



Novo Lítio Limited
Annual Financial Report
For the year ended 30 June 2018



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Chairman's Letter to Shareholders

Dear Fellow Shareholders,

On behalf of the Board of Directors of Novo Lítio Ltd ('Novo Lítio' or 'the Company'), I am pleased to provide you with the Annual Report and Financial Statements for the year ended 30 June 2018.

2018 has been a mixed year for the Company. The Company's aim to be an early mover in the European lithium market has been frustrated, with progress on the Sepeda Lithium Project in Portugal ('Sepeda Lithium Project') being stalled for the entire year as a consequence of a legal dispute over the ownership rights to the project. However, the announcement in August 2018 that the Company entered into a binding Heads of Agreement to acquire an 80% interest in a highly prospective gold exploration project located in northern Côte d'Ivoire, West Africa ('Côte d'Ivoire Gold Project') has provided the Company with a new focus and a great opportunity to create shareholder value.

The legal dispute concerns the enforceability of an agreement entered into by the Company with Lusorecursos Lda ('Lusorecursos'), whereby the Company was to acquire 100% of the Sepeda Lithium Project. The Company's attempts to expedite a Court hearing on the matter were declined by the Portuguese Courts during the year. To avoid a protracted legal process, in the latter half of the year the Company met with and presented commercial proposals to Lusorecursos. Despite an indicated willingness to negotiate to resolve the dispute, Lusorecursos has not been accepting of Novo Lítio's proposals and no agreement has been able to be reached to date. Given the Sepeda Lithium Project licences are registered in the name of Lusorecursos, it has not been legally possible for Novo Lítio to undertake any further field work on the project.

Given the increasing likelihood that the Sepeda dispute will be protracted, the Board and Management placed a greater focus during the year on identifying, assessing and securing other mineral projects that could offer value enhancing opportunities. This led to the identification of and subject to shareholder approval, acquisition of the Côte d'Ivoire Gold Project.

The Company is very excited to be acquiring such a high-quality gold project in an increasingly sought-after gold province. We are confident of quickly defining a maiden JORC resource estimate and see excellent potential for further gold discoveries. Côte d'Ivoire is an established and proven jurisdiction for exploration, permitting and mine development, with an attractive fiscal regime and mining code. The country has seen five gold mines developed over the past 10 years with several recent additional +1Moz gold discoveries at resource definition/feasibility stage.

Novo Lítio remains well funded with a cash position of over \$15 million to fund an accelerated exploration and drilling campaign on the projects. The Company will seek shareholder approval for the issue of the 90 million consideration shares at a General Meeting to be held on 28 September.

Also, to reflect the new direction, the Company is seeking shareholder approval to rename the Company to Exore Resources Limited at that General Meeting.

I would like to thank the shareholders for their support during this challenging year and look forward to reporting on our progress with the new Côte d'Ivoire Gold Project, along with any progress in resolving the Sepeda ownership dispute.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read "J Fitzgerald".

John Fitzgerald
Chairman of the Board

Directors' Report

The Board of Novo Lítio Ltd ('Novo Lítio' or 'the Company') presents the consolidated financial statements of the Company and its controlled entities for the year ended 30 June 2018 ('Report') in accordance with the provisions of the *Corporations Act 2001*.

Directors

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

- Mr John Fitzgerald (Non-Executive Chairman)
- Mr Justin Tremain (Managing Director) - Appointed 1 February 2018
- Dr Francis Wedin (Executive Director)
- Prof Dudley Kingsnorth (Non-Executive Director) - Resigned 31 August 2018
- Mr David Frances (Managing Director) - Resigned 15 December 2017

Principal Activities

The nature of the operations and principal activities of the Company are mineral exploration and project development. There were no significant changes in the nature of the consolidated entity's principal activities during the 2018 financial year.

Financial Results and Financial Position

The net loss of the Company after income tax for the financial year ended 30 June 2018 was \$568,161 (2017: \$3,911,098).

The Company has not reached a stage in its development where it is generating an operating profit.

At the end of the 2018 financial period the Company had cash on hand, including deposits of \$15,705,569 (2017: \$14,398,232 and Net Assets of \$15,876,064 (2017: \$16,315,270).

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

A summary of key events during the 2018 financial year include:

- The Company pursued a number of legal proceedings in the Courts of Portugal in an attempt to expedite the resolution of the ownership dispute over the Sepeda Lithium Project in Portugal ('Sepeda Lithium Project').
- The Company engaged with the vendor of the Sepeda Lithium Project, Lusorecursos Lda ('Lusorecursos'), to resolve the dispute, however no agreement has been reached as at the date of this Report.
- Appointment of new Managing Director Mr Justin Tremain effective 1 February 2018.
- Given the likelihood of the Sepeda Lithium Project dispute being protracted and following the appointment of a new Managing Director, the Company placed a strong emphasis in the second half of the year on new project identification and assessment to enhance shareholder value.
- During the year the Company implemented a cost reduction program such that it maintains a strong cash position of approximately \$16.0 million (inclusive of receivable performance bonds) as at 30 June 2018.
- Subsequent to the year end, the Company entered into a binding Heads of Agreement to acquire an 80% interest in a gold exploration project covering 830km² of highly prospective tenure in northern Côte d'Ivoire, West Africa ('Cote d'Ivoire Gold Project').

Portugal | Sepeda Lithium Project

Legal Dispute

As announced on 28 July 2017, following a dispute arising concerning the legal rights to the Sepeda Lithium Project, the Company commenced legal proceedings in the Courts of Portugal seeking to protect its rights in respect to the ownership of the Sepeda Lithium Project. These initial legal proceedings were seeking to obtain an expedited Court hearing to resolve the disputed ownership rights. Unfortunately, the request for expedited hearings was denied by the Portuguese Court in December 2017 and the Company was unable to appeal this decision.

The legal dispute concerns the enforceability of an agreement ('Acquisition Agreement') entered into by the Company with Lusorecursos to acquire 100% of the Sepeda Lithium Project for consideration of approximately €1.0 million cash, comprising a €250,000 milestone payment on a JORC Mineral Resource of 5Mt @ >1.2% Li₂O and a €750,000 milestone payment upon a JORC Mineral Resource of 15Mt @ >1.2% Li₂O (refer ASX announcement dated 1 June 2016).

The Sepeda Lithium Project remains registered in the name of Lusorecursos. The conditions to the completion of the Acquisition Agreement were not satisfied by the required completion date of 31 May 2017. Furthermore, the Company's attempt to make the initial milestone payment of €250,000 to Lusorecursos, triggered by the announcement of the maiden mineral resource estimate in February 2017, was unsuccessful with the payment returned to the Company by Lusorecursos. The Company obtained a legal opinion that the Acquisition Agreement remained legally enforceable based on a legal argument that the conditions to completion were not met by the required date due to frustration by Lusorecursos.

Given the Company's attempts to expedite proceedings in the Portuguese Courts were denied, it is likely future legal proceedings will be protracted. Accordingly, Novo Lítio made a concerted effort in the second half of the year to engage with Lusorecursos, on a without prejudice basis, in an attempt to resolve the matter outside of the Portuguese Court process. The Company met with and presented commercial proposals to Lusorecursos. Despite an indicated willingness to negotiate to resolve the dispute outside of the legal process, Lusorecursos has not been accepting of Novo Lítio's proposals to date and no agreement has been able to be reached at the date of this Report. Novo Lítio continues to reserve its legal rights and has engaged a new law firm in Portugal, Coelho Ribeiro & Associados, to advise on the dispute going forward.

Background

Novo Lítio's Portuguese Lithium Projects consisted of approximately 391km² of three granted exploration licenses (including the disputed Sepeda Lithium Project licence) and 1,200km² of exploration license applications.

The Sepeda Lithium Project covers a granted exploration licence area of 37km², located in the Barroso-Alvão region of Northern Portugal, registered in the name of Lusorecursos.

Novo Lítio announced a greenfield lithium (petalite) discovery at the Sepeda Lithium Project in October 2016 and released a maiden JORC Inferred Mineral Resource Estimate for the Sepeda deposit of 10.3Mt @ 1.0% Li₂O in February 2017 (refer ASX announcement dated 20 February 2017).

The legal dispute arose in June 2017 and given the Sepeda Lithium Project licences are registered in the name of Lusorecursos, it has not been legally possible for Novo Lítio to undertake any further field work. Novo Lítio retains all drill samples and data and undertook additional flotation test work to better understand the potential economics of the project. This test work included locked cycle flotation tests undertaken by Outotec in Finland. The results of the previous sighter flotation test work undertaken by Dorfner-Anzaplan in Germany (refer ASX announcement 24 April 2017) were not able to be replicated in the locked cycle tests. Eight of the nine locked cycle flotation tests returned <4.0% Li₂O petalite concentrate grades and all nine tests returned <50% Li₂O recoveries. Further work would be required to understand these results as they do not support the assumptions made in the Company's Scoping Study on the Sepeda Lithium Project (refer ASX announcement dated 4 September 2017) in relation to Li₂O petalite concentrate grade, Li₂O flotation recovery and Fe₂O₃ concentrate grade.

In addition to the Sepeda Lithium Project, the Company secured two additional granted exploration licences and several exploration licence applications in Northern Portugal, in its own right. Mapping and sampling undertaken on the two granted licences completed during the year failed to identify any significant lithium targets. As a result, the Company has surrendered both licences which will result in the return of €167,500 in performance bonds in due course. All the exploration licence applications were rejected by the Portuguese General Directorate of Energy and Geology ('DGEG') given the DGEG's strategy of running a public tender of all vacant ground in Portugal that is considered prospective for lithium.

Sweden | Lithium Projects

The Company retains a portfolio of exploration leases totalling 126km², over three areas prospective for spodumene lithium mineralisation in central Sweden including; the Spodumenberget Project, the Hamrånge Project and the Räggen Project. The Sepeda Lithium Project in Portugal is key to the Company's strategy of becoming a European lithium producer and whilst attempts to resolve the Sepeda dispute are ongoing, the Company has been undertaking desktop technical reviews of the Swedish projects before undertaking further field work and drilling.

Proposed Acquisition of Côte d'Ivoire Gold Project

Subsequent to the end of the financial year, on 6 August 2018, the Company announced the proposed acquisition of an 80% interest in an exciting gold exploration project in northern Cote d'Ivoire, West Africa ('Cote d'Ivoire Gold Project'). The Côte d'Ivoire Gold Project covers a substantial ground position of 830km² on the convergence of two of West Africa's most prolific gold belts (refer Figures One and Two), the Tongon Gold Belt and the Syama Gold Belt which extend into northern Côte d'Ivoire from Burkina Faso and Mali respectively. The Côte d'Ivoire Gold Project comprises the granted Boundiali Permit (379km²), granted Korhogo Permit (271km²) and the Korhogo NE application (180km²).

The project is located within one of West Africa's most sought-after gold regions with significant nearby gold deposits associated with the same geology and structures including (refer Figure Two):

- 4.2Moz Tongon Gold Mine (Randgold) located ~50 kilometres to north-east
- 11.5Moz Syama Gold Mine (Resolute) located ~75 kilometres to the north
- 1.0Moz Sissingue Gold Mine (Perseus) located ~50 kilometres to the north
- Fonondara /Boundiali gold discovery (Randgold) located immediately adjacent to the west

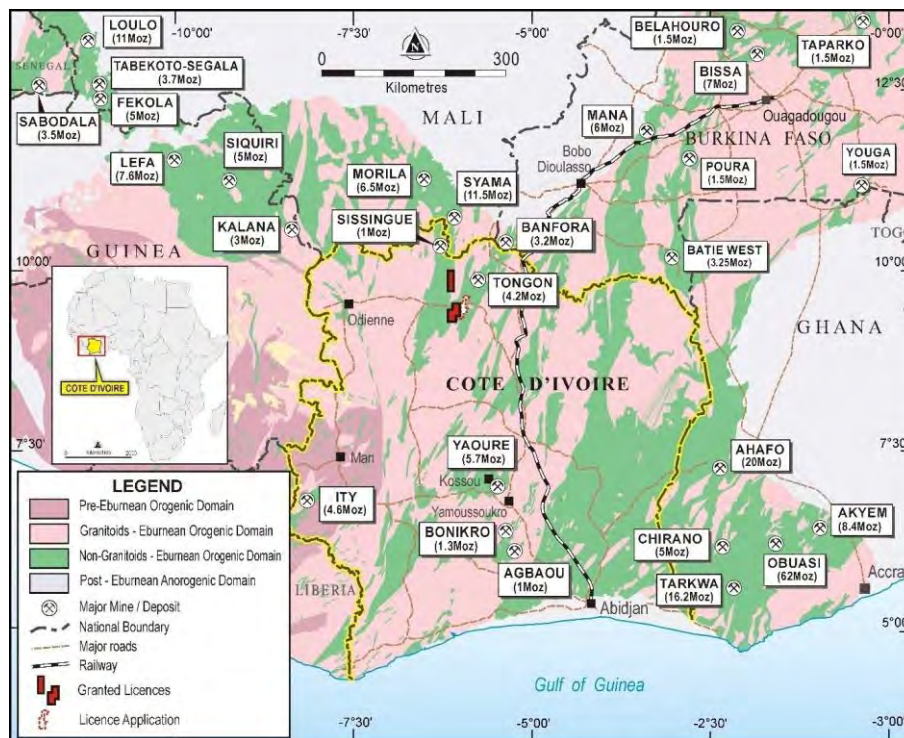


Figure One | Location of Côte d'Ivoire Projects

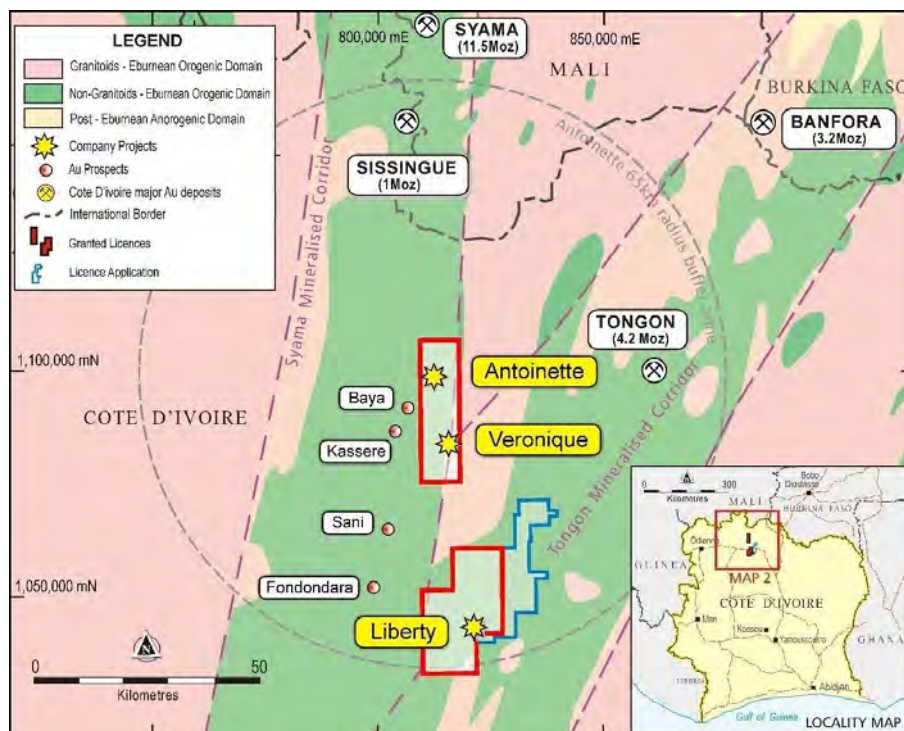


Figure Two | Cote d'Ivoire Permits & Geology

Limited sampling to date has already defined several large, coherent gold-in-soils anomalies, most of which remain open. Many of the anomalies have been confirmed with broad spaced air core drilling but only one prospect, the Antoinette Central Prospect, has been tested with Reverse Circulation ('RC') drilling.

Whilst the drilling at Antoinette has yielded highly encouraging results which demonstrate a potentially economic and significant gold discovery, Novo Lítio considers some of the other prospects to be of higher priority but are yet to be tested with any drilling. The region has seen good conversion of soil anomalies to bedrock gold discoveries.

Boundiali Permit

Geochemical sampling has defined two major prospects within the Boundiali Permit; the Antoinette Prospect and the large Veronique Prospect. Much of the Boundiali Permit remains to be explored with surface sampling.

Antoinette Prospect

RC drilling at Antoinette Central has confirmed good continuity of mineralisation over +600 metres of strike which remains completely open, both along strike and down dip. Mineralisation is NNE striking and SE dipping and is relatively consistent along strike and down dip. Soil sampling and aircore drilling confirm at least a further 250 metres of strike potential to the north and 200 metres to the south, which is limited only by lack of further sampling. The majority of drilling has been to a depth of just 100 metres. The mineralised zone is relatively deeply weathered (50-60 metres) providing scope for significant oxide gold resources.

A total of 28 holes for 3,034 metres of RC drilling was completed at the Antoinette Central Prospect with 27 holes returning significant results (+20gm) including (refer AOP ASX announcements dated 13 July 2016 and 30 November 2016):

- | | |
|-----------------------------------|-------------------------------|
| - 17m @ 22.52g/t gold from 8m | - 7m @ 5.65g/t gold from 21m |
| - 14m @ 11.24g/t gold from 12m | - 10m @ 3.58g/t gold from 56m |
| - 35m @ 2.93g/t gold from 65m EOH | - 5m @ 7.15g/t gold from 102m |
| - 11m @ 9.07g/t gold from 50m | - 13m @ 2.74g/t gold from 0m |
| - 11m @ 6.69g/t gold from 10m | - 10m @ 3.37g/t gold from 13m |
| - 10m @ 6.86g/t gold from 58m | - 9m @ 3.23g/t gold from 9m |
| - 6m @ 10.56g/t gold from 44m | - 10m @ 2.86g/t gold from 1m |
| - 8m @ 7.35g/t gold from 84m | - 8m @ 3.25g/t gold from 56m |
| - 18m @ 3.10g/t gold from 32m | - 8m @ 2.90g/t gold from 52m |
| - 9m @ 5.29g/t gold from 15m | - 4m @ 5.69g/t gold from 14m |
| - 15m @ 2.84g/t gold from 115m | - 9m @ 2.44g/t gold from 68m |
| - 6m @ 6.77g/t gold from 90m | - 9m @ 2.44g/t gold from 20m |

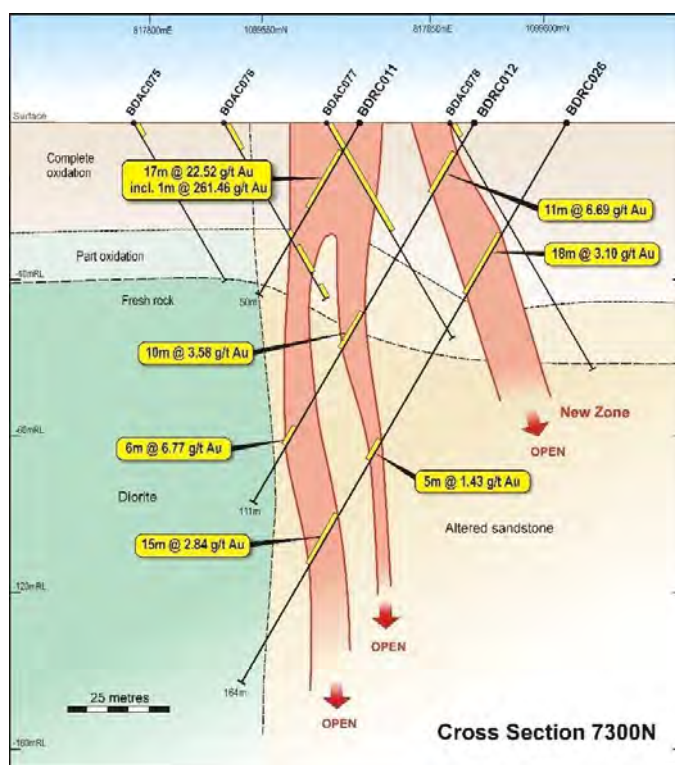


Figure Three | Antoinette Central Prospect, Boundiali Permit - Cross Section

Gold mineralisation is largely hosted by altered sandstone that is flanked and intruded by diorite dykes. Alteration consists of silica, carbonate and sericite, with disseminated sulphides. Surface geochemistry and aircore drilling, along with artisanal mining activity, support the potential for multiple parallel zones of mineralisation at Antoinette which remain untested with RC drilling. Aircore results include 4m @ 13.68g/t gold approximately 4 kilometres along strike to the south of the RC drilling at Antoinette Central and 9m @ 3.17g/t gold (EOH) in a parallel zone to the west (refer AOP ASX announcements dated 3 April 2017 and 15 February 2016).

Veronique Prospect

The Veronique Prospect is defined by a 6 kilometre by 1.5-kilometre area of highly anomalous soil samples striking NNE, often grading >200ppb gold in soils with up to 1,320ppb gold. The anomaly is completely open. No artisanal mining activity is present and therefore the risk of contamination in the soil sampling results is low. The Veronique Prospect is a high priority target offering major discovery potential and will be an immediate focus with aircore drilling to quickly define RC drill targets.

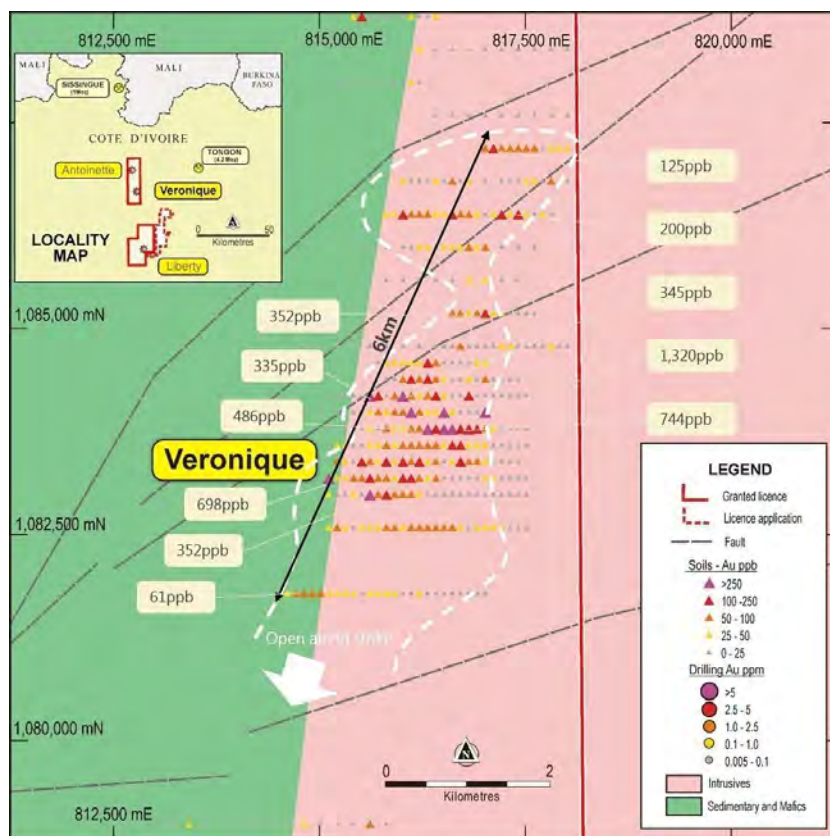


Figure Four | Veronique Prospect, Boundiali Permit - Geochemistry & Geology

Korhogo Permit

To date, exploration has focussed on only ~30% of the Korhogo Permit area. Limited work at the Liberty Prospect has defined a 20-kilometre long gold-in-soil anomaly along the prolific Tongon structural gold trend. Randgold's recent Fonondara gold discovery is located immediately west on the licence boundary. Randgold have stated Fonondara as a potential 1-1.5Moz ounce discovery at +2.5g/t (Randgold Tongon Gold Mine Presentation, Jan 2018).

No RC drilling has been carried out but results from wide spaced shallow aircore drilling include (refer AOP ASX announcements dated 24 July 2017 and 8 June 2018):

- | | |
|--------------------------------------|--------------------------------------|
| - 4m @ 3.15g/t gold from 8m | - 4m @ 5.01g/t gold from 5m |
| - 12m @ 2.27g/t gold from 0m | - 12m @ 2.02g/t gold from 32m |
| - 12m @ 2.04g/t gold from 0 m | - 8m @ 2.20g/t gold from 16m |

Further drilling is planned as a priority along the 20-kilometre Liberty trend.

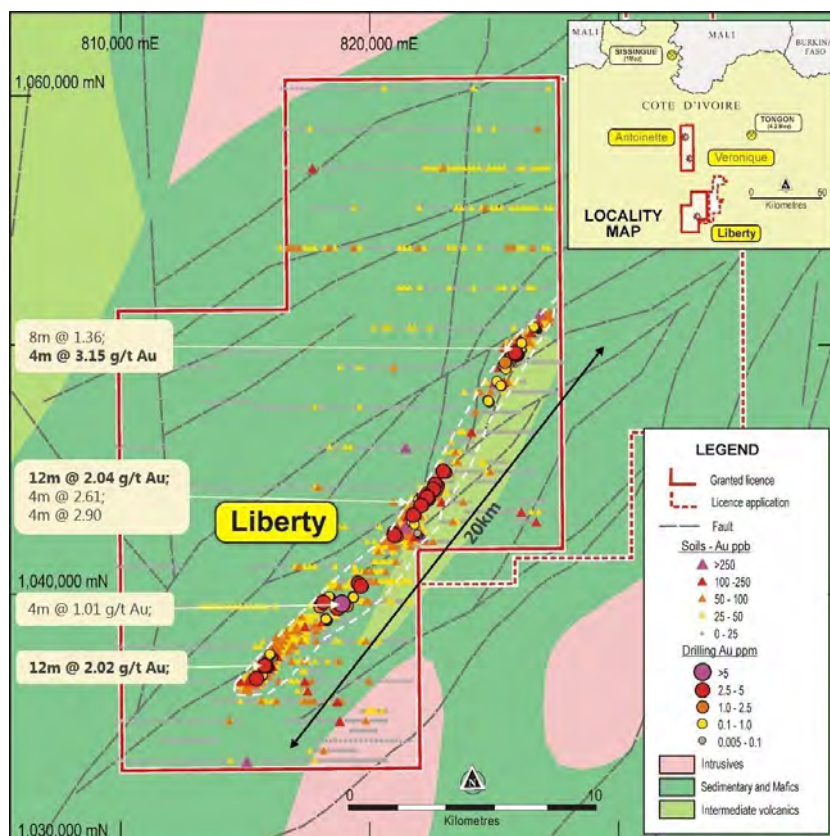


Figure Five | Liberty Prospect, Korhogo Permit - Geochemistry, Aircore & Geology

Côte d'Ivoire

Côte d'Ivoire is one of Africa's most developed countries with outstanding infrastructure including an expansive network of high voltage transmission lines distributing hydro-electrical power. There are several high voltage transmission lines in northern Côte d'Ivoire in close proximity to the Côte d'Ivoire Gold Projects. There are excellent bitumen roads throughout the northern part of the country. These roads provide good access to the project areas with only relatively short distances of unsealed roads which are in excellent condition and should provide near all year-round access to the projects.



Côte d'Ivoire has the largest endowment of mapped greenstone belts in West Africa which provide massive scope for new gold discoveries given the limited amount of historical exploration.

Côte d'Ivoire has experienced a period of political stability since 2011 with consistent >7% pa GDP growth. The last general elections were held in 2015 and the next are scheduled for 2020. A new modern, transparent and attractive mining code was implemented in March 2014 which provides for:

- Tax holiday for initial 5 years of production
- Variable royalty rate based on prevailing gold price (3.5% at US\$1,000-US\$1,300/oz)
- 10% government interest in mining licences following capital repayment
- Exemption from VAT and Import Duties for both exploration and mining licences
- Exploration licences valid for initial term of 4 years with the right to further two 3-year renewals and a further 2-years for feasibility (i.e. 12 years in total)
- Mining licences valid up to 20 years with consecutive 10-year renewals
- Right to 12-year Mining Convention (renewable for 10-year periods) to provide long term certainty.

Corporate

On 1 February 2018 the Company appointed Mr Justin Tremain as Managing Director following the resignation of Mr David Frances on 15 December 2017.

Since the end of the financial year Prof Dudley Kingsnorth resigned as a Director effective 31 August 2018.

The Company is convening a General Meeting of shareholders on 28 September 2018 seeking approval to:

- issue 90 million ordinary shares as consideration for the acquisition of the Cote d'Ivoire Gold Project;
- to change its name to Exore Resources Ltd; and
- issue a total of 12.5 million performance-based options to its Directors.

The Company is well funded with cash position of approximately \$16.0 million (inclusive of receivable performance bonds) as at 30 June 2018.

Capital structure

As at the date of this Report the Company's capital structure is as follows:

Quoted Securities

Number	Class	ASX Code
372,842,379	Ordinary Fully Paid	NLI

Un-quoted Securities:

Number	Class
2,750,000	Options exercisable at \$0.016 expiring 31 Dec 2018
9,000,000	Unvested performance options exercisable at \$0.001 expiring 1 Feb 2023

If shareholders approve the issue of 90 million ordinary shares as consideration for the acquisition of the Cote d'Ivoire Gold Project at the General Meeting to be held on 28 September 2018, the Company will have 462,842,379 ordinary fully paid shares on issue.

Under the terms of the agreement the Company entered into on 18 December 2015 to acquire the Lynas Find Project from Asgard Metals Pty Ltd ('Asgard') and Slipstream Resources Group ('Slipstream'), Asgard and Slipstream are entitled to receive shares in the Company upon certain milestones being achieved in respect to the Lynas Find Project. Notwithstanding the sale of the Lynas Find Project to Pilbara Minerals Limited ('Pilbara') announced by the Company on 1 December 2016, Asgard and Slipstream will retain the right to receive 30 million shares in the Company if Pilbara announces a JORC Mineral Resource for the Lynas Find Project of >15Mt at >1.2% Li₂O on or before 12 February 2021. On 28 May 2018, Pilbara announced an updated JORC Mineral Resource of 5.4Mt at 1.56% Li₂O (at 0.5% Li₂O cut-off), which was an 18% tonnage downgrade on the Company's maiden JORC Mineral Resource for Lynas Find Project of 6.6Mt at 1.34% Li₂O (at 0.5% Li₂O cut-off) (refer ASX announcement 5 October 2016).

Significant Events after the Balance Date

The following material events occurred subsequent to the balance date:

- On 6 August 2018 the Company announced that it has entered into a binding Heads of Agreement with Apollo Consolidated Limited ('Apollo') to acquire an 80% interest in Apollo's gold exploration projects located in northern Côte d'Ivoire, West Africa. The Company will seek shareholder approval for the issue of 90 million shares as consideration for the acquisition at a General Meeting to be held on 28 September 2018;
- On 16 August 2018 the Company announced that remaining unvested Performance Rights granted under the Company's LTI Plan in prior financial years were voluntarily forfeited. A total of 4,125,000 Performance Rights were forfeited; and
- On 31 August 2018 the Company announced the resignation of Professor Dudley Kingsnorth.

Other than the events outlined above there has not arisen in the interval between the end of the 2018 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 is focussed on exploration within its current portfolio of projects and will also continue to assess other opportunities which may offer value enhancing opportunities for shareholders. Subject to shareholder approval at the General Meeting to be held on 28 September 2018 and completion of the acquisition, the Company intends to focus on the exploration of the Cote d'Ivoire Gold Project. In addition, the Company will continue to try and resolve the ongoing ownership dispute concerning the Sepeda Lithium Project.

Material business risks that may impact the results of future operations include Government renewals of the permits that make up the Cote d'Ivoire Gold Projects, exploration results, future commodity prices and funding.

Further information on likely developments in the operations of the group and the expected results of operations have not been included in this Report because the Directors believe it would be likely to result in unreasonable prejudice to the group.

Significant Changes in the State of Affairs

During the reporting period, as announced on 28 July 2017, the Company commenced legal proceedings in the Courts of Portugal seeking to protect its rights in respect to the ownership of the Sepeda Lithium Project. As at the report date, this dispute remains unresolved.

Environmental Regulations and Performance

The Company is required to carry out the exploration and evaluation of its exploration tenements in accordance with various Government laws and regulations.

The Company conducts its exploration activities in an environmentally sensitive manner and in compliance with all relevant laws and regulations. The Company is not aware of any significant breaches of these laws and regulations.

Information on 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) and Non-executive Director of Danakali Resources Ltd (appointed 19 February 2015). He has previously held positions as Chairman of Integra Mining Ltd, Atherton Resources Ltd and Carbine Resources Ltd 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 Justin Tremain
Title	Managing Director
Appointed	1 February 2018
Experience and Expertise	Mr Tremain has extensive experience across the mineral resources sector. Most recently, he founded Renaissance Minerals Limited ('Renaissance') and listed it on the Australian Securities Exchange in June 2010 and served as Managing Director until its takeover by Emerald Resources NL in November 2016. During that time, Mr Tremain oversaw Renaissance's growth as first mover into the frontier jurisdiction of Cambodia and successfully defined a highly economic +1 million ounce JORC gold resource and completion of a feasibility Study. Following the takeover of Renaissance by Emerald, Mr Tremain joined Emerald as an Executive Director. He resigned from this position to assume the role of Managing Director at Novo Lítio. Prior to founding Renaissance, he had over 10 years' investment banking experience in the natural resources sector and has held positions with Investec, NM Rothschild & Sons and Macquarie Bank.

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.

Name	Professor Dudley Kingsnorth
Title	Non-Executive Director
Appointed	22 August 2016
Resigned	31 August 2018
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.

Name	Mr David Frances
Title	Managing Director
Appointed	19 April 2016
Resigned	15 December 2017
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.

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 Company Secretary for Galileo Mining Ltd (ASX: GAL) and Tiger Resources Ltd (ASX: TGS).

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 were:

	Number of Ordinary Shares	Options
Mr John Fitzgerald	5,500,000	-
Mr Justin Tremain	3,050,000	9,000,000
Dr Francis Wedin	5,137,929	-

Directors' Meetings

The following table sets out the number of meetings of Directors held during the year ended 30 June 2018 and the number of meetings attended by each Director.

	Meetings of Directors Held While in Office	Number of Meetings Attended
Mr John Fitzgerald	7	7
Mr Justin Tremain (appointed 1 February 2018)	2	2
Dr Francis Wedin	7	7
Mr David Frances (resigned 15 December 2017)	5	5
Prof Dudley Kingsnorth (resigned 31 August 2018)	7	7

Remuneration Report

The Directors of Novo Lítio are pleased to present the Remuneration Report for the Company for the year ended 30 June 2018.

Given the challenges faced by the Company over the year, the Board continued to carefully consider and adjust the Company's remuneration framework to ensure it remains appropriate and is consistent with the Company's desire to maintain stringent cost saving measures whilst maintaining appropriate performance linked incentives aligned with the goals and achievements of the Company.

The Remuneration Report for the year ended 30 June 2017 received 57% of "Yes" votes at the 2017 Annual General Meeting and the Board recognised the need for improvement in its remuneration structure. Actions taken to improve the remuneration structure include:

- New Managing Director's remuneration structured with a 25% lower fixed remuneration level than the previous Managing Director's remuneration
- Long-term incentives included in the Managing Director's service agreement put to shareholders for approval at a General Meeting held on 15 March 2018 with over 99% of the proxies lodged cast in favour of the long-term incentives granted
- Vesting conditions attached to the long-term incentives granted, a majority of which are linked to performance of the Company's share price and satisfactory resolution of the legal dispute concerning the Sepeda Lithium Project
- No short-term incentives granted during the year
- Subsequent to the end of the financial year, the Company and holders of the remaining 4,125,000 Performance Rights outstanding agreed to the forfeiture of those Performance Rights.

The following sections are included within this Remuneration Report:

- A. Directors and key management personnel disclosed in this Remuneration Report
- B. Remuneration governance
- C. Use of remuneration consultants
- D. Non-Executive Director remuneration policy
- E. Executive remuneration policy and framework
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This Remuneration Report forms part of the Directors Report and has been audited as required by section 300A of the *Corporations Act 2001*.

A. Directors and key management personnel disclosed in this Remuneration Report

For the purposes of this Remuneration 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 KMP included in the Remuneration Report are:

- Non-Executive Chairman | Mr John Fitzgerald
- Managing Director (Appointed 1 February 2018) | Mr Justin Tremain
- Executive Technical Director | Dr Francis Wedin
- Managing Director (Resigned 15 December 2017) | Mr David Frances
- Non-Executive Director (Resigned 31 August 2018) | Prof Dudley Kingsnorth

B. Remuneration governance

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 Company. 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.

The Corporate Governance Statement can be found on the Company's website and provides further information on the Company's remuneration governance.

C. Use of remuneration consultants

Independent external advice is sought from remuneration consultants when required, however no advice has been sought during the period ended 30 June 2018.

D. Non-Executive Director remuneration policy

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.

Typically, the Company will compare Non-Executive Director fees to other ASX listed companies with a similar market capitalisation in the exploration and resource development industry. These ongoing reviews are performed to confirm that Non-Executive Director remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

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 Company's 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 a General Meeting. The maximum aggregate amount is currently set at \$240,000 per annum. The current level of total Non-Executive Director remuneration actually paid remains well below this maximum aggregated amount.

Non-Executive Directors receive a fixed fee plus superannuation contributions. Fees for Non-Executive Directors are not linked to the performance of the group to maintain independence and impartiality. Subject to approval by shareholders at a General Meeting, Non-Executive Directors are entitled to participate in the Company's Long-Term Incentive Plan.

The remuneration of Non-Executive Directors for the year ended 30 June 2018 is detailed in the table in Section H of this Remuneration Report.

E. Executive remuneration policy and framework

Objective

The objective of the Company's Executive remuneration policy is to appropriately align the Executive KMP incentives with the goals and achievements of the Company. The performance of the Company depends upon the quality of its executives. To prosper the Company must attract, motivate and retain highly skilled executive KMP. Accordingly, remuneration needs to be competitive by market standards whilst taking into account the Company's current activities and stage of its projects. The Board believes shareholder transparency of remuneration is extremely important.

Executive Service Agreements have been entered into with all executives of the Company. Details of these agreements for KMP are provided in Section J of this Remuneration Report.

Structure

The Board endeavours to ensure that there is an appropriate mix of executive compensation between fixed, variable, long-term, short-term and cash versus equity. The Company may reduce cash expenditure by providing a greater proportion of compensation in the form of equity instruments. This allows cash resources to be directed towards exploration and project development programs with a view to advance the Company's projects.

The remuneration policy provides a mix of fixed and variable "at risk" remuneration and a blend of short and long-term incentives. The remuneration for Executives has three components:

- Fixed remuneration, inclusive of superannuation and allowances;
- Variable remuneration comprising of:
 - Short-term incentives (STI's) under a performance based cash bonus incentive plan; and
 - Long-term incentives (LTI's) which includes participation in the Company's shareholder approved equity incentive plans or where the executive is a Director, as approved by shareholders at a General Meeting.

The proportion of fixed remuneration and variable remuneration (potential STI and LTI incentives) is established for each Executive Director by the Board.

Fixed Remuneration

The level of fixed remuneration is set as a cash salary plus superannuation contributions. Fixed remuneration of executive KMP is set by the Board each year and is based on market relativity and individual performance. Market relativity is benchmarked against a defined "remuneration peer group" of listed comparable companies to ensure that fixed remuneration is fair and competitive within the market in which the Company operates.

Further details of the fixed remuneration of the Executive KMP are noted in Section H of the Remuneration Report.

Variable remuneration - Short Term Incentives (STI)

Under the Company's current remuneration policy, executive KMP can from time to time receive STI's in the form of cash bonuses. The Board can use its discretion when paying bonuses and may determine relevant industry key performance targets such as definition and growth of existing resources, completion of feasibility studies, value accretive transactions, commencement of production, managing stakeholder relations and interests and achieving the Company's strategic objectives. The Board believes that the criteria of eligibility for STI's appropriately aligns shareholder wealth and executive remuneration as the completion of key performance targets have the potential to increase share price growth.

No STI's were paid during the 2018 financial year as the Board is of the opinion that the Company's short-term goals and objectives were not achieved during the year and that the variable long-term remuneration provided to executive KMP is sufficient to align the interest of management with shareholders. No STI's were paid during the 2017 financial year.

Variable remuneration - Long Term Incentives (LTI)

The Board as a whole agrees upon an appropriate level of LTI's for each executive KMP, relative to their involvement in the management of the Company. On the resignation of the executive, unless otherwise agreed by the Board, any unvested LTI's that have been issued as remuneration lapse in accordance with the Company's LTI Plan Rules.

In prior financial years executives were granted LTI's in the form of Performance Rights issued pursuant to the Company's LTI Plan as approved by shareholders on 12 February 2016. 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.

At the start of the 2018 financial year, there were 6,625,000 Performance Rights issued to KMP in prior financial years that remained unvested. Of these:

- 2,500,000 Performance Rights were forfeited on 15 December 2017 upon the termination of Mr David Frances employment, in accordance with the terms of Company's LTI Plan Rules; and
- Subsequent to the end of the 2018 financial year, on 16 August 2018, the remaining 4,125,000 unvested Performance Rights issued in prior financial years were forfeited.

Accordingly, there are no Performance Rights outstanding as at the date of this Remuneration Report.

For the 2018 financial year, a total of 9,000,000 Performance Options were issued to the Managing Director as LTI's. These Performance Options were approved by shareholders at a General Meeting held on 15 March 2018 with over 99% of the proxies lodged cast in favour of the LTI's granted.

No other LTI's were issued during 2018 financial year to other KMP.

Further details of LTI's granted and the value of equity instruments granted, exercised and lapsed during the 2018 financial year is provided in Section H and Section K of the Remuneration Report.

Executive KMP are encouraged by the Board to hold shares in the Company to provide an incentive and to participate in the future growth of the Company and in the Company's profits and dividends that may be realised in future years.

Further details of executive KMP interests in options and shares are noted in Section K of the Remuneration Report.

F. Relationship between remuneration and the Company's performance

As the Company is an exploration company, it has no income producing mines. As such measuring performance requires a pragmatic approach. The most meaningful measure of internal performance is against goals which have a project exploration and development focus as well in relation to safety, environment, sustainability and community. The most appropriate measure for external performance is a change in the share price.

The chart below shows the volatility in the Company's share price over the prior year's relative to the performance of the S&P ASX 300 Metals & Mining Index.



	2018	2017	2016	Restated 2015 ¹	Restated 2014 ²
Revenue	2,291,891	494,776	73,907	8,831	70,125
Net (Loss) / Gain	(568,161)	(3,911,098)	(1,912,204)	(279,380)	(582,146)
Share price	\$0.045	\$0.05	\$0.098	\$0.019	\$0.001
Dividends	Nil	Nil	Nil	Nil	Nil

¹ Restated for change of accounting policy in relation to exploration and evaluation expenditure in 2016

² Post consolidation on a 1:100 basis on 24 December 2014

G. Voting and comments at the Company's 2017 Annual General Meeting

At the 2017 Annual General Meeting, the Company received 57% of "yes" votes on its Remuneration Report for the 2017 financial year. As this resolution had more than 25% of votes cast against it this constitutes a first strike for the purposes of the Corporations Act.

Whilst the Company did not receive any specific feedback at the 2017 Annual General Meeting, the Board recognised the need for improvement in its remuneration structure. As noted above, several actions have been taken to improve the remuneration structure.

H. Details of Remuneration

Details of the nature and amount of each element of the remuneration of each KMP for the year ended 30 June 2018 are set out in the table below:

Year Ended 30 June 2018	Short-term benefits		Long Term Benefits		Share-based payments			Total	Performance Related
	Salary (incl. annual leave provision) & fees	Non monetary benefits ¹	Provision for Long Service Leave	Post employment Superannuation	Performance Rights	Options	Shares		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors									
Mr J Fitzgerald	60,000	3,348	-	5,700	(17,854) ⁴	-	-	51,194	n/a
Prof. D Kingsnorth	50,000	3,348	-	4,750	(6,574) ⁴	-	-	51,524	n/a
Executive Directors									
Mr J Tremain ²	86,983	1,367	1,489	7,916	-	125,406 ⁶	-	223,161	56.2%
Mr D Frances ³	188,101	1,541	(6,330)	16,823	(44,636) ⁵	-	-	155,499	n/a
Dr F Wedin	212,154	3,348	4,128	19,000	(35,708) ⁴	-	-	202,922	n/a
Total 2018 Year	597,238	12,952	(713)	54,189	(104,772)	125,406	-	684,300	18.3%

¹ Non-monetary benefits include the attributable non-cash benefit applied by virtue of the Company's Directors and Officers Liability policy

² Appointed 1 February 2018

³ Resigned 15 December 2017

⁴ Represents reversal of prior years amortisation expensing of 3,500,000 Performance Rights held by KMP due to the change in probability of these rights being vested. Please refer to note 20 for further information.

⁵ Represents a reversal of prior years amortisation expensing of 2,500,000 Performance Rights held by Mr D Frances that were forfeited on termination of employment (15 December 2017).

⁶ Represents amortisation of the value of Performance Options issued in the 2018 year. Refer to section I for further information.

For comparative purposes, details of the nature and amount of each element of the remuneration of each KMP for the year ended 30 June 2017 are set in the table below:

Year Ended 30 June 2017	Short-term benefits		Long-term benefits		Share-based payments			Total	Performance Related
	Salary (incl. annual leave provision) & fees	Non monetary benefits	Provision for Long Service Leave	Post employment Superannuation	Performance Rights	Options	Shares		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors									
Mr J Fitzgerald	60,000	1,796	-	5,700	115,165	-	-	182,661	63.0%
Prof. D Kingsnorth	83,676	1,537	-	4,073	35,074	-	57,000	181,360	50.8%
Executive Directors									
Mr D Frances	265,095	1,796	4,596	23,750	287,914	-	-	583,151	49.4%
Dr F Wedin	216,923	1,796	3,764	19,000	230,330	-	-	471,813	48.8%
Total 2017 Year	625,694	6,925	8,360	52,523	668,483	-	57,000	1,418,985	51.1%

I. Details of Share Based Remuneration

The assessed fair value at grant date of share based remuneration granted is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables in Section H above. Fair values at grant date takes into account the exercise price, the term of the right or option, the Company share price at grant date and expected Company share price volatility, the expected dividend yield and the risk-free rate for the term of the right or option.

Performance Options Issued

During the 2018 financial year the Company granted the following Performance Options over unissued ordinary shares to the Managing Director as part of his agreed remuneration package:

Class	Expiry date	Exercise price	Grant Date	Number	Fair value	Vesting date
Performance Options	1 Feb 2023	\$0.001	15 Mar 2018	9,000,000	\$0.05422	1 Feb 2021

Performance hurdles and vesting conditions attached to the Performance Options are set out below:

Performance Hurdle	Number
12 months continuous employment	4,000,000
Company 15-day VWAP share price over 10 cents	2,500,000
Satisfactory resolution of Sepeda dispute	2,500,000

These Performance Options were approved by shareholders at a General Meeting held on 15 March 2018 with over 99% of the proxies lodged cast in favour.

Performance Rights Issued

There were no Performance Rights issued during 2018 financial year.

J. Executive Service Agreements

On appointment to the Board all Non-Executive Directors enter into a service agreement in the form of a letter of appointment. The letter sets out the Company's policies and terms including compensation relevant to the director. Refer to Section H of this Remuneration Report for fees paid to Non-Executive Directors for the 2018 financial year.

Remuneration and other key terms of employment for executive KMP are formalised in Executive Service Agreements. Termination benefits are within the limits set by the Corporations Act 2001. Major provisions of the Executive Service Agreements relating to remuneration are set out below:

Name	Term	Base Salary ¹	Termination Notice		Annual Leave Entitlement
			By Executive	By Company	
Mr Justin Tremain Managing Director	No fixed term	\$200,000	3 months	6 months	4 weeks
Dr Francis Wedin Technical Director	No fixed term	\$200,000	3 months	6 months	4 weeks

¹ Excluding superannuation

K. Equity instruments held by KMP

Shareholdings of KMP

	Balance at beginning of the year	Granted as remuneration	Vested Performance Rights	Purchase (Disposal) of Shares	Net change other	Balance at end of the year
2018						
Mr J Fitzgerald	5,500,000	-	-	-	-	5,500,000
Mr J Tremain	-	-	-	3,000,000	50,000 ³	3,050,000
Mr D Frances	7,780,000	-	-	-	-	7,780,000 ¹
Dr F Wedin	8,750,000	-	-	(5,000,000)	1,387,929 ²	5,137,929
Prof. D Kingsnorth	1,900,000	-	-	(350,000)	-	1,550,000
2017						
Mr J Fitzgerald	2,500,000	-	3,000,000	-	-	5,500,000
Mr D Frances	-	-	7,500,000	280,000	-	7,780,000
Dr F Wedin	-	-	6,000,000	-	2,750,000 ²	8,750,000
Prof. D Kingsnorth	-	1,000,000	500,000	250,000	150,000 ³	1,900,000

¹ Holding as at the date of resignation of Mr D Frances (15 December 2017)

² Off-market transfers from Asgard Metals Pty Ltd to Dr F Wedin in full and final satisfaction of the Ariana Agreement

³ Held on date of appointment

Performance Rights of KMP

	Unvested at beginning of the year	Granted	Vested	Lapsed/Cancelled	Unvested at end of the year
2018					
Mr J Fitzgerald	1,000,000	-	-	-	1,000,000 ²
Dr F Wedin	2,000,000	-	-	-	2,000,000 ²
Mr D Frances	2,500,000	-	-	(2,500,000) ¹	-
Prof. D Kingsnorth	500,000	-	-	-	500,000 ²
2017					
Mr J Fitzgerald	4,000,000	-	(3,000,000)	-	1,000,000
Dr F Wedin	8,000,000	-	(6,000,000)	-	2,000,000
Mr D Frances	10,000,000	-	(7,500,000)	-	2,500,000
Prof. D Kingsnorth	-	1,000,000	(500,000)	-	500,000

¹ Forfeited on date of termination of employment (15 December 2017) in accordance with the Company's LTI Plan Rules

² For the remaining unvested performance rights, under tranches 2 and 3 were subject to the following vesting conditions:

- Tranche 2 – vesting on the establishment of the Company by a JORC compliant 15 million tonne resource of Li20 of a grade of at least 1%, for which management assessed the expected vesting date as 29 November 2019.
- Tranche 3 – vesting on the establishment of the Company by a JORC compliant 30 million tonne resource of Li20 of a grade of at least 1%, for which management assessed the expected vesting date as 29 November 2020.

Management considered the Group's change in strategic direction from lithium exploration to gold exploration as evidenced by its acquisition of gold interests in August 2018. Management concluded that the probability that these performance rights will be vested by their respective dates is nil. The cumulative expense that had been recognised in relation to these rights was therefore reversed as at 30 June 2018. There are no outstanding Performance Rights on issue at the date of this Report.

Performance Options of KMP

	Balance at beginning of the year	Granted	Lapsed/Cancelled	Balance at end of the year	% Vested
2018					
Mr J Tremain	-	9,000,000	-	9,000,000	0%

L. Loans to key management personnel

There were no loans to KMP or their associates during the 2018 financial year or the previous financial year.

M. Other KMP transactions

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

Share Options

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

Grant Date	Date of Expiry	Exercise Price	Outstanding at 19 Sep 18
30 Dec 14	31 Dec 18	\$0.016	2,750,000
15 Mar 18	1 Feb 23	\$0.001	9,000,000

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.

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 \$101,213 (2017: \$90,437) (refer to note 21).

The Directors are 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 the Board of Directors.

A handwritten signature in black ink, appearing to read 'Justin Tremain'.

Justin Tremain
Managing Director

Perth, WA
20 September 2018

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 2018, 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

Ernst & Young



V L Hoang
Partner
20 September 2018

	Notes	2018 \$	2017 \$
Other income	3	2,291,891	3,093,376
Employee benefits and director fees expense		(343,635)	(248,579)
Depreciation expense		(82,670)	(31,474)
Unrealised foreign currency gain		-	63,454
Impairment loss on available-for-sale financial assets		-	(10,745)
Impairment of fixed assets	9	(14,303)	-
Impairment of exploration assets	10	(23,396)	-
Impairment of bad debts		(4,890)	-
Share based payment	15	(5,488)	(913,029)
Legal and audit expense		(380,562)	(375,317)
Consulting Fees		(230,246)	(151,186)
Exploration and evaluation expenditure	27	(1,814,162)	(4,244,920)
Loss on disposal of property, plant & equipment		(4,378)	-
Other expenses		(544,976)	(473,928)
Loss before income tax expense		(1,156,815)	(3,292,348)
Income tax benefit/(expense)	4	588,654	(618,750)
Total loss for the year		(568,161)	(3,911,098)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		34,821	(75,219)
Net gain/(loss) on available-for sale financial assets		3,333	(5,000)
Total comprehensive loss for the year		(530,007)	(3,991,317)
		2018	2017
Loss per share (cents per share)		¢	¢
Basic loss per share for the year	5	(0.153)	(1.1)
Diluted loss per share for the year	5	(0.153)	(1.1)

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

	Notes	30 June 2018 \$	30 June 2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	17a	1,355,569	1,548,232
Cash on Term Deposits	17a	14,350,000	12,850,000
Trade and other receivables	6a	95,675	3,215,074
Available-for-sale financial assets	7a	26,088	22,755
Other current assets	8a	10,444	11,572
Total Current Assets		15,837,776	17,647,633
Non-current Assets			
Other assets	8b	272,003	22,852
Plant and equipment	9	70,552	256,053
Exploration and evaluation expenditure	10	-	395,586
Total Non-current Assets		342,555	674,491
TOTAL ASSETS		16,180,331	18,322,124
LIABILITIES			
Current Liabilities			
Trade and other payables	11a	244,531	1,740,149
Interest-bearing loans and borrowings	12a, 22b	-	53,642
Provisions	13a	48,860	77,857
Total Current Liabilities		293,391	1,871,648
Non-current Liabilities			
Interest-bearing loans and borrowings	12b, 22b	-	123,812
Provisions	13b	10,876	11,394
Total Non-current Liabilities		10,876	135,206
TOTAL LIABILITIES		304,267	2,006,854
NET ASSETS		15,876,064	16,315,270
EQUITY			
Issued share capital	14a	54,912,493	54,827,180
Milestone shares	14b	780,000	780,000
Other reserves	15	2,923,219	2,879,577
Accumulated losses	16	(42,739,648)	(42,171,487)
TOTAL EQUITY		15,876,064	16,315,270

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

	Issued capital	Milestone Shares	Share based payment reserve	Available for sale reserve	Foreign Currency Translation reserve	Accumulated losses	Total
	\$	\$	\$	\$		\$	\$
Consolidated As at 1 July 2017	54,827,180	780,000	2,954,796	-	(75,219)	(42,171,487)	16,315,270
Loss for the year	-	-	-	-	-	(568,161)	(568,161)
Other comprehensive income	-	-	-	3,333	34,821	-	38,154
Total comprehensive profit/(loss) for the year	-	-	-	3,333	34,821	(568,161)	(530,007)
Issue of shares on exercise of options	85,313	-	-	-	-	-	85,313
Share based payments	-	-	5,488	-	-	-	5,488
As at 30 June 2018	<u>54,912,493</u>	<u>780,000</u>	<u>2,960,284</u>	<u>3,333</u>	<u>(40,398)</u>	<u>(42,739,648)</u>	<u>15,876,064</u>
Consolidated As at 1 July 2016	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
As at 30 June 2017	<u>54,827,180</u>	<u>780,000</u>	<u>2,954,796</u>	<u>-</u>	<u>(75,219)</u>	<u>(42,171,487)</u>	<u>16,315,270</u>

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

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,505,147)	(1,116,471)
Payments for exploration and evaluation expenditure		(2,348,561)	(3,739,348)
Tax Paid		(30,096)	-
Interest received		346,173	362,685
Other Receipts		279,286	56,844
Net cash flows used in operating activities	17b	(3,258,345)	(4,436,290)
Cash flows from investing activities			
Net proceeds from the sale of prospects		-	4,955,489
Net proceeds from the sale of investments		4,767,415	-
Net proceeds from the sale of property, plant & equipment		109,647	-
Payment for purchase of prospects		-	(97,669)
Payment for acquisition of security bonds		(258,402)	-
Payment for purchase of property, plant & equipment		(15,003)	(280,283)
Payment for term deposits		(1,500,000)	(2,850,000)
Deposits paid		-	(22,218)
Deposits refunded		9,796	-
Net cash flows from/(used in) investing activities		3,113,453	1,705,319
Cash flows from/(used in) financing activities			
Proceeds from issue of shares and options		85,313	2,400
Payment of finance lease liabilities		(183,884)	-
Funding from finance lease liabilities		-	172,523
Share issue costs		-	(12,068)
Net cash flows from/(used in) financing activities		(98,571)	162,851
Net increase/(decrease) in cash and cash equivalents		(243,463)	(2,568,116)
Net foreign exchange difference		50,800	723
Cash and cash equivalents at beginning of the year		1,548,232	4,115,625
Cash and cash equivalents at end of the year	17a	1,355,569	1,548,232

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

1. CORPORATE INFORMATION

The financial report of Novo Lítio Ltd for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of directors on 20 September 2018.

Novo Lítio Ltd 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 2, 18 Kings Park Road, West Perth WA 6005.

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) Comparative information

The consolidated financial statements provide comparative information in respect of the previous period, which is reclassified where necessary in order to provide consistency with the current financial year.

(d) Going concern

As at 30 June 2018 the Company had cash on hand, including term deposits of \$15,705,569 (2017: \$14,398,232) and net current asset position was \$15,546,385 (2017: \$15,775,985).

The Company's cash flow forecasts for the 12 months ending 30 September 2019 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.

(e) New Accounting Standards and Interpretations

(i) Changes in accounting policy

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period. The Company has not elected to early adopt any new standards or amendments. The following relevant standards and interpretations have been applied for the first time for the year ended 30 June 2018:

Reference	Title	Summary	Application date for Group*
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	This Standard makes amendments to AASB 112 Income Taxes to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.	1 July 2017

Reference	Title	Summary	Application date for Group*
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	The amendments to AASB 107 Statement of Cash Flows 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 July 2017
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.	1 July 2017

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 2018.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9, and relevant amending standards	<i>Financial Instruments</i>	<p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <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</p>	1 January 2018	1 July 2018

Reference	Title	Summary	Application date of standard*	Application date for Group*
		<p>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> <p>Based on the Company's initial assessment, there will be no significant change from the current measurement of the Company's financial instruments.</p>		
AASB 16	<i>Leases</i>	<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 Leases. 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).</p> <p>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 of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>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.</p> <p>In 2018, the Group will continue to assess the potential effect of AASB 16 on its consolidated financial statements.</p>	1 January 2019	1 July 2019

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	<p>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:</p> <ul style="list-style-type: none"> - The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments - Share-based payment transactions with a net settlement feature for withholding tax obligations - 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. <p>Based on the Company's initial assessment, there will be no significant change from the current measurement of the Company's share-based payment transactions.</p>	1 January 2018	1 July 2018
Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	<p>The Interpretation clarifies the application of the recognition and measurement criteria in AASB 12 <i>Income Taxes</i> when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:</p> <ul style="list-style-type: none"> - Whether an entity considers uncertain tax treatments separately - The assumptions an entity makes about the examination of tax treatments by taxation authorities - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates <p>How an entity considers changes in facts and circumstances.</p>	1 January 2019	1 July 2019

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

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.

(f) 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.

(g) 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.

(h) 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.

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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

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. The research and development tax incentive is treated as a government grant.

(p) 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.

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.

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 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 2018 (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.

(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(t) 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.

(iii) Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options and share performance rights is determined by using a Black-Scholes model, with all assumptions detailed in note 20. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period, but may impact expenses and equity.

3. INCOME

	2018 \$	2017 \$
Other income		
Interest revenue	368,490	369,786
Research and development tax incentive	154,486	124,990
Profit on sale of shares (i)	1,767,415	-
Profit on sale of prospects (ii)	-	2,598,600
Miscellaneous Income	1,500	-
Total other income	2,291,891	3,093,376

*Certain comparative expenditures have been reclassified to other income to align with the current period reporting presentation.

- (i) In December 2016, the Company completed the sale of the Lynas Find tenements, for which total proceeds of \$8.0 million included \$5.0 million paid in cash at completion, and 7,577,672 Pilbara shares. These shares were issued on 15 August 2017 at an issue price of \$0.396 per share and made up the balance of \$3.0 million of consideration paid.

As announced on 3 October 2017, the Company sold the Pilbara Minerals Limited shares at an average realised price of \$0.632 per share for a total of \$4.766 million gross proceeds, representing an approximate 59.6% increase on the \$3.0 million initial cost price, resulting in a gain on disposal of \$1,767,415.

- (ii) 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 \$3,000,000 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 \$3,000,000 in consideration by the issue of 7,577,671 fully paid ordinary shares at an issue price of \$0.3959 per share.

4. INCOME TAX

	2018 \$	2017 \$
The components of income tax expense are as follows:		
Current tax	-	618,750
Deferred tax	-	-
Adjustment in respect of current income tax of previous years	(588,654)	-
Total expense/(benefit)	(588,654)	618,750

- (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.

	2018 \$	2017 \$
Numerical reconciliation of income tax expense to prima facie tax payable is as follows:		
Loss from operations before income tax expense	(1,156,815)	(3,292,348)
Tax at Australian tax rate of 27.5% (2017: 27.5%)	(318,124)	(905,396)
Effect of tax rates in foreign jurisdiction	108,515	170,034
Expenses not deductible	63,011	251,413
Non assessable income	(486,039)	-
Recognition of previously unrecognised losses	-	(219,646)
Deductible temporary differences not recognised	632,638	1,322,345
Adjustment in respect of current income tax of previous years	(588,654)	-
Income tax expense / (benefit)	(588,654)	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	19,103,025	17,609,988
Potential benefit at 27.5% (2017: 27.5%)	5,253,332	4,842,747

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

- 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;
- the respective companies continue to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the respective companies in realising benefit from the deductions from the losses.

Deferred Income Tax

	2018 \$	2017 \$
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Accrued interest	19,235	13,097
Deferred tax assets used to offset deferred tax		
Liabilities	(19,235)	(13,097)
	-	-

Deferred tax assets		
Property, Plant and Equipment	-	-
Accruals	22,316	19,720
Tax losses - capital	73,020	559,059
Tax losses - revenue	5,180,540	4,844,564
Deferred tax assets used to offset deferred tax liabilities	(19,235)	(13,097)
Deferred tax assets not brought to account	(5,256,876)	(5,410,246)
	<u>-</u>	<u>-</u>

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	2018	2017
	\$	\$

For basic and diluted loss per share:

Net loss for the year attributable to ordinary shareholders of the parent	<u>568,161</u>	<u>3,911,098</u>
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(b) Weighted average number of shares	2018	2017
	Number	Number

For basic and diluted loss per share:

Weighted average number of ordinary shares	<u>371,593,578</u>	<u>351,472,756</u>
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There are 15,875,000 (2017: 67,687,500) 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

	2018	2017
	\$	\$
(a) Current		
Trade debtors	6,050	4,890
Receivable on sale of prospects (i)	-	3,000,000
Sundry debtors (ii)	<u>89,625</u>	<u>210,184</u>
	<u>95,675</u>	<u>3,215,074</u>

(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.

7. AVAILABLE FOR SALE FINANCIAL ASSETS

	2018 \$	2017 \$
(a) Current		
At fair value		
Shares - listed	26,088	22,755
(a) Reconciliation		
Reconciliation of the carrying amount of available for sale financial assets at the beginning and end of the current financial year.		
At 1 July	22,755	17,500
Acquisitions	-	15,000
Impairment	-	(4,745)
Available for sale reserve transfer	3,333	(5,000)
At 30 June	26,088	22,755

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.

2018	Level 1	Level 2	Level 3	Total
Available for sale financial instrument	26,088	-	-	26,088
	26,088	-	-	26,088
2017				
Available for sale financial instrument	22,755	-	-	22,755
	22,755	-	-	22,755

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.

8. OTHER ASSETS

	2018 \$	2017 \$
(a) Current		
Cash deposited for performance bond (i)	10,000	10,000
Prepayments	444	1,572
	10,444	11,572
(b) Non-current		
Cash deposited for tenement bond (ii)	272,003	-
Cash deposited for rental bond	-	22,852
	272,003	22,852

(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 1.5% per annum. The carrying value is considered to approximate fair value.

(ii) Cash deposited for tenement bond

This represents monies held as a bond for tenements held in Portugal. No interest accrues on the bonds. The carrying value is considered to approximate fair value.

9. PLANT AND EQUIPMENT

	2018 \$	2017 \$
At cost		
Accumulated depreciation	138,013	303,013
	(67,461)	(46,960)
Net carrying amount	<u>70,552</u>	<u>256,053</u>
Assets pledged as security		
Motor vehicles were previously held under finance leases however as at 30 June 2018 no assets have been pledged as security for borrowings.		
Reconciliation		
Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current financial year.		
<i>Plant and equipment</i>		
At 1 July net of accumulated depreciation	18,992	185
Acquisitions	15,003	20,685
Impairment ¹	(14,303)	-
Depreciation charge for the year	(9,378)	(1,881)
Exchange differences	583	3
At 30 June net of accumulated depreciation	<u>10,897</u>	<u>18,992</u>
<i>Motor Vehicles</i>		
At 1 July net of accumulated depreciation	237,061	267,530
Acquisitions	-	-
Disposals	(114,025)	-
Depreciation charge for the year	(73,292)	(29,593)
Exchange differences	9,911	(876)
At 30 June net of accumulated depreciation	<u>59,655</u>	<u>237,061</u>
Total	<u>70,552</u>	<u>56,053</u>

1. The impairment related to the write off of housing and office furniture in Portugal which was no longer in use

10. EXPLORATION AND EVALUATION EXPENDITURE

	2018 \$	2017 \$
Exploration and evaluation costs	-	395,586
Reconciliation of carrying amount		
Opening balance	395,586	5,388,063
Reverse accrual no longer payable ¹	(372,190)	-
Impairment ¹	(23,396)	-
Sale of assets ²	-	(5,371,890)
Acquisition Costs	-	379,413
Closing balance	-	395,586

¹As announced on 28 July 2017, following a dispute arising concerning the legal rights to the Sepeda Lithium Project, the Company commenced legal proceedings in the Courts of Portugal seeking to protect its rights in respect to the ownership of the Sepeda Lithium Project.

The legal dispute concerns the enforceability of an agreement ('Acquisition Agreement') entered into by the Company with Lusorecursos Lda ('Lusorecursos') to acquire 100% of the Sepeda Lithium Project for consideration of approximately €1.0 million cash, comprising a €250,000 milestone payment on a JORC Mineral Resource of 5Mt @ > 1.2% Li₂O and a €750,000 milestone payment upon a JORC Mineral Resource of 15Mt @ > 1.2% Li₂O (refer ASX announcement dated 1 June 2016).

As the Company has to date been unsuccessful in its attempts to resolve the legal dispute the carrying value of Exploration and Evaluation expenditure relating to the Sepeda Lithium Project has been reduced to nil. This resulted in an impairment of \$23,396 being recorded for exploration and evaluation expenditure.

²As 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 \$3,000,000 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 \$3,000,000 in consideration by the issue of 7,577,671 fully paid ordinary shares at an issue price of \$0.3959 per share.

11. TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
a. Current		
Trade creditors (i)	244,531	749,209
Income Tax Payable	-	618,750
Other creditors (ii)	-	372,190
	244,531	1,740,149

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) (Refer to note 10¹) Given there has been no resolution to the legal dispute regarding the Sepeda Lithium Project and there is no certainty to resolving the dispute, no accrual has been made this year for the first milestone payment €250,000 payable under the Acquisition Agreement (2017: \$372,190).

12. FINANCIAL LIABILITIES: INTEREST-BEARING LOANS AND BORROWINGS

	Interest rate %	Maturity	2018 \$	2017 \$
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

13. PROVISIONS

	2018 \$	2017 \$
a. Current		
Provision for Annual Leave	48,860	77,857
b. Non-current		
Provision for Long Service Leave	10,876	11,394

14. CONTRIBUTED EQUITY

a. Ordinary shares	54,455,794	54,370,481
Listed options	456,699	456,699
Total contributed equity	54,912,493	54,827,180

Movements of Ordinary Shares

	2018		2017	
	Number	\$	Number	\$
Shares on issue				
Beginning of financial year	370,404,879	54,370,481	320,379,879	52,820,149
Add shares issued				
- 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	2,437,500	85,313	150,000	2,400
- Performance rights vested	-	-	6,625,000	-
Less capital raising costs	-	-	-	(12,068)
End of financial year - shares	372,842,379	54,455,794	370,404,879	54,370,481

	2018	2017
	\$	\$
b. Milestone shares	780,000	780,000

Movement in milestone shares

	2018		2017	
	Number	\$	Number	\$
Beginning of financial year	30,000,000	780,000	60,000,000	2,340,000
Less milestone shares granted/(vested)	-	-	(30,000,000)	(1,560,000)
Tranche 1 (100% probability)				
End of financial year - milestone shares	30,000,000	780,000	30,000,000	780,000

c. Terms & conditions of contributed equity

Ordinary shares and listed options

Ordinary shares and listed options 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.
- 9,000,000 options exercisable at \$0.001 expiring on 1 February 2023.

2,750,000 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. The unlisted options are included within the share based payments reserve per note 15.

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 Li₂O 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 Inferred Mineral Resource (in accordance with the requirements of the JORC Code) of 15 million tonnes of Li₂O 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).

15. RESERVES

	2018 \$	2017 \$
Share-based payment reserve (i)	2,960,284	2,954,796
Available for sale reserve (ii)	3,333	-
Foreign currency transaction reserve	(40,398)	(75,219)
	<u>2,923,219</u>	<u>2,879,577</u>
(i) Share-based payment reserve		
Balance at the beginning of the financial year	2,954,796	2,041,767
Share-based payments expense	5,488*	913,029
Balance at the end of the financial year	<u>2,960,284</u>	<u>2,954,796</u>

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:

- \$184,360 – share-based payments expensed for the period.
- \$178,872 – share-based payments reversed for the period due to changes in the probability that these awards will be vested.

	2018 \$	2017 \$
(ii) Available-for-sale reserve		
Balance at the beginning of the financial year	-	5,000
Increase/(Decline) in fair value of available-for-sale financial assets	3,333	(5,000)
Balance at the end of the financial year	<u>3,333</u>	<u>-</u>

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

16. ACCUMULATED LOSSES

	2018 \$	2017 \$
Accumulated losses	(42,739,648)	(42,171,487)
Movement in accumulated losses:		
Balance at the beginning of the financial year	(42,171,487)	(38,260,389)
Net loss for the year	(568,161)	(3,911,098)
Balance at the end of the financial year	(42,739,648)	(42,171,487)

17. CASH FLOW STATEMENT

	2018 \$	2017 \$
a. Reconciliation of cash		
Cash at bank and on hand	403,744	417,166
Short term deposits	951,825	1,131,066
Total cash and cash equivalents	1,355,569	1,548,232
Cash on term deposit (i)	14,350,000	12,850,000
(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	(568,161)	(3,911,098)
Adjustments for:		
Depreciation	82,671	31,474
Employee share-based payment	5,488	913,029
Impairment of property, plant and equipment	14,303	-
Impairment of doubtful debts	4,890	-
Impairment of tenement acquisition	23,396	-
Net (profit)/loss on disposal of investing assets	(1,763,037)	-
Net foreign exchange difference	-	(61,100)
Net proceeds from sale of investments classified as investment	-	(2,598,600)
Changes in assets and liabilities:		
Increase/(Decrease) in payables	(37,927)	82,638
Increase/(Decrease) in provisions	130,693	(45,373)
(Increase)/Decrease in receivables	1,128	(1,572)
(Increase)/Decrease in prepayments	-	10,745
(Increase)/Decrease in investments	-	618,750
Income Tax Payable		
Net cash used in operating activities	(3,258,343)	(4,436,290)

18. RELATED PARTY TRANSACTIONS

- 1) During the period \$5,509 (2017:\$40,800(i) for consulting fees) was paid to IMCO Australia Pty Ltd, a company controlled by Prof Dudley Kingsnorth, for travel reimbursement.

(i) Amount is included in Director's Salaries and Fees as disclosed in table in Section H of Remuneration Report (Refer Director's Report Page 21).

19. DIRECTORS AND KEY MANAGEMENT PERSONNEL

Compensation for Executive Directors and Key Management Personnel

	2018	2017
	\$	\$
Short-term benefits	610,190	632,619
Long-term benefits	(713)	8,360
Post-employment benefits	54,189	52,523
Share-based payments	20,634	725,483
Total compensation	684,300	1,418,987

20. SHARE-BASED PAYMENTS

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

- (a) Share-based options

During the period the following options were granted to directors and officers:

Class	Expiry date	Exercise price	Date granted	Number of options	Grant date fair value	Vesting date
Unlisted Options Tranche 1	1 February 2023	\$0.001	15 March 2018	4,000,000	\$0.05422	1 February 2019
Unlisted Options Tranche 2	1 February 2023	\$0.001	15 March 2018	2,500,000	\$0.05422	1 February 2021
Unlisted Options Tranche 3	1 February 2023	\$0.001	15 March 2018	2,500,000	\$0.05422	1 February 2021

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 2.38%
- Company share price of \$0.055
- Dividend Yield of 0%
- Expected volatility of 100%
- Option exercise price of \$0.001.
- Option duration of 4.89 years

The vesting conditions of the options are as follows:

Tranche	Number	Vesting Condition
1	4,000,000	The person to whom the Performance Options were first offered (Grantee) is continuously employed by the Company for a period of not less than 12 months.
2	2,500,000	The Board of the Company considers, in its absolute discretion, that the Company's legal dispute with respect to the Sepeda Lithium Project has been resolved.
3	2,500,000	The 15-day volume weighted average price of Shares on ASX is at least \$0.10 each.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value. The expense for each tranche of the performance options will be recognised over the respective vesting period.

The following table illustrates the number and weighted average exercise prices (WAEP) and movements in employee share options during the year.

	2018	2018	2017	2017
	Number	WAEP \$	Number	WAEP \$
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	9,000,000	0.001	-	-
Exercised during the year	-	-	-	-
Expired or Cancelled during the year	-	-	-	-
Outstanding at the end of the year	9,000,000	0.001	-	-
Exercisable at reporting date	-	-	-	-

There were no options issued in 2017.

(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 2018 or 30 June 2017.

(c) Performance Rights

At the start of the 2018 financial year, there were 6,625,000 Performance Rights issued to KMP in prior financial years that remained unvested. Of these, 2,500,000 Performance Rights were forfeited on 15 December 2017 upon the termination of Mr David Frances employment, in accordance with the terms of Company's LTI Plan Rules. The cumulative expense had previously been recognised in relation to these rights was reversed in full.

Movement of Performance Rights:

	2018 Number	2017 Number
Outstanding at beginning of the year	6,625,000	23,500,000
Granted during the year	-	2,000,000
Performance rights vested and converted to ordinary shares	-	(18,875,000)
Performance rights forfeited	(2,500,000)	-
Outstanding at the end of the year	4,125,000	6,625,000

For the remaining 4,125,000 unvested performance rights, under tranches 2 and 3 were subject to the following vesting conditions:

- Tranche 2 - vesting on the establishment of the Company by a JORC compliant 15 million tonne resource of Li20 of a grade of at least 1%, for which management assessed the expected vesting date as 29 November 2019.
- Tranche 3 - vesting on the establishment of the Company by a JORC compliant 30 million tonne resource of Li20 of a grade of at least 1%, for which management assessed the expected vesting date as 29 November 2020.

Management considered the Group's change in strategic direction from lithium exploration to gold exploration as evidenced by its acquisition of gold interests in August 2018. Management concluded that the probability that these performance rights will be vested by their respective dates is nil. The cumulative expense that had been recognised in relation to these rights was therefore reversed as at 30 June 2018.

21. AUDITORS REMUNERATION

	2018 \$	2017 \$
The auditor of Novo Lítio Ltd is Ernst & Young		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- an audit or review of the financial report of the entity and any other entity in the Consolidated Group	33,316	31,345
- tax advice in relation to the entity and any other entity in the Consolidated Group	89,083	90,437
Amounts received or due and receivable by Ernst & Young (Portugal) for:		
- Tax advice in relation to the entity and any other entity in the Consolidated Group	12,130	-
	<u>134,529</u>	<u>121,782</u>

b. The auditors received no other benefits.

22. EXPENDITURE COMMITMENTS AND CONTINGENT LIABILITIES

a. Exploration expenditure commitments

The Company currently has no obligations to perform minimum exploration work and to expend minimum amounts of money on mining tenements. The historical minimum expenditure commitment on the tenements is shown as below.

	2018 \$	2017 \$
Not later than one year	-	349,741
Later than one year and less than five years	-	3,644,312
	<u>-</u>	<u>3,994,053</u>

b. Finance lease expenditure commitments

In 2017, the Group had finance leases and hire purchase contracts for motor vehicles. The finance leases were paid out during the period. 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:

	2018		2017	
	Minimum Payments \$	Present value of payments \$	Minimum Payments \$	Present value of payments \$
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>-</u>	<u>-</u>	<u>187,001</u>	<u>177,454</u>

c. Operating lease expenditure commitments

During 2018 the Group had operating leases for premises and equipment, with lease terms between one to three years. The Group has the option, under some of its leases, to lease the assets for an additional two years. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018, are as follows:

	30 June 2018	30 June 2017
	\$	\$
Not later than one year	68,406	-
Later than one year and less than five years	58,423	-
	<u>126,828</u>	<u>-</u>

d. Cash deposited for performance bonds

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.

e. Cash deposited for tenement bonds

The Company has paid a total of Euro 172,500 (A\$272,003) for seven tenements bonds in Portugal.

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.

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, 7, 8, 11 and 12 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 2018. 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.

	30 June 2018	30 June 2017
	\$	\$
Financial assets		
Cash and cash equivalents and term deposits	15,705,569	14,398,232
Other Assets	10,000	10,000
	<u>15,715,569</u>	<u>14,408,232</u>
Impact on profit and equity		
Post-tax gain/(loss)		
80 bp increase	125,724	115,266
80 bp decrease	(125,724)	(115,266)

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:

	30 June 2018	30 June 2017
	AUD	AUD
Financial assets		
Cash and cash equivalents	167,963	185,695
Trade and other receivables	-	382
Total financial assets	<u>167,963</u>	<u>186,077</u>
Financial liabilities		
Trade and other payables	118,984	1,740,149
Loans and borrowings	-	177,454
Total financial liabilities	<u>118,984</u>	<u>1,917,603</u>

The following conversion rates were used at the end of the financial year:

AUD/EUR: 1.57683 (2017: 1.48876)

The impact of a reasonably possible change in foreign currency rates at 30 June 2018 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:

	S&P Credit rating				
	AAA	A1+	A1	A2	Unrated
30 June 2018					
Cash & cash equivalents	-	15,705,569	-	-	-
Other Assets	-	10,000	-	-	-
Trade and other receivables	-	367,678	-	-	367,678
Number of counterparties	-	3	-	-	1
Largest counterparty	-	97.6	-	-	100
30 June 2017					
Cash & cash equivalents	-	14,398,232	-	-	-
Other Assets	-	10,000	-	-	-
Trade and other receivables	-	3,047,627	-	-	3,047,627
Number of counterparties	-	3	-	-	1
Largest counterparty	-	82.5	-	-	100

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 \$	Total \$
As at 30 June 2018					
Trade and other	244,531	-	-	-	244,531
As at 30 June 2017					
Trade and other	1,740,149	-	-	-	1,740,149
Interest-bearing loans	29,264	29,265	58,528	69,945	187,002

Capital risk management

Capital consists of total equity \$15,876,064 (2017: \$16,315,270)

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 2017 and no dividend will be paid in 2018.

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

The following material events occurred subsequent to the balance date:

- On 6 August 2018 the Company announced that it has entered into a binding Heads of Agreement with Apollo Consolidated Limited ('Apollo') to acquire an 80% interest in Apollo's gold exploration projects located in northern Côte d'Ivoire, West Africa. The Company will seek shareholder approval for the issue of 90 million shares as consideration for the acquisition at a General Meeting to be held on 28 September 2018;
- On 16 August 2018 the Company announced that remaining unvested Performance Rights granted under the Company's LTI Plan in prior financial years were voluntarily forfeited. A total of 4,125,000 Performance Rights were forfeited; and
- On 31 August 2018 the Company announced the resignation of Professor Dudley Kingsnorth.

Other than the events outlined above there has not arisen in the interval between the end of the 2018 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.

25. EXPLORATION AGREEMENTS

Novo Lítio and Perpetual Resources Limited (ASX:PEC) are parties to the Sofala Wiagdon Thrust Joint Venture (PEC 70%/ NLI 30%) over 4 tenements in NSW (refer to schedule of tenements pg 70). 3 of the 4 tenements remaining are in the process of being relinquished. Novo's 30% interest is free carried until any mining commencement date.

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. \$10,897 of non-current assets are located in Australia and \$331,658 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 \$1,814,162 on direct exploration and evaluation expenditure during the year (2017: \$4,244,920). Major exploration activities during the period are outlined in the Review of Operations as contained in the Directors Report.

28. CONTROLLED ENTITIES

Name	Country of Incorporation	Principal Activity	Beneficial Percentage Interest Held By Economic Entity	
			2018 %	2017 %
Slipstream LP Pty Ltd*	Australia	Mineral exploration	100	100
Lusidakota Minerals LDA	Portugal	Mineral exploration	100	100
Boticom LDA **	Portugal	Mineral exploration	100	-

* Acquisition approved by shareholders on 12 February 2016.

** On 4 September 2017 the Company signed a binding contract to acquire 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 Minerals LDA, a wholly-owned subsidiary of Novo purchased 100% of Boticom LDA. The acquisition was settled as an asset acquisition and is not considered to be a business combination.

29. PARENT ENTITY INFORMATION

(a) Information relating to Novo Lítio Ltd	2018 \$	2017 \$
Current assets	15,669,813	17,461,556
Total assets	16,010,180	20,199,042
Current liabilities	(123,240)	(561,933)
Total liabilities	(134,116)	(573,328)
Issued capital	55,692,493	55,607,180
Accumulated losses	(42,780,047)	(38,936,262)
Reserve	2,963,618	2,954,796
Total shareholders' equity	15,876,064	19,625,714
Loss of the parent entity	(3,843,784)	(676,186)
Total comprehensive income of the parent entity	(3,843,784)	(676,186)

(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 2018 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 2018.

For and on behalf of the Board of Directors.

A handwritten signature in black ink, appearing to be 'Justin Tremain', written over a horizontal line.

Justin Tremain
Managing Director

Perth, WA
20 September 2018

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 2018, 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 2018 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 each matter below, our description of how our audit addressed the matter is provided in that context.

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

1. Share based payments

Why significant

In the current year the Group granted share based payments in the form of performance rights and share options. The awards vest subject to the achievement of certain vesting conditions.

Due to the complex and judgmental estimates used in determining the valuation of the share based payments and vesting expense, we considered the Group's calculation of the share based payment expense to be a key audit matter.

In determining the fair value of the awards and related expense the Group uses assumptions in respect of future market and economic conditions.

Refer to Note 20 to the financial report for the share based payment expenses recognised for the period ended 30 June 2018 and related disclosure.

How our audit addressed the key audit matter

For awards granted or expensed during the year, we performed the following audit procedures:

- ▶ We assessed the appropriateness of the Group's accounting treatment determined under the applicable accounting standards.
- ▶ We involved our valuation specialists to assess the assumptions used in the Group's calculation of the fair value of the unlisted options including the share price of the underlying equity, interest rate, volatility, dividend yield, time to maturity (expected life) and grant date.
- ▶ We assessed management's assessment of the achievement of vesting condition, their determination of the vesting period and the adequacy of the associated disclosures in the financial statements.
- ▶ We also assessed the adequacy of the disclosure in Note 20.

Information other than the financial statements 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 2018, 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the remuneration report

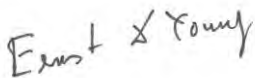
Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Novo Litio Limited for the year ended 30 June 2018, 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
20 September 2018

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 2018 was approved by the Board on 19 September 2018. The Corporate Governance Statement can be located on the Company's website

WWW.NOVOLITIO.COM

ADDITIONAL ASX SHAREHOLDERS INFORMATION AS AT 11 SEPTEMBER 2018

1. Number of Holders of Each Class of Quoted Securities at 11 September 2018

ASX Code	Number	Holders	Security Description
NLI	372,842,379	1,803	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.

Equity distribution	Ordinary Shares (NLI)
1 - 1,000	128
1,001 - 5,000	175
5,001 - 10,000	224
10,001 - 100,000	862
Over 100,000	411
TOTAL	1,803

4. The twenty largest ordinary fully paid shareholders (NLI) hold 41.48% of the issued capital and are tabled below:

Name	Ordinary Shares	%
1 J P Morgan NOM Aust Ltd	37,535,622	10.07
2 Slipstream Resources Investments Pty Ltd <Capital A/C>	16,921,169	4.54
3 Jamax Holdings Pty Ltd	10,000,000	2.68
4 Soaraway Development Pty Ltd	9,397,032	2.52
5 Anima Fluvius Pty Ltd <Sciano A/C>	8,800,000	2.36
6 J&N Weston Inv Pty Ltd <Weston S/F A/C>	8,137,220	2.18
7 BNP Paribus NOM Pty Ltd <IB AU NOMS Retail A/C>	6,818,878	1.83
8 Jamax Holdings Pty Ltd	6,194,380	1.66
9 Weng Yi & Li Ning	6,000,000	1.61
10 Citicorp Nom Pty Ltd	5,183,913	1.39
11 Wedin, Francis Edward	5,137,929	1.38
12 Yea-Sayer Pty Ltd	5,000,000	1.34
13 Nero Resource Fund Pty Ltd	5,000,000	1.34
14 Fitzgerald, John Daniel <JF & TF FAM A/C>	4,500,000	1.21
15 Yarraandoo Pty Ltd <Yarraandoo S/F A/C>	3,550,000	0.95
16 Merrill Lynch Aust Nom Pty Ltd	3,548,135	0.95
17 Alexander Holdings WA Pty Ltd	3,500,000	0.94
18 Koller, Peter David	3,300,000	0.89
19 Jetosea Pty Ltd	3,150,000	0.84
20 Radford, Stacey	3,000,000	0.80
	154,674,278	41.48

UNMARKETABLE PARCELS

5. The Company has 500 shareholders holding an unmarketable parcel of shares using a price of \$0.045 per share.

SUBSTANTIAL SHAREHOLDER

6. There are no substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001.

OTHER ASX ADDITIONAL INFORMATION

1. Corporate Governance

The Company's Corporate Governance Statement as at 30 June 2018 as approved by the Board can be viewed at 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 2, 18 Kings Park Road West Perth WA 6005 Telephone: 08 6117 0446

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 2016) (Waivers), the Company advises that the following securities, which were the subject of the Waivers, remain outstanding at the balance date.

Under the terms of the agreement the Company entered into on 18 December 2015 to acquire the Lynas Find Project from Asgard Metals Pty Ltd ('Asgard') and Slipstream Resources Group ('Slipstream'), Asgard and Slipstream are entitled to receive shares in the Company upon certain milestones being achieved in respect to the Lynas Find Project. Notwithstanding the sale of the Lynas Find Project to Pilbara Minerals Limited ('Pilbara') announced by the Company on 1 December 2016, Asgard and Slipstream will retain the right to receive 30 million shares in the Company if Pilbara announces a JORC Mineral Resource for the Lynas Find Project of >15Mt at >1.2% Li₂O on or before 12 February 2021. On 28 May 2018, Pilbara announced an updated JORC Mineral Resource of 5.4Mt at 1.56% Li₂O (at 0.5% Li₂O cut-off), which was tonnage downgrade on the Company's maiden JORC Mineral Resource for Lynas Find Project of 6.6Mt at 1.34% Li₂O (at 0.5% Li₂O cut-off) (refer ASX announcement 5 October 2016).

7. Tenement Schedule (As at 11 September 2018)

Project (Tenement)	Location	Ownership	Status
Sepeda Project (MNPP04612)	Portugal	100%	Granted ¹
Spodumenberget Project (Dyngselet nr 1)	Sweden	100%	Granted
Spodumenberget Project (Dyngselet nr 2)	Sweden	100%	Granted
Spodumenberget Project (Skorped nr 1)	Sweden	100%	Granted
Hamrange Project (Hamråde nr 100)	Sweden	100%	Granted
Hamrange Project (Hamråde nr 101)	Sweden	100%	Granted
Hamrange Project (Hamråde nr 102)	Sweden	100%	Granted
Hamrange Project (Hamråde nr 103)	Sweden	100%	Granted
Hamrange Project (Hamråde nr 104)	Sweden	100%	Granted
Raggen Project (Räggen nr 100)	Sweden	100%	Granted
Wiagdon Thrust JV (EL 7549)	New South Wales, Australia	30%	Farm out to Perpetual Resources Ltd (ASX:PEC), Novo Lítio free carried

¹ The granted exploration licence that makes up the Sepeda Project in Portugal is subject to the Acquisition Agreement with Lusorecursos which is subject to a legal dispute as to the ownership as discussed in the Directors Report.