3,000,000	29 November 2019
Tranche 2	The establishment by the Company of a 30 million tonne JORC Compliant Mineral Resource of Li <sub>2</sub> O of a grade of at least 1.0%.	3,000,000	29 November 2020

\*All Performance Rights that have not vested by the expiry date will automatically lapse and be forfeited.

### **Variable remuneration – Short Term Incentives (STI)**

Subsequent to 30 June 2016, the Board has established an STI program for Executive Directors. Short Term Incentives are to be paid in the form of cash bonuses to Executive Directors upon achieving a mix of Company based and personal performance targets. Under the STI:

Mr David Frances was entitled to an STI of up to 50% of his fixed base salary.

Dr Francis Wedin was entitled to an STI of up to 50% of his fixed base salary.

While the Independent Non-executive Directors determined that some of the pre- set KPI targets had been met during the year the Executive Directors Mr Frances and Dr Wedin declined to accept the STI entitlements and accordingly no STI payments were made during the year.

### **Relationship between remuneration and Company performance**

In considering the Company's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous 4 financial years:

	2017	2016	Restated 2015 <sup>1</sup>	Restated 2014 <sup>2</sup>	Restated 2013 <sup>2</sup>
Loss per share (¢)	1.113	1.314	0.564	2.05	10
Share price (¢)	0.05	0.098	0.019	0.001	0.1

<sup>1</sup> Post consolidation on a 1:100 basis on 24 December 2014 and restated for change of accounting policy in relation to exploration and evaluation expenditure in 2016.

<sup>2</sup> Comparative loss per share has been restated to reflect the impact of the 1:100 share consolidation on 24 December 2014. The share price reflects the market share price and has not been restated post share consolidation.

### **Voting and comments made at the Company's 2016 Annual General Meeting**

Novo received 99.97% of "yes" votes on its Remuneration Report for the 2017 financial year. The Company did not receive any specific feedback at the AGM on its remuneration practices.

### C. Remuneration Details for the Year Ended 30 June 2017

Details of the nature and amount of each element of the remuneration of each KMP of the Company are shown in the table below:

	Short-term benefits		Long-term benefits	Post employment	Share-based payments			
	Salary & fees	Non monetary benefits	Annual and Long Service Leave	Super-annuation	Perform-ance Rights	Shares	Total	Perform-ance Related
	\$	\$	\$	\$	\$	\$	\$	%
<b>CURRENT DIRECTORS</b>								
<b>J Fitzgerald</b> (Non-executive Chairman appointed 23 December 2015)								
2017	60,000	1,796	-	5,700	115,165	-	182,661	63.0
2016	25,000	881	-	2,375	58,689	-	86,945	67.5
<b>F Wedin</b> (Executive Director appointed 23 December 2015)								
2017	200,000	1,796	20,687	19,000	230,330	-	471,813	48.8
2016	75,000	881	5,917	7,125	117,378	-	206,301	56.9
<b>D Frances</b> (CEO appointed 23 December 2015, Executive Director appointed 19 April 2016)								
2017	250,000	1,796	19,691	23,750	287,914	-	583,151	49.4
2016	100,000	336	4,426	9,500	146,722	-	260,984	56.2
<b>D Kingsnorth</b> (Non-executive Director appointed 22 August 2016)								
2017	83,676	1,537	-	4,073	35,074	57,000	181,360	50.8
2016	-	-	-	-	-	-	-	-
<b>PAST RETIRED DIRECTORS</b>								
<b>P Zhao</b> (Alternate Director for Mr Guo resigned 23 December 2015)								
2017	-	-	-	-	-	-	-	-
2016	-	820	-	-	-	5,000	5,820	-
<b>J Wellisch</b> (Non-executive Director resigned 28 January 2016)								
2017	-	-	-	-	-	-	-	-
2016	1,000	987	-	-	-	10,000	11,987	-
<b>W Guo</b> (Non-executive Director resigned 19 April 2016)								
2017	-	-	-	-	-	-	-	-
2016	5,333	1,370	-	-	-	5,000	11,703	-
<b>A Rechner</b> (Executive Director resigned 23 December 2015)								
2017	-	-	-	-	-	-	-	-
2016	1,900	825	-	-	-	10,000	12,725	-
<b>T Neesham</b> (Non-executive Director resigned 23 December 2015)								
2017	-	-	-	-	-	-	-	-
2016	-	825	-	-	-	10,000	10,825	-
<b>Total 2017</b>	<b>593,676</b>	<b>6,925</b>	<b>40,378</b>	<b>52,523</b>	<b>668,483</b>	<b>57,000</b>	<b>1,418,985</b>	<b>51.1</b>
<b>Total 2016</b>	<b>208,233</b>	<b>6,925</b>	<b>10,343</b>	<b>19,000</b>	<b>322,789</b>	<b>40,000</b>	<b>607,290</b>	<b>53.2</b>

Performance rights were granted in February 2016 following approval by shareholders at the General Meeting on 12 February 2016. The Performance Rights are charged to expense over the expected time period before the performance hurdles are met. The expense in relation to the Performance Rights is calculated at the fair value based on the share price on the day of shareholder approval and factored by the expected probability of the performance hurdles being achieved.

Up to 30 June 2017 a total of 25,500,000 Performance rights have been granted pursuant to the LTI Plan of which:

- 2,000,000 Performance rights were issued during the year ended 30 June 2017 having a fair value of \$114,000 (deemed at \$0.057 per performance right on date of grant; and
- 23,500,000 Performance Shares were issued during the year ended 30 June 2016 having a fair value of \$1,324,000. (22,000,000 had fair value of \$1,144,000 (deemed at \$0.052 per performance right on 12/2/2016 being date of grant and the remaining 1,500,000 Performance Rights had a fair value of \$180,000 (deemed at \$0.12 per performance right on 17 June 2016 being date of grant).

Each Performance Right, issued for nil consideration, entitles the participant to acquire one (1) fully paid ordinary share, by way of issue of new Shares or transfer of existing Shares.

Of the 25,500,000 Performance rights a total of 18,875,000 have been vested;

- 12,250,000 tranche 1 performance rights on 10 October 2016; and
- 6,625,000 tranche 1 performance rights on 24 February 2017.

Approval to vary the terms of performance rights were granted at the AGM on 29 November 2016. The Tranche 2 performance rights initially had a performance hurdle of:

- the establishment by the Company of a JORC Compliant 15 million tonne Mineral Resource of Li<sub>2</sub>O of a grade of at least 1.2% and with an expiry date of 23 December 2018.

There was no difference in fair value of the modified rights immediately before modification and immediately after.

The remaining 6,625,000 Performance rights which are unvested have the following performance hurdles and vesting conditions: and otherwise in accordance with the LTI Plan Rules.

Tranche	Performance Hurdle	Number of Performance Rights	Expiry date*
Tranche 2	The establishment by the Company of a 15 million tonne JORC Compliant Mineral Resource of Li <sub>2</sub> O of a grade of at least 1.0%.	3,312,500	29 November 2019
Tranche 3	The establishment by the Company of a 30 million tonne JORC Compliant Mineral Resource of Li <sub>2</sub> O of a grade of at least 1.0%.	3,312,500	29 November 2020

\*All Performance Rights that have not vested by the expiry date will automatically lapse and be forfeited.

Performance Rights issued will vest into fully paid ordinary shares upon performance hurdles being achieved. The amounts that appear are required under Australian Accounting Standards to be expensed by the Company in respect of the allocation of long term incentives. Whether or not these performance rights are received will depend on achieving the vesting conditions as discussed above.

#### ***Unlisted Options Issued to KMP***

During or since the end of the period there were no options issued to executives as remuneration. No options over unissued ordinary shares were granted to executives as remuneration during the previous year.

#### ***Option holdings of key management personnel in unlisted options (consolidated)***

**2017**

Nil

#### ***Shareholdings of key management personnel (ordinary shares) (consolidated)***

<b>KMP</b>	<b>Balance at beginning of the year</b>	<b>Granted as remuneration</b>	<b>Conversion of performance Rights</b>	<b>Net change other</b>	<b>Balance at end of the year</b>
<b>2017</b>					
J Fitzgerald	2,500,000	-	3,000,000	-	5,500,000
F Wedin	-	-	6,000,000	2,750,000 <sup>2</sup>	8,750,000
D Frances	-	-	7,500,000	280,000 <sup>3</sup>	7,780,000
D Kingsnorth	-	1,000,000 <sup>1</sup>	500,000	400,000 <sup>4</sup>	1,900,000
<b>Total</b>	<b>2,500,000</b>	<b>1,000,000</b>	<b>17,000,000</b>	<b>3,430,000</b>	<b>23,930,000</b>

1. Pursuant to the terms of his appointment, Professor Dudley Kingsnorth was entitled to be issued 2 million Performance Rights. The Performance Rights were to be issued in two tranches of 1 million Performance Rights each. However, the Performance Hurdles and Vesting Conditions to which the first tranche of Performance Rights were to be subject had already been satisfied. Consequently, rather than issue the first tranche of 1 million Performance Rights to Professor Kingsnorth, the Company determined that it would be more appropriate to issue the Shares that would have been issued to him on the vesting of those 1 million Performance Rights. This was approved by Shareholders on 29 November 2016.

2. Off-market transfer per ASX disclosure on 16 September 2016.

3. On-market purchase.

4. 150,000 ordinary shares held as at date of appointment. 250,000 on-market purchase.

***Performance Rights of key management personnel***

<b>KMP</b>	<b><i>Balance at beginning of the year</i></b>	<b><i>Granted*</i></b>	<b><i>Conversion to Shares</i></b>	<b><i>Balance at end of the year</i></b>
<b>2017</b>				
J Fitzgerald	4,000,000	-	(3,000,000)	1,000,000
F Wedin	8,000,000	-	(6,000,000)	2,000,000
D Frances	10,000,000	-	(7,500,000)	2,500,000
D Kingsnorth	-	1,000,000	(500,000)	500,000
Total	22,000,000	1,000,000	(17,000,000)	6,000,000

\* Performance Rights pursuant to the Novo Lítio Ltd's Long Term Incentive Plan as approved by shareholders at a General Meeting held 12 February 2016 and approval to vary the terms of performance rights were granted at the AGM on 29 November 2016. D Kingsnorth was entitled to 2,000,000 performance rights however, the Performance Hurdles and Vesting Conditions to which the first tranche of 1 million Performance Rights were to be subject had already been satisfied therefore the Company determined that it would be more appropriate to issue the Shares that would have been issued to him on the vesting of those 1 million Performance Rights. The 1 million performance rights were granted to D Kingsnorth on 29 November 2016 at a future value of \$57,000

**D. Service Agreements**

**Mr David Frances – CEO and Managing Director**

Terms of Agreement – commenced as CEO on 23 December 2015, until terminated by either party.

Termination – 3 months by Mr Frances and 6 months by the Company

Salary:

- Fixed remuneration of \$250,000 per annum plus superannuation and STI cash bonus of up to 50% of base salary.

**Mr Francis Wedin – Technical Director**

Terms of Agreement – commenced 23 December 2015, until terminated by either party.

Termination – 3 months by either party

Salary:

- Fixed remuneration of \$200,000 per annum plus superannuation and STI cash bonus of up to 50% of base salary.

**E. Loans to key management personnel**

There were no loans to individuals or members of key management personnel during the financial year or the previous financial year.

**F. Other KMP transactions**

There have been no other transactions involving KMP other than those described in the tables above.

**End of Remuneration Report**

## SHARE OPTIONS

At the date of this report the unissued ordinary shares of the Company under option are as follows:

<b>Grant Date</b>	<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Held at 01 Jul 16</b>	<b>Issued</b>	<b>Exercised</b>	<b>Lapsed / Cancelled</b>	<b>Held at 28 Sep 17</b>
30 Dec 14	31 Dec 18	\$0.016	2,900,000	-	(150,000)	-	2,750,000
16 Dec 15	31 Dec 17	\$0.035	2,437,500	-	-	-	2,437,500
16 Dec 15	31 Dec 17	\$0.06	16,625,000	-	-	-	16,625,000
16 Dec 15	31 Dec 17	\$0.09	9,250,000	-	-	-	9,250,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the issue of any other registered scheme.

## PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to any court pursuant to section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into a deed of indemnity with all existing directors and officers. Under the deed the Company has undertaken, subject to the restrictions in the Corporations Act, to indemnify all existing directors in certain circumstances whilst a director or officer and for 7 years after they have ceased to be a director or officer.

During the year, the Company paid a premium to insure officers of the Group. The officers of the Company covered by the insurance policy include all directors and the company secretary.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Company against a liability incurred as such by an officer.

## INDEMNIFICATION OF AUDITORS

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). The indemnity does not apply to any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts of omission. No payment has been made to indemnify Ernst & Young during or since the financial year.

## AUDIT COMMITTEE

The Company is not of a size nor are its financial affairs of such complexity to justify a separate audit committee of the board of directors. All matters that might properly be dealt with by such a committee are the subject of scrutiny at full board meetings.



## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Auditor's Independence Declaration immediately follows the Directors' Declaration and forms part of this Report. The Directors are satisfied as to the independence of the auditors.

During the financial year the entity's auditor, Ernst & Young, provided other non-audit services totalling \$90,437 (2016: \$5,500) (refer to note 21).

The Board of Directors is satisfied that the provision of any non-audit services by the Company's auditors is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* because:

- All non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided is reviewed to ensure that they do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Signed in accordance with a resolution of directors.

For and on Behalf of the Board of Directors



Mr J Fitzgerald  
Chairman

Perth, 28 September 2017

## Auditor's independence declaration to the Directors of Novo Litio Limited

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

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

This declaration is in respect of Novo Litio Limited and the entities it controlled during the financial period.



Ernst & Young



V L Hoang  
Partner  
28 September 2017

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Notes</b>	<b>2017 \$</b>	<b>2016 \$</b>
Other income	3	494,776	73,907
Employee benefits and director fees expense		(248,579)	(66,470)
Depreciation expense		(31,474)	(246)
Unrealised foreign currency loss		63,454	(2,354)
Impairment loss on available-for-sale financial assets		(10,745)	-
Share based payment		(913,029)	(368,139)
Legal and audit expense		(375,317)	(41,126)
Consulting Fees		(151,186)	(229,334)
Exploration and evaluation expenditure	10	(4,244,920)	(1,131,347)
Profit on sale of prospects		2,598,600	-
Other expenses		(473,928)	(147,095)
<b>Loss before income tax expense</b>		<b>(3,292,348)</b>	<b>(1,912,204)</b>
<b>Income tax expense</b>	4	<b>(618,750)</b>	<b>-</b>
<b>Total loss for the year</b>		<b>(3,911,098)</b>	<b>(1,912,204)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(75,219)	-
Net gain/(loss) on available-for sale financial assets		(5,000)	(2,500)
Transfer of impairment loss on available-for-sale financial assets to income statement		-	-
<b>Total comprehensive loss for the year</b>		<b>(3,991,317)</b>	<b>(1,914,704)</b>
<b>Loss per share (cents per share)</b>		<b>2017 ¢</b>	<b>2016 ¢</b>
Basic loss per share for the year	5	(1.1)	(1.3)
Diluted loss per share for the year	5	(1.1)	(1.3)

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	Notes	30 June 2017 \$	30 June 2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	17a	1,548,232	4,115,625
Cash on Term Deposits	17a	12,850,000	10,000,000
Trade and other receivables	6a	3,215,074	169,591
Available-for-sale financial assets	7a	22,755	17,500
Other current assets	8a	11,572	-
<b>Total Current Assets</b>		<b>17,647,633</b>	<b>14,302,716</b>
<b>Non-current Assets</b>			
Available-for-sale financial assets	7b	-	6,000
Other assets	8b	22,852	10,000
Plant and equipment	9	256,053	185
Exploration and evaluation expenditure	10	395,586	5,388,063
<b>Total Non-current Assets</b>		<b>674,491</b>	<b>5,404,248</b>
<b>TOTAL ASSETS</b>		<b>18,322,124</b>	<b>19,706,964</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11a	1,740,149	293,395
Interest-bearing loans and borrowings	12a, 22b	53,642	-
Other current liabilities	13a	77,857	7,309
<b>Total Current Liabilities</b>		<b>1,871,648</b>	<b>300,704</b>
<b>Non-current Liabilities</b>			
Interest-bearing loans and borrowings	12b, 22b	123,812	-
Other non-current liabilities	13b	11,394	3,034
<b>Total Non-current Liabilities</b>		<b>135,206</b>	<b>3,034</b>
<b>TOTAL LIABILITIES</b>		<b>2,006,854</b>	<b>303,738</b>
<b>NET ASSETS</b>		<b>16,315,270</b>	<b>19,403,226</b>
<b>EQUITY</b>			
Issued share capital	14a	54,827,180	53,276,848
Milestone shares	14b	780,000	2,340,000
Other reserves	15	2,879,577	2,046,767
Accumulated losses	16	(42,171,487)	(38,260,389)
<b>TOTAL EQUITY</b>		<b>16,315,270</b>	<b>19,403,226</b>

The above Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Issued capital</b>	<b>Milestone Shares</b>	<b>Share based payment reserve</b>	<b>Available for sale reserve</b>	<b>Foreign Currency Translation reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
<b>Consolidated As at 1 July 2016</b>	53,276,848	2,340,000	2,041,767	5,000	-	(38,260,389)	19,403,226
Loss for the year	-	-	-	-	-	(3,911,098)	(3,911,098)
Other comprehensive income	-	-	-	(5,000)	(75,219)	-	(80,219)
Total comprehensive loss for the year	-	-	-	(5,000)	(75,219)	(3,911,098)	(3,991,317)
Issue of shares	1,562,400	(1,560,000)	-	-	-	-	2,400
Transaction costs of share issue	(12,068)	-	-	-	-	-	(12,068)
Share based payments	-	-	913,029	-	-	-	913,029
<b>As at 30 June 2017</b>	54,827,180	780,000	2,954,796	-	(75,219)	(42,171,487)	16,315,270
<b>Consolidated As at 1 July 2015</b>	36,140,528	-	679,053	7,500	-	(36,348,185)	478,896
Loss for the year	-	-	-	-	-	(1,912,204)	(1,912,204)
Other comprehensive income	-	-	-	(2,500)	-	-	(2,500)
Total comprehensive loss for the year	-	-	-	(2,500)	-	(1,912,204)	(1,914,704)
Issue of options	-	-	-	-	-	-	-
Issue of shares	19,183,982	-	-	-	-	-	19,183,982
Transaction costs of share issue	(2,087,662)	-	1,034,575	-	-	-	(1,053,087)
Issue of milestone shares	-	2,340,000	-	-	-	-	2,340,000
Share based payments	40,000	-	328,139	-	-	-	368,139
<b>As at 30 June 2016</b>	53,276,848	2,340,000	2,041,767	5,000	-	(38,260,389)	19,403,226

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Notes</b>	<b>2017</b> \$	<b>2016</b> \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,116,471)	(510,122)
Payments for exploration and evaluation expenditure		(3,739,348)	(1,036,759)
Interest received		362,685	33,855
Other Receipts		56,844	-
		<hr/>	<hr/>
<b>Net cash flows used in operating activities</b>	17b	(4,436,290)	(1,513,026)
<b>Cash flows from investing activities</b>			
Proceeds from the sale of prospects		5,000,000	-
Costs incurred on sale of prospects		(44,511)	-
Payment for purchase of prospects		(97,669)	(357,617)
Payment for term deposits		(2,850,000)	(10,000,000)
Deposits paid		(22,218)	-
		<hr/>	<hr/>
<b>Net cash flows from/(used in) investing activities</b>		1,985,602	(10,357,617)
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from issue of shares and options		2,400	16,584,472
Payment of finance lease liabilities		(107,760)	-
Share issue costs		(12,068)	(1,053,087)
		<hr/>	<hr/>
<b>Net cash flows from financing activities</b>		(117,428)	15,531,386
Net increase/(decrease) in cash and cash equivalents		(2,568,116)	3,660,743
Net foreign exchange difference		723	(2,354)
Cash and cash equivalents at beginning of the year		4,115,625	457,236
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	17a	1,548,232	4,115,625

The above Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**1. CORPORATE INFORMATION**

The financial report of Novo Lítio Ltd for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of directors on 28 September 2017.

Novo Lítio Ltd (formerly Dakota Minerals Limited) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The address of the registered office is Level 11, Brookfield Place, 125 St Georges Terrace Perth WA 6000.

The nature of the operations and principal activities of the Company are described in Note 27.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

**(b) Compliance with IFRS**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

**(c) Going concern**

As at 30 June 2017 the Company had cash on hand, including term deposits of \$14,398,232 (2016: \$14,115,625) and net current asset position was \$15,775,985 (2016: \$14,002,012).

The Company's cash flow forecasts for the 12 months ending 30 September 2018 indicate the Company will be in a position to complete its current planned exploration and administration expenditure, and thus continue to operate as a going concern.

Having regards to the above the financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

**(d) New Accounting Standards and Interpretations**

**(i) Changes in accounting policy**

The Group has adopted all new and amended Australian Accounting Standards and AASB interpretations as at 1 July 2016, including:

Reference	Title	Application date of standard*	Application date for Group*
AASB 2014-4	The amendments clarify the principle in AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.	1 January 2016	1 July 2016

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

Reference	Title	Application date of standard*	Application date for Group*
AASB 1057	Application of Australian Accounting Standards. This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	1 July 2016
AASB 2015-1	The amendments clarify certain requirements in: <ul style="list-style-type: none"> <li>▶ AASB 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal</li> <li>▶ AASB 7 Financial Instruments: Disclosures - servicing contracts; applicability of the amendments to AASB 7 to condensed interim financial statements</li> <li>▶ AASB 119 Employee Benefits - regional market issue regarding discount rate</li> </ul> AASB 134 Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'	1 January 2016	1 July 2016
AASB 2015-2	This Standard amends AASB 101 <i>Presentation of Financial Statements</i> to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.	1 January 2016	1 July 2016
AASB 2015-5	This Standard amends AASB 10 <i>Consolidated Financial Statements</i> , AASB 12 <i>Disclosure in Interests in Other Entities</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> to clarify how investment entities and their subsidiaries apply the consolidation exception.	1 January 2016	1 July 2016
AASB 2015-9	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	1 July 2016

The adoption of new and amended Standards and Interpretations did not impact the financial position or performance of the Group.

(ii) Accounting Standards issued but not yet effective

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ended 30 June 2017.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9, and relevant amending standards	<i>Financial Instruments</i>	AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.	1 January 2018	1 July 2018



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

Reference	Title	Summary	Application date of standard*	Application date for Group*
		<p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>		
AASB 15, and relevant amending standards	<b>Revenue from Contracts with Customers</b>	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>▶ Step 1: Identify the contract(s) with a customer</li> <li>▶ Step 2: Identify the performance obligations in the contract</li> <li>▶ Step 3: Determine the transaction price</li> <li>▶ Step 4: Allocate the transaction price to the performance obligations in the contract</li> </ul> <p>Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</p>	1 January 2018	1 July 2018
AASB 16	<b>Leases</b>	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount</p>	1 January 2019	1 July 2019

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

Reference	Title	Summary	Application date of standard*	Application date for Group*
		of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.		
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	This Standard makes amendments to AASB 112 <i>Income Taxes</i> to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	The amendments to AASB 107 <i>Statement of Cash Flows</i> are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017	1 July 2017
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	This Standard amends AASB 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: <ul style="list-style-type: none"> <li>► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>► Share-based payment transactions with a net settlement feature for withholding tax obligations</li> </ul> A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	1 July 2018
AASB Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	1 January 2018	1 July 2018

\* Designates the beginning of the applicable annual reporting period unless otherwise stated.

AASB 9 replaces AASB 139 and includes a model for classification and measurement, a single 'expected loss' impairment model and a substantially redesigned approach to hedge accounting.

On adoption of AASB 9, there are no expected material changes in the classification of financial assets and liabilities. Fair value changes resulting from credit risk are not expected to have a significant impact on future results. The introduction of the expected loss impairment model for determining credit provisions is not expected to have a material impact.

AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced. Based on an initial impact assessment, the new standard is not expected to significantly impact revenue recognition due to the Group being a junior miner, with no contracts or performance obligations at year end.

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. The Group currently only holds finance leases, as such the introduction of the new standard is not expected to have a material impact on the Group.

For all other standards issued but not yet effective, the Group has not yet determined the impact of the initial application of the above Standards or Interpretations. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

**(e) Exploration and evaluation expenditure**

The Consolidated Entity's accounting policy is that exploration and evaluation expenditure in relation to the Company's mineral tenements, other than acquisition costs, is expensed as incurred. Acquisition costs in relation to mineral tenements are capitalised and carried forward provided the rights to tenure of the area of the interest are current and such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. When the Directors decide to progress the development of an area of interest all further expenditure incurred relating to the area will be capitalised. Projects are advanced to development status and classified as mine development when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest. Such expenditure is carried forward up to commencement of production at which time it is amortised over the life of the economically recoverable reserves. All projects are subject to detailed review on an annual basis and accumulated costs written off to the extent that they will not be recoverable in the future.

*Impairment*

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to the recoverable amount. Any impairment losses are recognised in the Statement of Comprehensive Income.

**(f) Investments and other financial assets**

Investments and other financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as available-for-sale financial assets when they are not classified as any of the other three categories provided by AASB 139. All investments are initially recognised at fair value plus transaction costs.

After initial recognition, listed investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by referring to market bid prices at close of business on the balance sheet date.

**(g) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2 to 6 years

*Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

If any such indication exists and where the carrying values exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

*Disposal*

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected to arise from the continued use or disposal of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognised.

**(h) Foreign Currencies**

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

**(i) Impairment of non-financial assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

**(j) Trade and other receivables**

Trade receivables, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

**(k) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**(l) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflect the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

***Long service leave and annual leave***

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave 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 high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(m) Leases**

The determination of whether an arrangement is a lease 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 whether the arrangement conveys a right to use the asset.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**(n) Revenue Recognition and Other Income**

**Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue or other income is recognised:

***Interest income***

Interest income 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.

***Dividends***

Revenue is recognised when the Group's right to receive the payment is established.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**Other income**

*Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

**(o) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**(p) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

**(q) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of the goods and services.

**(r) Contributed equity**

Ordinary share capital is recognised at the fair value of the consideration received by the Group.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(s) Earnings per share (EPS)**

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividend and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(t) Impairment of financial assets**

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

*(i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

*(ii) Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

*(iii) Available-for-sale financial assets*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Objective evidence of impairment for an available-for-sale investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

**(u) Share-based payment transactions**

The Group provides benefits to employees (including directors and executives) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Novo Lítio Ltd ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, other than forfeiture, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(v) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Novo Lítio Ltd (Novo) and its subsidiaries as at 30 June 2017 (the Group).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Business combinations are accounted for using the acquisition method.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**(w) Significant Accounting Judgements, Estimates and Assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities with the next annual reporting period are:

(i) Available-for-sale financial assets

The Group measures the fair value of available-for-sale financial assets by reference to the fair value of the equity instruments at the date at which they are valued. Refer to Note 2(s) for the Group's accounting policy on impairment of financial assets.

(ii) Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure, other than acquisition costs, is expensed as incurred. Acquisition costs in relation to mineral tenements are capitalised and carried forward provided the rights to tenure of the area of the interest are current and such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. Refer to Note 24 for the Group's assessment of the status of its right to tenure over the Sepeda tenements in Northern Portugal.

(iii) Income tax

Refer to Note 2(o) for the Group's accounting policy in relation to recognition of income tax balances.

	2017 \$	2016 \$
<b>3. INCOME AND EXPENSES</b>		
<b>Other income</b>		
Interest revenue	369,786	73,907
Research and development tax incentive	124,990	-
<b>Total other income</b>	<b>494,776</b>	<b>73,907</b>
<b>4. INCOME TAX</b>		
The components of income tax expense are as follows:		
Current tax	618,750	-
Deferred tax	-	-
<b>Total expense/(benefit)</b>	<b>618,750</b>	<b>-</b>

- (i) The parent entity and the Group are not tax consolidated.
- (ii) The parent entity and each of the subsidiaries are in tax loss for the year and have substantial tax losses carried forward.
- (iii) The Directors are of the view that there is insufficient probability that the parent entity and its subsidiaries will derive sufficient income in the foreseeable future to justify booking the tax losses.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Numerical reconciliation of income tax expense to prima facie tax payable is as follows:		
Loss from operations before income tax expense	(3,292,348)	(1,912,204)
Tax at Australian tax rate of 27.5% (2016: 30%)	(905,396)	(573,661)
Effect of tax rates in foreign jurisdiction	170,034	-
Permanent adjustments		
Expenses not deductible	251,413	110,442
Capital raising costs deductible	-	(78,085)
Recognition of previously unrecognised losses	(219,646)	-
Deductible temporary differences not recognised	1,322,345	-
Tax losses not recognised	-	541,304
Income tax expense / (benefit)	618,750	-
Amounts charged or credited directly to equity.		
Deferred income tax related to items charged or credited directly to equity		
Unrealised gain on available-for-sale investments	-	-
Income tax expense reported in equity	-	-
Tax Losses		
Unused tax losses for which no tax loss has been booked as a deferred tax asset	17,609,988	28,458,787
Potential benefit at 27.5% (2016: 30%)	4,842,747	8,537,636

The benefit of income tax losses will only be obtained if:

- (i) the respective companies derive future assessable income of a nature and of an amount to enable the benefit from the deductions for the losses to be realised;
- (ii) the respective companies continue to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the respective companies in realising benefit from the deductions from the losses.

**Deferred Income Tax**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Accrued interest	13,097	12,173
Deferred tax assets used to offset deferred tax		
Liabilities	(13,097)	(12,173)
	-	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
Deferred tax assets		
Property, Plant and Equipment	-	404
Accruals	19,720	8,803
Tax losses - capital	559,059	671,679
Tax losses - revenue	4,844,564	7,868,923
Deferred tax assets used to offset deferred tax liabilities	(13,097)	(12,173)
Deferred tax assets not brought to account	(5,410,246)	(8,537,636)
	-	-

## 5. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted loss per share computations.

### (a) Loss used in calculating loss per share

For basic and diluted loss per share:

Net loss for the year attributable to ordinary shareholders of the  
parent

3,911,098	1,912,204
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### (b) Weighted average number of shares

For basic and diluted loss per share:

Weighted average number of ordinary shares

2017 Number	2016 Number
351,472,756	145,543,357

There are 67,687,500 (2016: 126,012,500) potential ordinary shares excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

## 6. TRADE AND OTHER RECEIVABLES

### (a) Current

	2017 \$	2016 \$
Trade debtors	4,890	-
Receivable on sale of prospects (i)	3,000,000	-
Sundry debtors (ii)	210,184	169,591
	3,215,074	169,591

(i) Refer to note 10

(ii) Sundry debtors primarily relate to GST and R&D tax receivable from the Australian Taxation Office (ATO) and accrued bank interest and are non-interest bearing and are generally paid on 30 days settlement terms. They are neither past due nor impaired at year end. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
<b>7. AVAILABLE FOR SALE FINANCIAL ASSETS</b>		
<b>(a) Current</b>		
At fair value		
Shares - listed	22,755	17,500
<b>(b) Non-current</b>		
At cost		
Shares – unlisted	-	6,000

The group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

**Level 1:** the fair value is calculated using quoted price in active markets;

**Level 2:** the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (as price) or indirectly (derived from prices); and

**Level 3:** the fair value is estimated using inputs for the assets or liability that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
<b>2017</b>				
Available for sale financial instrument	22,755	-	-	22,755
	22,755	-	-	22,755
<b>2016</b>				
Available for sale financial instrument	17,500	-	-	17,500
	17,500	-	-	17,500

**Transfer between categories:**

There were no transfer between level 1 and level 2 during the year

**Reconciliation of level 3 fair value movement**

There was no level 3 fair value movement during the year.

	2017 \$	2016 \$
<b>8. OTHER ASSETS</b>		
<b>(a) Current</b>		
Cash deposited for performance bond (i)	10,000	-
Prepayments	1,572	-
	11,572	-
<b>(b) Non-current</b>		
Cash deposited for performance bond (i)	-	10,000
Cash deposited for rental bond	22,852	-
	22,852	10,000

**(i) Cash deposited for performance bond**

This represents monies held as a bond by the Company's banker to secure performance guarantees issued by that bank on behalf of the Company to the Minister for Energy and Resources in Victoria to ensure that the Company has the ability to rehabilitate any areas disturbed by its mining activities in that State. The bond accrues interest at a rate of approximately 2% per annum. The carrying value is considered to approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
<b>9. PROPERTY, PLANT AND EQUIPMENT</b>		
At cost	303,013	50,718
Accumulated depreciation	(46,960)	(50,533)
Net carrying amount	<u>256,053</u>	<u>185</u>

(a) Assets pledged as security

Apart from motor vehicles held under finance leases with a carrying value of \$237,061, no assets have been pledged as security for borrowings.

(b) Reconciliation

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current financial year.

*Plant and equipment*

At 1 July net of accumulated depreciation	185	431
Acquisitions	20,685	-
Disposals	-	-
Depreciation charge for the year	(1,881)	(246)
Exchange differences	3	-
	<u>18,992</u>	<u>185</u>

At 30 June net of accumulated depreciation

*Motor Vehicles*

At 1 July net of accumulated depreciation	-	-
Acquisitions	267,530	-
Depreciation charge for the year	(29,593)	-
Exchange differences	(876)	-
At 30 June net of accumulated depreciation	<u>237,061</u>	<u>-</u>
Total	<u>256,053</u>	<u>185</u>

**10. EXPLORATION AND EVALUATION EXPENDITURE**

Exploration and evaluation costs	<u>395,586</u>	<u>5,388,063</u>
Reconciliation of carrying amount		
Opening balance	5,388,063	-
Sale of assets <sup>1</sup>	(5,371,890)	-
Acquisition Costs	<u>379,413</u>	<u>5,388,063</u>
Closing balance	<u>395,586</u>	<u>5,388,063</u>

<sup>1</sup>As announced on 6 October 2016 the Company entered into a binding agreement ("Sale Agreement") with Pilbara Minerals Limited ("Pilbara") whereby Pilbara agreed to acquire 100% of Novo Lítio's Lynas Find Project. Consideration of \$5,000,000, less selling costs of \$44,511, was received on completion of the transaction on 1 December 2016. A further payment of \$3.0 million was subject to the grant of exploration licenses for each of the remaining four applications. As at 30 June 2017 this milestone was reached resulting in a net profit on the sale totalling \$2,598,600. On 17 August 2017 the Company announced Pilbara elected to settle the remaining \$3 million in consideration by the issue of 7,577,671 fully paid ordinary shares at an issue price of \$0.3959 per share.

The Consolidated Entity's accounting policy is that exploration and evaluation expenditure in relation to the Company's mineral tenements, other than acquisition costs, is expensed as incurred. Acquisition costs in relation to mineral tenements are capitalised and carried forward provided the rights to tenure of the area of the interest are current and such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

The right to retain the tenement holdings is dependent on the Company being able to meet the tenement expenditure commitments as set out in Note 22.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

Where there is doubt regarding the ability to fund future tenement obligations and that decision has been made to abandon or dispose the interest, those carried forward exploration costs have been written down to recoverable value.

On 28 July 2017 the Company commenced legal proceedings in the courts of Portugal against the vendors of the Sepeda project, Lusorecursos Lda. and Lusorecursos Arg. Lda. (together "Lusorecursos"), seeking an order of the Court to protect the Company's interests in the granted licence and licence applications comprising the Sepeda project. Refer to note 24 on subsequent events for further details. If the Company is unsuccessful in this legal action the carrying value of the Exploration and Evaluation expenditure would be reduced to nil. (Refer Note 24)

	2017 \$	2016 \$
<b>11. TRADE AND OTHER PAYABLES</b>		
<b>a. Current</b>		
Trade creditors (i)	749,209	293,395
Income Tax Payable	618,750	-
Other creditors (ii)	372,190	-
	1,740,149	293,395

Terms and conditions:

(i) Trade and other payables are non-interest bearing and are normally settled on 30 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(ii) Represents the first milestone payment payable to Lusorecursos for the Sepeda Project accrued as a payable at 30 June 2017.

**12. FINANCIAL LIABILITIES: INTEREST-BEARING LOANS AND BORROWINGS**

	Interest rate %	Maturity	2017 \$	2016 \$
a. Current interest-bearing loans and borrowings	-	-		
Obligations under finance leases and hire purchase contracts (Note 22b)	-	-		
- Motor Vehicle	2.8	15 Mar 2020	21,735	-
- Motor Vehicle	2.9	15 Feb 2021	22,071	-
- Motor Vehicle	2.9	5 June 2020	9,836	-
	-	-	53,642	-
b. Non-current interest-bearing loans and borrowings	-	-		
Obligations under finance leases and hire purchase contracts (Note 22b)	-	-		
- Motor Vehicle	2.8	15 Mar 2020	40,292	-
- Motor Vehicle	2.9	15 Feb 2021	62,092	-
- Motor Vehicle	2.9	5 June 2020	21,428	-
	-	-	123,812	-
			2017 \$	2016 \$

**13. OTHER CURRENT LIABILITIES**

<b>a. Current</b>		
Provision for Annual Leave	77,857	7,309
<b>b. Non-current</b>		
Provision for Long Service Leave	11,394	3,034

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
<b>14. CONTRIBUTED EQUITY</b>		
a. Ordinary shares	54,370,481	52,820,149
Listed options	456,699	456,699
Total contributed equity	<u>54,827,180</u>	<u>53,276,848</u>

*Movements of ordinary shares*

	2017 Number	\$	2016 Number	\$
<b>Shares on issue</b>				
Beginning of financial year	320,379,879	52,820,149	68,333,906	35,683,829
Add shares issued				
- Options issued	-	-	-	4,000
- Ordinary shares at \$0.025 26/11/15	-	-	1,600,000	40,000
- Ordinary shares at \$0.03 23/12/15	-	-	17,483,000	524,490
- Ordinary shares at \$0.03 18/02/16	-	-	102,517,000	3,075,510
- Ordinary shares at \$0.052 19/2/16	-	-	50,000,000	2,600,000
- Ordinary shares at \$0.20 9/5/16	-	-	61,658,473	12,331,694
- Ordinary shares on options exercised	-	-	18,787,500	648,287
- Milestone shares vested at \$0.052 10/10/17	30,000,000	1,560,000	-	-
- Performance rights vested	12,250,000	-	-	-
- Ordinary shares issued as share-based payment 29/11/16	1,000,000	-	-	-
- Options exercised	150,000	2,400	-	-
- Performance rights vested	6,625,000	-	-	-
Less capital raising costs	-	(12,068)	-	(2,087,661)
End of financial year - shares	<u>370,404,879</u>	<u>54,370,481</u>	<u>320,379,879</u>	<u>52,820,149</u>

	2017 \$	2016 \$
<b>b. Milestone shares</b>	<u>780,000</u>	<u>2,340,000</u>

*Movement on milestone shares*

	2017 Number	\$	2016 Number	\$
Beginning of financial year	60,000,000	2,340,000	-	-
Less milestone shares granted/(vested)				
Tranche 1 (100% probability)	(30,000,000)	(1,560,000)	30,000,000	1,560,000
Tranche 2 (50% probability)	-	-	30,000,000	780,000
End of financial year - milestone shares	<u>30,000,000</u>	<u>780,000</u>	<u>60,000,000</u>	<u>2,340,000</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**c. Terms & conditions of contributed equity**

**Ordinary shares**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of the surplus assets in proportion to the number of and amounts paid up on shares held.

**Unlisted options**

The Company has the following unlisted options:

- 2,750,000 options exercisable at \$0.016 expiring on 31 December 2018.
- 2,437,500 options exercisable at \$0.035 expiring on 31 December 2017.
- 16,625,000 options exercisable at \$0.060 expiring on 31 December 2017.
- 9,250,000 options exercisable at \$0.090 expiring on 31 December 2017.

Options can be exercised at any time prior to the expiry date and Options not so exercised shall automatically expire on the expiry date. Each option entitles the holder to subscribe (in cash) for one Share in the capital of the Company. Each Share allotted as a result of the exercise of any Option will rank in all respect pari passu with the existing Shares in the capital of the Company on issue at the date of allotment.

**Milestone shares**

On 12 February 2016, shareholders approved the issue of Milestone shares to the Lynas Find Project Vendors as part consideration as follows:

- The issue of 30,000,000 fully paid shares upon an an an Inferred Mineral Resource (in accordance with the requirements of the JORC Code) of 5 million tonnes of Li<sub>2</sub>O of a grade of at least 1.2% being identified on the Lynas Find Project tenements.. This milestone was met and on 10 October 2016 these milestone shares vested and 30 million ordinary shares were issued;
- The issue of 30,000,000 shares upon an Inferred Mineral Resource (in accordance with the requirements of the JORC Code) of 15 million tonnes of Li<sub>2</sub>O of a grade of at least 1.2% being identified, on or before 12 February 2021, on the Lynas Find Project tenements by Pilbara Minerals Limited. This milestone has not been met. (Refer to Company's ASX announcement on 1 December 2016 "Completion of Lynas Find sale Transaction).

	2017 \$	2016 \$
<b>15. RESERVES</b>		
Share-based payment reserve (i)	2,954,796	2,041,767
Available for sale reserve (ii)	-	5,000
Foreign currency transaction reserve	(75,219)	-
	<u>2,879,577</u>	<u>2,046,767</u>
 (i) Share-based payment reserve		
Balance at the beginning of the financial year	2,041,767	679,053
Share-based payments	913,029	1,362,714
	<u>2,954,796</u>	<u>2,041,767</u>
Balance at the end of the financial year		

Share-based payment reserve records the value of shares, share options and performance rights issued to Novo's employees or others during the period.

\* Share based payments include:

- \$57,000 - 1,000,000 ordinary shares issued pursuant to the Novo Lítio Ltd Long Term Incentive Plan and approved by shareholders at the Annual General Meeting held 29 November 2016.
- \$62,568 - 2,000,000 Performance rights issued pursuant to the Novo Lítio Ltd Long Term Incentive Plan and approved by shareholders at the Annual General Meeting held 29 November 2016.
- \$793,461 – share-based payments expensed for the period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
(ii) Available-for-sale reserve		
Balance at the beginning of the financial year	5,000	7,500
Decline in fair value of available-for-sale financial assets	(5,000)	(2,500)
	<hr/>	<hr/>
Balance at the end of the financial year	-	5,000
	<hr/>	<hr/>

The available-for-sale reserve records the fair value changes on the available-for-sale financial assets as set out in Note 7.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>16. ACCUMULATED LOSSES</b>		
Accumulated losses	(42,171,487)	(38,260,389)
	<hr/>	<hr/>
Movement in accumulated losses:		
Balance at the beginning of the financial year	(38,260,389)	(36,348,185)
Net loss for the year	(3,911,098)	(1,912,204)
	<hr/>	<hr/>
Balance at the end of the financial year	(42,171,487)	(38,260,389)
	<hr/>	<hr/>

**17. CASH FLOW STATEMENT**

a. Reconciliation of cash		
Cash at bank and on hand	417,166	294,255
Short term deposits	1,131,066	3,821,370
	<hr/>	<hr/>
Total cash and cash equivalents	1,548,232	4,115,625
	<hr/>	<hr/>
Cash on term deposit (i)	12,850,000	10,000,000
	<hr/>	<hr/>

(i) This relates to term deposits which have an original maturity of greater than three months

b. Reconciliation of net loss after tax to net cash flows from operations:		
Loss from ordinary activities after income tax	(3,911,098)	(1,912,204)
Adjustments for:		
Depreciation	31,474	246
Employee share-based payment	913,029	368,139
Net foreign exchange difference	(61,100)	2,354
Net (profit)/loss on disposal of investing asset	(2,598,600)	-
Changes in assets and liabilities:		
Increase/(Decrease) in payables	524,817	58,150
Increase/(Decrease) in provisions	82,638	10,343
(Increase)/Decrease in receivables	(45,373)	(40,054)
(Increase)/Decrease in prepayments	(1,572)	-
(Increase)/Decrease in investments	10,745	-
Income Tax Payable	618,750	-
	<hr/>	<hr/>
Net cash used in operating activities	(4,436,290)	(1,513,026)
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**18. RELATED PARTY TRANSACTIONS**

- 1) During the period \$40,800 (2016:\$ Nil) was paid to IMCO Australia Pty Ltd, a company controlled by Prof Dudley Kingsnorth, for consulting fees. (i)
- 2) During the period Nil (2016: \$5,333) was paid to ACAD International Pty Ltd, a company controlled by W Guo, for director fees.(i)
- 3) During the period Nil (2016: \$1,000) was paid to NRG Capital Pty Ltd, a company controlled by J Wellisch, for director fees.(i)
- 4) During the period Nil (2016: \$7,800) was paid to Tangram Pty Ltd, a company controlled by A Rechner, for office rent and cleaning and Nil (2016: \$1,900) for consulting services.

(i) Amounts are included in Director's Salaries and Fees as disclosed in table in Section C of Remuneration Report (Refer Director's Report Page 13)

**19. DIRECTORS AND KEY MANAGEMENT PERSONNEL**

Compensation for Executive Directors and Key Management Personnel

	<b>2017</b>	<b>2016</b>
	\$	\$
Short-term benefits	600,601	215,158
Long-term benefits	40,378	10,343
Post-employment benefits	52,523	19,000
Share-based payments	725,483	362,789
	<hr/>	<hr/>
Total compensation	1,418,985	607,290
	<hr/>	<hr/>

**20. SHARE-BASED PAYMENTS**

- (i) Share-based payments granted to directors and employees

- (a) Share-based options

The number and weighted average exercise prices of employee share-based options is as follows:

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Number</b>	<b>WAEP</b>	<b>Number</b>	<b>WAEP</b>
	-	\$	-	\$
Outstanding at the beginning of the year	-	-	1,300,000	0.538
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired or Cancelled during the year	-	-	(1,300,000)	0.538
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at reporting date	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

There were no options granted to directors during the year.

- (b) Shares Issued in lieu of cash

No Shares were issued in lieu of cash to directors and employees during the year ended 30 June 2017.

In the year ended 30 June 2016 - On 26 November 2015, the Company granted 1,600,000 fully paid ordinary shares, valued at the grant date at \$0.025 per share, issued as consideration for director remuneration in lieu of cash for services to be provided from 1 January 2016 to 30 June 2016 as approved at the Annual General Meeting. Subsequently all of the directors

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

resigned, however as the shares were retained by the directors, the fair value of the shares was expensed in full during the six month period to 31 December 2015.

**(c) Performance Rights**

A long term incentive plan (LTI Plan) was established pursuant to shareholder approval at the General Meeting on 12 February 2016.

Up to 30 June 2017 a total of 25,500,000 Performance rights have been granted pursuant to the LTI Plan pursuant to the LTI Plan of which:

- 2,000,000 Performance rights were issued during the year ended 30 June 2017 having a fair value of \$114,000 (deemed at \$0.057 per performance right on date of grant); and
- 23,500,000 Performance Shares were issued during the year ended 30 June 2016 having a fair value of \$1,324,000. (22,000,000 had fair value of \$1,144,000 (deemed at \$0.052 per performance right on 12/2/2016 being date of grant and the remaining 1,500,000 Performance Rights had a fair value of \$180,000 (deemed at \$0.12 per performance right on 17 June 2016 being date of grant).

Each Performance Right, issued for nil consideration, entitles the participant to acquire one (1) fully paid ordinary share, by way of issue of new Shares or transfer of existing Shares.

Of the 25,500,000 Performance rights a total of 18,875,000 have been vested;

- 12,250,000 tranche 1 performance rights on 10 October 2016; and
- 6,625,000 tranche 1 performance rights on 24 February 2017.

Approval to vary the terms of performance rights were granted at the AGM on 29 November 2016. The Tranche 2 performance rights initially had a performance hurdle of:

- the establishment by the Company of a JORC Compliant 15 million tonne Mineral Resource of Li<sub>2</sub>O of a grade of at least 1.2% and with an expiry date of 23 December 2018.

The remaining 6,625,000 Performance rights which are unvested have the following performance hurdles and vesting conditions: and otherwise in accordance with the LTI Plan Rules.

Tranche	Performance Hurdle	Number of Performance Rights	Expiry date*
Tranche 2	The establishment by the Company of a 15 million tonne JORC Compliant Mineral Resource of Li <sub>2</sub> O of a grade of at least 1.0%.	3,312,500	29 November 2019
Tranche 3	The establishment by the Company of a 30 million tonne JORC Compliant Mineral Resource of Li <sub>2</sub> O of a grade of at least 1.0%.	3,312,500	29 November 2020

\*All Performance Rights that have not vested by the expiry date will automatically lapse and be forfeited.

**Movement of Performance Rights:**

	<b>2017 Number</b>	<b>2016 Number</b>
Outstanding at beginning of the year	23,500,000	-
Granted during the year	2,000,000	23,500,000
Performance rights vested and converted to ordinary shares	(18,875,000)	
Outstanding at the end of the year	<u>6,625,000</u>	<u>23,500,000</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

(ii) Other share-based payments granted to third parties

- (a) During the year ended 30 June 2017 no other share based payments were granted to third parties. During the period ended 30 June 2016 the following options were granted pursuant to the Argonaut Mandate and Acquisition Agreement in consideration of Argonaut acting as Lead Manager to the Placement:

<b>Commencement of service period</b>	<b>Expiry date</b>	<b>Grant date fair value \$</b>	<b>Exercise price \$</b>	<b>Number issued</b>	<b>Grant date/Vesting date</b>
16-Dec-15	31-Dec-17	0.034822	0.035	10,000,000	19-Feb-16
16-Dec-15	31-Dec-17	0.025351	0.060	20,000,000	19-Feb-16
16-Dec-15	31-Dec-17	0.018334	0.090	10,000,000	19-Feb-16

The options were granted and valued based on the date of shareholder approval, being 19 February 2016.

The assessed fair value of the options was determined using a Black Scholes model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The following assumptions were used in the estimation:

- Risk free interest rate of 2.39%
- Company share price of \$0.06
- Dividend Yield of 0%
- Expected volatility of 75%
- Option duration of 2.04 years

The number and weighted average exercise price of third party share-based options is as follows:

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Number</b>	<b>WAEP \$</b>	<b>Number</b>	<b>WAEP \$</b>
Outstanding at the beginning of the year	31,212,500	0.063	10,000,000	0.016
Granted during the year	-	-	40,000,000	0.061
Exercised during the year	(150,000)	0.016	(18,787,500)	0.035
Expired or Cancelled during the year	-	-	-	-
Outstanding at the end of the year	31,062,500	0.063	31,212,500	0.063
Exercisable at reporting date	31,062,500	0.063	31,212,500	0.063

**21. AUDITOR'S REMUNERATION**

The auditor of Novo Lítio Ltd is  
Ernst & Young

- a. Amounts received or due and receivable by the auditors for:

- auditing or reviewing accounts
- tax and other services

	<b>2017 \$</b>	<b>2016 \$</b>
	31,345	27,757
	90,437	5,500
	<b>121,782</b>	<b>33,257</b>

- b. The auditors received no other benefits.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**22. EXPENDITURE COMMITMENTS AND CONTINGENT LIABILITIES**

a. Exploration expenditure commitments

The Company has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Company. These commitments have not been provided for in the financial report. Due to the nature of the Company's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or by new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The minimum expenditure commitment on the tenements is shown as below.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	349,741	60,747
Later than one year and less than five years	3,644,312	242,988
	<u>3,994,053</u>	<u>303,735</u>

b. Lease expenditure commitments

The Group has finance leases and hire purchase contracts for motor vehicles. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	<b>2017</b>		<b>2016</b>
	<b>Minimum</b>	<b>Present value</b>	<b>Minimum</b>
	<b>Payments</b>	<b>of payments</b>	<b>Payments</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Not later than one year	58,528	53,642	-
Later than one year and less than five years	128,473	123,812	-
More than five years	-	-	-
	<u>187,001</u>	<u>177,454</u>	<u>-</u>

c. Cash deposited for performance bond

The Company has a responsibility to rehabilitate any areas disturbed by its exploration activities. Accordingly, in Victoria the Company has lodged \$10,000 to support Performance Bonds lodged with the Minister for Energy and Resources in Victoria.

d. Cash deposited for rental bond

The Company has paid a total of Euro 15,350 (A\$22,217) of rental bonds in Portugal being:

- Euro 6,000 (A\$8,684) for six tenements
- Euro 9,350 (A\$13,533) for house and office rental

**23. FINANCIAL RISK MANAGEMENT**

The Company's principal financial instruments comprise cash and short-term deposits.

The Company has various other financial assets and liabilities such as trade receivables, and trade payables, which arise directly from its operations and available-for-sale financial assets.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 2, 6, 8, 11 and 17 to the financial statements.

The Company manages its exposure to a variety of financial risks: market risk (including equity price risk, and interest rate risk), credit risk and liquidity risk in accordance with specific approved Company policies.

Primary responsibility for the identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified.

The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of market forecast for interest rate and foreign exchange. The Company manages credit risk by only dealing with recognized, creditworthy, third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

### **Interest rate risk**

The Company's current exposure to the risk of changes in market interest rates relate primarily to cash assets rates and is managed by the Board approved investment policy. This policy defines maximum exposures and credit ratings limits.

The Company does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

The following table summarises the impact of reasonably possible changes on interest rates for the Company at 30 June 2017. The sensitivity is based on the assumption that interest rate changes by 80 basis points with all other variables held constant. The 80 basis points sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding 3 year period. The analysis is performed on the same basis for the comparative period.

The Company's exposure to interest rate risk arises from higher or lower interest income from cash and cash equivalents. The Parent's main interest rate risk arises from cash and cash equivalents and other assets with variable interest rates.

	<b>30 June 2017</b>	<b>30 June 2016</b>
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	14,398,232	14,115,625
Other Assets	10,000	10,000
	<u>14,408,232</u>	<u>14,125,625</u>
<b>Impact on profit and equity</b>		
Post-tax gain/(loss)		
80 bp increase	115,266	113,005
80 bp decrease	(115,266)	(113,005)

### **Foreign currency risk**

The functional currency of the Group is Australian dollars, however the Group and the parent entity operate internationally and are exposed to various currencies, primarily with respect to Euro (EUR). The Group is exposed to foreign exchange risk arising from fluctuations of the Australian dollar against Euros at parent level.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The exposure to risks is measured using sensitivity analysis and cash flow forecasting.

The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements. The Group does not have any further material foreign currency dealings other than the noted currencies.

The Group's exposure to foreign currency risk at the reporting date, expressed in Australian Dollars as follows:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	<b>EUR AUD</b>
<b>Financial assets</b>	
Cash and cash equivalents	185,695
Trade and other receivables	382
Total financial assets	<u>186,077</u>
<b>Financial liabilities</b>	
Trade and other payables	1,740,149
Loans and borrowings	177,454
Total financial liabilities	<u>1,917,603</u>

The following conversion rates were used at the end of the financial year:  
AUD/EUR: 1.48876 (2016: N/A)

The impact of a reasonably possible change in foreign currency rates at 30 June 2017 on the financial position and performance of the Group would not be material.

**Credit risk**

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The Company is exposed to credit risk from its operating activities, financing activities including deposits with banks.

The credit risk control procedures adopted by the Company is to assess the credit quality of the institution with whom funds are deposited or invested, taking into account its financial position and past experiences. Investment limits are set in accordance with limits set by the Board of Directors based on the counterparty credit rating. The limits are assigned to minimise concentration of risks and mitigate financial loss through potential counterparty failure. The compliance with credit limits is regularly monitored as part of day-to-day operations. Any credit concerns are highlighted to senior management.

**Credit quality of financial assets:**

		<b>S&amp;P Credit rating</b>				
		<b>AAA</b>	<b>A1+</b>	<b>A1</b>	<b>A2</b>	<b>Unrated</b>
<b>30 June 2017</b>						
Cash & cash equivalents	(\$)	-	14,398,232	-	-	-
Other Assets	(\$)	-	10,000	-	-	-
Trade and other receivables	(\$)	-	3,047,627	-	-	-
Number of counterparties		-	3	-	-	1
Largest counterparty	(%)	-	82.5	-	-	100
<b>30 June 2016</b>						
Cash & cash equivalents	(\$)	-	14,115,625	-	-	-
Other Assets	(\$)	-	10,000	-	-	-
Trade and other receivables	(\$)	-	40,578	-	-	-
Number of counterparties		-	3	-	-	1
Largest counterparty	(%)	-	98.7	-	-	100



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

Alternatives for sourcing our future capital needs include our current cash position, future operating cash flow, project debt financings and equity raisings. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs.

### Liquidity risk

The responsibility for liquidity risk management rests with the Board of Directors.

The Company manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The Company's liquidity needs can be met through a variety of sources, including: short and long term borrowings and issue of equity instruments.

The following table details the Company and Company's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows.

	Less than 6 \$	6 months – 12 \$	1-2 years \$	> 2 years \$
<b>As at 30 June 2017</b>				
Trade and other payables	1,740,149	-	-	-
Interest-bearing loans and borrowings	29,264	29,265	58,528	69,945
<b>As at 30 June 2016</b>				
Trade and other payables	293,395	-	-	-

### Capital risk management

Capital consists of total equity \$16,315,270 (2016: \$19,403,226)

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2016 and no dividend will be paid in 2017.

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The Company is not subject to any externally imposed capital requirements.

## 24. EVENTS SUBSEQUENT TO BALANCE DATE

- On 28 July 2017 the Company commenced legal proceedings in the courts of Portugal against the vendors of the Sepeda project, Lusorecursos Lda. and Lusorecursos Arg. Lda. (together "Lusorecursos"), seeking an order of the Court to protect the Company's interests in the granted licence and licence applications comprising the Sepeda project. The Company maintains that it has a binding agreement to acquire from Lusorecursos 100% of the granted licence, and the exploration licences on the grant of the applications, and that under the agreement, Lusorecursos is required to satisfy the conditions necessary for Ministerial consent for the grant and transfer of the licences.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

Lusorecursos has an agreement with the Portuguese Government granting Lusorecursos the drilling and exploration mining rights over the Sepeda project licence, which ends on 7 December 2017. The Company understands that the granted Sepeda exploration licence held by Lusorecursos will expire on 7 December 2017, and the Company has been frustrated by the Vendors for several months in its endeavour to submit a Mining Licence application to replace the Sepeda exploration licence.

On the 8th September the Company has sought an urgent injunction to require Lusorecursos to fulfil the conditions necessary for the grant of the licence applications and the transfer of the licences to Novo Lítio. The Company anticipates that the injunction proceedings will be determined in November 2017, which would allow Novo to submit the Mining Licence application before 7 December, which is the last date for application. There is no certainty that the Company will be successful in its Court proceedings or in its endeavours to secure the transfer of the Sepeda tenements.

2. On 4 September 2017 the Company signed a binding contract to acquire a significant (354km<sup>2</sup>), granted tenement package over an area of known LCT –type pegmatite occurrences around the Sepeda lithium Project from TSX-v listed Medgold Resources Corp. Under the acquisition Lusidakota, a wholly-owned subsidiary of Novo, will purchase 100% of Medgold's wholly owned subsidiary for €167,500.e acquisition.

Other than as stated above no matters or circumstances have occurred that have or may significantly affect the operations or the state of affairs of the Group in subsequent financial years.

## 25. EXPLORATION AGREEMENTS

Neo Resources Limited (Neo) now 100% owned by Perpetual Resources Limited (ASX:PEC) has earned a 70% interest in the Sofala Wiagdon Thrust Joint Venture by completing the Earn-In Expenditure of a minimum of \$1.5 million within the period 23 April 2010 to 22<sup>nd</sup> April 2012 (deemed Earn-In Period). Novo is now free carried until the mining commencement date, with a 30% Interest.

There are no capital commitments or contingent liabilities in respect of these agreements.

## 26. SEGMENT INFORMATION

For management purposes, the Company is organised into one main operating segment, which involves exploration of mineral deposits. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from the segment are equivalent to the financial statement of the Company as a whole. The accounting policies used by the Group in reporting segment internally are the same as those contained in note 2 to the accounts. \$2,050 of non-current assets are located in Australia and \$672,441 of non-current assets are located in Portugal.

## 27. PRINCIPAL ACTIVITIES AND OPERATIONS

The Company's principal activity during the year was mineral exploration.

The Company spent \$4,244,920 on direct exploration and evaluation expenditure during the year (2016: \$1,131,347). Major exploration activities during the period are outlined in the Review of Operations as contained in the Directors Report.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**28. CONTROLLED ENTITIES**

Name	Country of Incorporation	Principal Activity	Beneficial Percentage Interest Held By Economic Entity	
			2017 %	2016 %
Slipstream LP Pty Ltd*	Australia	Mineral exploration	100	100
Lusidakota Minerals LDA	Portugal	Mineral exploration	100	Nil

\* Acquisition approved by shareholders on 12 February 2016.

**29. PARENT ENTITY INFORMATION**

**(a) Information relating to Novo Lítio Ltd**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Current assets	17,461,556	14,302,716
Total assets	20,199,042	19,706,964
Current liabilities	(561,933)	(303,738)
Total liabilities	(573,328)	(303,738)
Issued capital	55,607,180	53,276,848
Accumulated losses	(38,936,262)	(38,260,077)
Reserve	2,954,796	2,046,767
Total shareholders' equity	19,625,714	19,403,226
Loss of the parent entity	(676,186)	(1,911,893)
Total comprehensive income of the parent entity	(676,186)	(1,914,393)

**(b) Details of any guarantees, contingent liabilities and commitments of the parent entity**

Refer to Note 22. The guarantees, contingent liabilities and commitments of the parent entity are the same as those of the consolidated entity.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Novo Lítio Ltd, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are 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 2017 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2 (b); and
- (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act for the year ended 30 June 2017.

For and on behalf of the Board of Directors.



Mr John Fitzgerald  
Chairman

Perth, 28 September 2017

## Independent auditor's report to the members of Novo Litio Limited

### Opinion

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

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

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

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key audit matters

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

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

## 1. Carrying value of capitalised exploration and evaluation

### Why significant

The carrying value of exploration and evaluation assets is subjective based on the Group's ability, and intention, to continue to explore the asset.

As disclosed in notes 10 and 24 to the financial report, the Group's tenure over the Sepeda project, with a carrying value of \$0.4 million, is the subject of ongoing legal proceedings against the vendors. This creates a risk that the carrying value at 30 June 2017 may not be recoverable.

Refer to note 10 to the financial report for details of the carrying value at 30 June 2017 and related disclosure.

### How our audit addressed the key audit matter

In performing our procedures, we:

- ▶ Considered the Group's right to explore in the relevant area of interest, which included obtaining and assessing supporting documentation such as the project acquisition agreement
- ▶ Considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area, which included assessment of the Group's cash-flow forecast models, enquiries with senior management and Directors as to the intentions and strategy of the Group
- ▶ Obtained and assessed solicitor representation letters from counsel representing the Group in relation to the Sepeda dispute.
- ▶ Assessed the adequacy of the disclosure included in the financial report.

## Information other than the financial report and auditor's report

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

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

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

## Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

## Report on the Audit of the Remuneration Report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 9 to 15 of the Directors' Report for the year ended 30 June 2017.

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

### Responsibilities

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



Ernst & Young



V L Hoang  
Partner  
Perth  
28 September 2017



## CORPORATE GOVERNANCE STATEMENT

### CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such Novo Lítio Ltd has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council and became effective for financial years beginning on or after 1 July 2014.

The Company's Corporate Governance Statement for the financial year ending 30 June 2017 was approved by the Board on 28 September 2017. The Corporate Governance Statement can be located on the Company's website [www.Novolitio.com](http://www.Novolitio.com)

**ADDITIONAL ASX SHAREHOLDERS' INFORMATION (As at 20 September 2017)**

1. Number of Holders of Each Class of Quoted Securities at 20 September 2017

<b>ASX Code</b>	<b>Number</b>	<b>Holders</b>	<b>Security Description</b>
NLI	370,404,879	1,985	Ordinary fully paid shares

2. Each shareholder of the Ordinary Fully Paid shares is entitled to one vote for each share held. There are no voting rights attached to the options.
3. Distribution of quoted equity securities.

<b>Equity distribution</b>	<b>Ordinary Shares (NLI)</b>
1 - 1,000	121
1,001 - 5,000	210
5,001 - 10,000	242
10,001 - 100,000	956
Over 100,000	456
<b>TOTAL</b>	<b>1,985</b>

4. The twenty largest ordinary fully paid shareholders (NLI ) hold 43.64% of the issued capital and are tabled below:

<b>Name</b>	<b>Ordinary Shares</b>	<b>%</b>
1 Slipstream Resources Investments Pty Ltd <Capital A/C>	35,470,000	9.58
2 Asgard Metals Pty Ltd	20,928,756	5.65
3 J P Morgan NOM Aust Ltd	17,705,854	4.78
4 Tenbagga Res Fund Pty Ltd <Tenbagga Family A/C>	9,700,000	2.62
5 Soaraway Development Pty Ltd	9,397,032	2.54
6 Wedin, Francis Edward	8,750,000	2.36
7 J&N Weston Inv Pty Ltd	8,137,220	2.20
8 Frances, David John	7,500,000	2.02
9 Auctor GRP Pty Ltd <Auctor GRP Super A/C>	6,300,000	1.70
10 Anima Fluvius Pty Ltd <Sciano A/C>	5,500,000	1.48
11 BNP Paribas NOM Pty Ltd <IB AU NOMS Retail A/C>	5,313,842	1.43
12 Fitzgerald, John Daniel <JF & TF FAM A/C>	4,500,000	1.21
13 One Managed Inv Funds LT <1 A/C>	4,000,000	1.08
14 Citicorp Nom Pty Ltd	3,863,186	1.04
15 Yarraandoo Pty Ltd <Yarraandoo S/F A/C>	3,550,000	0.96
16 Lightning Jack Pty Ltd <Indigo Family A/C>	2,583,333	0.70
17 Morrison, Dion	2,500,000	0.67
18 J&N Weston Inv Pty Ltd	2,000,000	0.54
19 Forge CL + HM <4G S/F A/C>	2,000,000	0.54
20 Sancoast Pty Ltd	2,000,000	0.54
	<b>161,699,223</b>	<b>43.64</b>

**UNMARKETABLE PARCELS**

5. The Company has 600 shareholders holding an unmarketable parcel of shares using a price of \$0.045 per share.

## SUBSTANTIAL SHAREHOLDER

6. The names of the substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:
- Slipstream Resources Investments Pty Ltd – 35,470,000 fully paid ordinary shares.
  - Asgard Metals Pty Ltd – 21,700,000 fully paid ordinary shares.

## OTHER ASX ADDITIONAL INFORMATION

### 1. Corporate Governance

The Company's Corporate Governance Statement as at 30 June 2017 as approved by the Board can be viewed at [www.novolitio.com](http://www.novolitio.com)

### 2. Company Secretary

The name of the Company Secretary is Mathew Whyte

### 3. Address and telephone details of the Company's Registered Office

Level 11, 125 St Georges Terrace Perth WA 6000 Telephone: 08 9 288 4408

### 4. Address and telephone details of the office at which a registry of securities is kept

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153

Telephone: 08 9315 2333

Fax: 08 9315 2233

### 5. Review of Operations

A review of operations is contained in the Directors Report.

### 6. ASX Waiver Details

Pursuant to the waiver from ASX Listing rules 7.3.2 and 10.13.3 (granted by ASX and announced on 20 January 2015) (Waivers), the Company advises that:

- A. the following securities, which were the subject of the Waivers, were issued during the period under review (on 10 October 2016):
- i. 30,000,000 fully paid ordinary shares to the shareholders of ASM and SRI (on a 49:51 basis) upon an Inferred Mineral Resource of 5 million tonnes at 1.2% Li<sub>2</sub>O being identified on the Lynas Find Project and announced on the ASX platform by the Company in accordance with the requirements of the JORC Code; and
- B. the following securities, which were the subject of the Waivers, remain to be issued at the balance date:
- i. 30,000,000 fully paid ordinary shares to the shareholders of ASM and SRI (on a 49:51 basis) upon an Inferred Mineral Resource (in accordance with the requirements of the JORC Code) of 15 million tonnes at 1.2% Li<sub>2</sub>O being identified, on or before 12 February 2021 on the Lynas Find Project tenements by Pilbara Resources Limited (ASX: PLS).

**7. Tenement Schedule (As at 20 September 2017)**

Tenement	Location	Holding %	Status
E69/3417	WA	100%	Granted
E69/3418	WA	100%	Granted
MNPPP01713	Portugal	100%	Granted*
MNPPP01015	Portugal	100%	Granted*
MNPPP04612	Portugal	100%	Granted**
MNPPP0394	Portugal	100%	Under Application**
MNPPP0275	Portugal	100%	Under Application**
MNPPP0393	Portugal	100%	Under Application**
MNPPP0396	Portugal	100%	Under Application**
MNPPP0274	Portugal	100%	Under Application**
MNPPP0395	Portugal	100%	Under Application**
MNPPP0407	Portugal	100%	Under Application
MNPPP0427	Portugal	100%	Under Application
MNPPP0424	Portugal	100%	Under Application
MNPPP0426	Portugal	100%	Under Application
MNPPP0430	Portugal	100%	Under Application
MNPPP0431	Portugal	100%	Under Application
Dyngselet-1	Sweden	100%	Granted
Hamrånge nr 100	Sweden	100%	Granted
Hamrånge nr 101	Sweden	100%	Granted
Hamrånge nr 102	Sweden	100%	Granted
Hamrånge nr 103	Sweden	100%	Granted
Hamrånge nr 104	Sweden	100%	Granted
Dyngselet nr 2	Sweden	100%	Granted
Skorped nr 1	Sweden	100%	Granted
Räggen nr 100	Sweden	100%	Granted
EL 7548	NSW	30%	Farm out to Perpetual Resources Ltd (ASX:PEC), NLI Free carried
EL 7549	NSW	30%	Farm out to Perpetual Resources Ltd (ASX:PEC), NLI Free carried
EL 6627	NSW	30%	Farm out to Perpetual Resources Ltd (ASX:PEC), NLI Free carried
EL 7550	NSW	30%	Farm out to Perpetual Resources Ltd (ASX:PEC), NLI Free carried
EL 6628	NSW	30%	Farm out to Perpetual Resources Ltd (ASX:PEC), NLI Free carried
EL 7756	NSW	30%	Farm out to Perpetual Resources Ltd (ASX:PEC), NLI Free carried
EL 6629	NSW	30%	Farm out to Perpetual Resources Ltd (ASX:PEC), NLI Free carried
EL 6789	NSW	30%	Farm out to Perpetual Resources Ltd (ASX:PEC), NLI Free carried

Tenement Schedule (ASX LR 5.3.3)

\* 100% rights to granted tenements subject to completion of binding contract with Medgold Resources Corp (Refer Note 24)

\*\*100% rights to granted tenement, and to tenement applications subject to grant, from the Company's agreement with, Lusorecursos ARG and Lusorecursos LDA. The Company has a binding agreement to acquire 100% of the granted licence and licence applications held by Lusorecursos ARG and Lusorecursos LDA. Completion of the transfer of licences to the Company remains pending and has been frustrated by the vendors. The Company considers it has binding and enforceable legal rights and is currently pursuing the matter on an expedited basis in the Courts of Portugal. (Refer Note 24)