# INFINITY LITHIUM

## INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

## Contents

## Corporate Directory

| | |
|---|---|
| **Non-Executive Chairman** | Adrian Byass |
| **Managing Director/CEO** | Ryan Parkin |
| **Executive Directors** | Remy Welschinger<br>Jon Starink |
| **Company Secretary/CFO** | Jonathan Whyte |
| **Principal & Registered Office** | Units 32/33, Level 3, 22 Railway Road<br>Subiaco WA 6008 Australia<br><br>Telephone: +61 8 6146 5325<br>Email: admin@infinitylithium.com |
| **Auditors** | Pitcher Partners BA&A Pty Ltd<br>Level 11, 12-14 The Esplanade<br>Perth WA 6000 Australia |
| **Share Registry** | Advanced Share Registry Services<br>110 Stirling Highway<br>Nedlands WA 6009 Australia<br><br>Telephone: +61 8 9389 8033<br>Facsimile: +61 8 6370 4203 |
| **Stock Exchange** | Australian Securities Exchange (ASX)<br>Code: INF<br>Frankfurt Stock Exchange (FRA)<br>Code: 3PM |
| **Website** | www.infinitylithium.com |

# Directors' Report

Your Directors present their report on Infinity Lithium Corporation Limited (the '**Company**' or '**Infinity**') and its controlled entities (together the '**Consolidated Entity**') in conjunction with the Financial Report for the half-year ended 31 December 2021 (the '**reporting period**').

## Directors

The names of Directors in office at any time during or since the end of the period are:

| | |
|---|---|
| • Mr Adrian Byass | Non-Executive Chairman |
| • Mr Ryan Parkin | Managing Director/CEO |
| • Mr Remy Welschinger | Executive Director |
| • Mr Jon Starink | Executive Director |

Directors have been in office since the start of the reporting period to the date of this report unless otherwise stated.

## Principal Activities and Significant Changes in Nature of Activities

The principal activities of the Consolidated Entity during the reporting period was exploration and evaluation of the Consolidated Entity's lithium assets and progression of the integrated lithium chemicals conversion plant. There were no significant changes in the nature of the Consolidated Entity's principal activities during the reporting period.

## Operating Results

The consolidated loss of the Consolidated Entity after providing for income tax amounted to $4,154,326 (31 December 2020: profit of $3,844,453).

## Review of Operations

**<u>Business Activities</u>**

**San José Lithium Project:**

***Integrated Underground Scoping Study Completed***

In October 2021, Infinity delivered a Scoping Study ('**Scoping Study**', or '**the Study**') for an Integrated Underground Mine and Lithium Hydroxide production facility at the San José Lithium Project ('**San José**', or '**the Project**'). The Study forecasts average steady-state production of 19.5ktpa LCE of battery grade lithium hydroxide over 26 years. These outcomes are aligned to positive environmental impacts and societal benefits with increased levels of employment from prior technical studies.

The outcomes of the Scoping Study are presented below. For full details of the Scoping Study please refer to the ASX announcement and presentation released on 14 October 2021.

## Directors' Report (continued)

**Scoping Study Outcomes**

| | | |
|---|---|---|
| $NPV_{10\%}$ (pre-tax) | US$ | 811.7m |
| IRR | % | 25.7 |
| LOM Gross Revenues | US$ | 7,938m |
| Average Net Cash Flow (From Production): 26 years | US$ | 190.6m |
| Payback Period | yrs | 3.2[(1)] |
| LOM Average ROM | tpa | 1.9m |
| Average Steady-State Production Lithium Hydroxide | tpa | 19.5k |
| Pre-Production CAPEX | US$ | 532.2m |

(1) Payback period after commercial production of lithium hydroxide.
Average price assumption for battery grade lithium hydroxide monohydrate US$17,000/t.
Fastmarkets Battery Raw Material Price Update (24 September 2021) battery grade lithium hydroxide monohydrate (56.5% $LiOH.H_2O$) spot prices on CIF basis for China, Japan and Korea at a mid-point of US$21,500 per tonne.

The Scoping Study was completed to highlight the viability of developing the underground mine and the associated production of battery grade lithium hydroxide at San José.

Infinity delivered this Study, leveraging off previously completed Pre-Feasibility level studies and subsequent, ongoing feasibility level test work for the processing and production of lithium chemicals from San José. The Study is important as it represents an integrated, wholly-underground mining operation to minimise impact on the environment and local stakeholders.

This proposed solution removes the requirement for any open pit mining, replacing it with underground-only operations and preserves the landform at San José. An increase in scale of proposed production and change in mining method delivers an increase in direct employment over a comparable duration to the previously released Pre-Feasibility Study ('**PFS**') (August 2019).

The Scoping Study provides for a material change in the Project in direct response to societal and local considerations, and stakeholder interaction. The European development of a sustainable lithium-ion battery value chain could be positively affected by the availability of locally sourced and clearly traceable battery materials.

The Company believes this Scoping Study highlights the potential for San José to potentially produce increased quantities of battery grade lithium chemicals and deliver further improvements in social, environmental and visual impacts.

The Company is continuing to engage with in-country and European stakeholders in response to the evolving environmental and societal considerations which are aligned to the increased demand for sustainably produced battery grade lithium chemicals.

## Directors' Report (continued)

***Cautionary Statement – Scoping Study***

*The Scoping Study referred to in this report has been undertaken to assess the viability of an underground-only mining operation and integrated lithium chemical production facility at the San José Lithium Project. It is a preliminary technical and economic study of the potential viability of the San José Lithium Project. It is based on low-level (accuracy) technical and economic assessments, (+/- 35% accuracy) and is insufficient to support estimation of Ore Reserves. Further exploration and evaluation work and appropriate studies are required before Infinity will be in a position to estimate any Ore Reserves or to provide assurance of an economic development case at this stage; or to provide certainty that the conclusions of the Study will be realised.*

*Infinity have independently engaged the services of Mining Sense Global S.L. to complete a desktop review for the development of an underground mine. Infinity has previously engaged Wave International Pty Ltd ('Wave') to assess the technical and economic viability to a Pre-Feasibility Study level with regards to producing battery grade lithium hydroxide under the San José Lithium Project. Whilst the Scoping Study has yielded robust outcomes and provided independent perspective on the opportunity to produce battery grade lithium hydroxide, there is no guarantee that the Joint Venture will choose to adopt the outcomes of the study.*

*The Production Target and forecast financial information referred to in this report is based on 76% Indicated Resources and 24% Inferred Resources for the life of mine life covered under the Study. In accordance with the twenty-six (26) year mine plan incorporated into the Study, the first 3.2 years of production (covering payback period) will be derived from 92% Indicated material with 8% from the Inferred category. The Inferred material does not have a material impact on the technical and economic viability of the project. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.*

*This Scoping Study is based on the material assumptions outlined below. These include assumptions about the availability of funding. While the Company considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Study will be achieved.*

*Infinity is in Joint Venture with Valoriza Mineria S.A., a subsidiary of SACYR S.A. over the San José Lithium Project. Infinity currently holds a 75% interest and has an Option to proceed to 100% interest at its election. This Study (on a 100% ownership basis), pre-production capital of US$459m excluding contingencies, and US$532.2m including a weighted average 16% contingency) will likely be required to fund the San José Lithium Project. Investors should note that there is no certainty that the Company will be able to raise that amount of funding when needed however the Company has concluded it has a reasonable basis for providing the forward-looking statements included in this announcement and believes that it has a "reasonable basis" to expect it will be able to fund the development of the San José lithium deposit. It is possible that Infinity can pursue a range of funding strategies to provide funding options, and that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Infinity Lithium Corporation Limited's existing shares. It is also possible that Infinity Lithium Corporation Limited could pursue other value realisation strategies such as sale, partial sale, or joint venture of the San José Lithium Project. If it does, this could materially reduce Infinity's proportionate ownership of the San José Lithium Project. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of this Scoping Study.*

### *Status of Appeal in the Contentious-Administrative Court in Cáceres*

Infinity, through San José Joint Venture ('**JV**') entity Tecnologia Extremeña Del Lito S.L. ('**TEL**') and with authority under the revised JV amendment with Project JV partners Valoriza Mineria S.L.U. ('**VM**'), continued to contest the cancellation of Investigation Permit Valdeflórez ('**PIV**') through a contentious-administrative appeal. The Company strongly disputes the basis of the decision regarding the cancellation of PIV and reserves all legal rights against the Junta of Extremadura ('**Junta**'). A full summary of the events that led to the decision is contained in ASX announcement 17 May 2021.

The reporting period ended 31 December 2021 included the administrative progression of the legal process through the Contentious-Administrative Court in Cáceres ('**CAC**', or '**the Court**'). The Company finalised the filings for the matter to be heard before the Court and draft of claim. Subsequent to period end, the final submission of TEL's writ with regards to the status of PIV was lodged with the CAC.

## Directors' Report (continued)

The statement of defence will subsequently be provided to the CAC. Documentary evidence will be considered by the judge presiding over the CAC prior to the issue of the Court's findings and the final judgement.

***Positive Court Decision for San José***

In September 2019, the City Council proposed a modified restoration plan and placed a halt on field work at San José. The City Council claimed the Company (through TEL) had acted outside the restoration plan which had been provided by TEL prior to works and was approved under the relevant authority at the Regional Government. TEL disputed the claim and sought resolution through the CAC.

In October 2021, the Company received a positive ruling by the CAC in favour TEL where the CAC upheld the appeal of TEL relating to the rehabilitation and restoration plan of the Project.

The CAC concluded that the City Council resolution was "contrary to law" and declared it null and void. TEL operated under the law, regulations and permits in submitting the restoration plan to the required authority. The restoration works were subsequently completed and rehabilitation activities finalised following the decision of the CAC.

The Company welcomed the independent ruling from the CAC to enforce the application of law regarding the administrative status of the Project. The Company remains committed to prioritise community engagement and collaborations with local stakeholders to progress the Project for the benefit of the local community, Spain and the EU. Infinity retains subsequent rights of applications over and including the PIV area through other applications. These are summarised in the ASX announcement 19 July 2021.

***Infinity GreenTech Launches Next Generation Processing Technology***

In November 2021, the Company incorporated a new wholly owned subsidiary, Infinity GreenTech Pty Ltd ('**Infinity GreenTech**'), to focus on the commercialisation of low carbon footprint lithium hard rock processing technologies that provide for a radical departure from traditional processing routes. Infinity has conducted this test work as an adjunct to the ongoing feasibility level test work at San José through the Company's access to industry leading experts.

The results of a comprehensive review of potential alternative extractive technologies for San José identified candidate alternative technologies with significant technical, financial and environmental potential benefits warranting further investigation and demonstration through appropriate laboratory test work. This work confirmed the technical feasibility, likely cost and other benefits of these candidate technologies. For further details refer to ASX announcement 6 December 2021.

***Infinity & Thyssenkrupp to Assess Green Hydrogen at San José.***

In December 2021, Infinity GreenTech announced a collaboration with Thyssenkrupp Industrial Solutions AG Bueins Unit Mining ('**tk BU Mining**') to assess the potential to use green hydrogen to power the lithium chemical conversion process.

The Memorandum of Understanding ('**MoU**') highlights the intention of both parties to apply technological advancements for green hydrogen energy applications for pyrometallurgical equipment relevant to lithium chemical conversion processes. The advancements have the potential to be integrated into both San José and the Infinity GreenTech novel lithium hydrometallurgical conversion processes.

# Directors’ Report (continued)

## Discussion and Analysis of Operations and the Financial Position

The Consolidated Entity’s cash position as at 31 December 2021 was $18,713,656 (30 June 2021: $19,134,704). The net assets of the Consolidated Entity have increased from $27,220,500 on 30 June 2021 to $27,560,614 on 31 December 2021. The Consolidated Entity’s net working capital, being current assets less current liabilities, has slightly decreased from $18,025,832 on 30 June 2021 to $17,643,655 on 31 December 2021. Accordingly the Directors consider it appropriate to prepare the financial statements on a going concern basis.

## Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Consolidated Entity other than those disclosed in the Review of Operations.

## Dividends Paid or Recommended

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific Notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

## Events After Reporting Date

In February 2022, Infinity announced the production of increased quantities of battery grade lithium chemicals from the completion of metallurgical test work from the San José Lithium Project.

This test work was conducted at Dorfner Anzaplan’s facilities in Germany, under the terms of the Project Agreement with EIT InnoEnergy, to facilitate the development of the sustainable, novel and innovative sulphate roast process (refer to ASX announcement 18 June 2020). This development work at Dorfner Anzaplan has been funded by EIT InnoEnergy, with an aim of creating more sustainable refining technology for lithium mineralogies that have to be exploited industrially for the first time. EIT InnoEnergy is supported by the European Institute of Innovation and Technology (‘**EIT**’), which is a body of the European Union.

The Project Agreement and ensuing test work program have provided successful results and confirmation of the production of battery grade lithium carbonate and hydroxide in the advancement of the Project’s Feasibility Study.

Infinity has retained approximately 0.8 kg of battery grade lithium hydroxide for future product verification. Infinity and its technical partners produced this increased volume of battery grade lithium chemicals in line with both the requirements for the Feasibility Study (open circuit), and for samples of end products for verification purposes in the advancement of offtake discussions.

## Directors' Report (continued)

This pilot-scale test work has confirmed the scalability of the process emerging from the bench-scale test work, confirming key process design criteria. The next stage of test work will progress locked cycle test work ('**LCT**') and advancement of the engineering design criteria for the Project Feasibility Study with an underground mine providing lithium bearing mica ROM to feed a fully integrated, on-site lithium chemical conversion plant capable of producing both battery grade lithium carbonate and hydroxide.

Since the end of the reporting period, the Company has issued 729,985 ordinary shares as a result of the exercise of options exercisable at $0.12 each to raise $87,598. There were no amounts unpaid on these shares issued.

No further matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

### Likely Developments and Expected Results of the Operations

The Consolidated Entity intends to continue its exploration, development and production activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise.

### Environmental Regulations

The Consolidated Entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

### Unissued Shares

As at the date of this report, the unissued ordinary shares of Infinity under option are as follows:

| Details | Grant Date | Number | Exercise Price ($) | Date of Expiry |
|---|---|---|---|---|
| Unlisted Options | 17/09/2019 | 1,000,000 | $0.088 | 16/09/2022 |
| Unlisted Options | 19/10/2020 | 20,796,895 | $0.12 | 30/11/2022 |
| Unlisted Options | 27/11/2020 | 10,000,000 | $0.09 | 30/11/2022 |
| Unlisted Options | 07/12/2020 | 500,000 | $0.20 | 30/11/2022 |
| Unlisted Options | 10/08/2021 | 4,000,000 | $0.266 | 31/12/2024 |
| Unlisted Options | 10/08/2021 | 4,000,000 | $0.304 | 31/12/2024 |
| Unlisted Options | 30/11/2021 | 21,000,000 | $0.25 | 08/12/2023 |

As at the date of this report, the warrants and rights of Infinity on issue are as follows:

| Details | Grant Date | Number | Exercise Price ($) | Date of Expiry |
|---|---|---|---|---|
| Zero Exercise Price Warrants | Various | 15,047,006 | Nil | 28/07/2025 |
| Share Appreciation Rights | 27/11/2019 | 5,000,000 | $0.072 | 13/09/2024 |
| Share Appreciation Rights | 25/11/2020 | 9,700,000 | $0.082 | 05/10/2025 |
| Share Appreciation Rights | 03/12/2020 | 500,000 | $0.144 | 02/12/2025 |
| Share Appreciation Rights | 03/02/2021 | 2,000,000 | $0.17 | 05/01/2026 |

Option-holders do not have any rights to participate in any issue of shares or other interest in the Company or any other entity.

# Directors' Report (continued)

**Shares Issued on Exercise of Options**

During the reporting period, the Company issued 11,404,900 ordinary shares as a result of the exercise of the following options to raise $860,106. A further 729,985 ordinary shares raising an additional $87,598 were issued subsequent to the end of the reporting period. There were no amounts unpaid on these shares issued.

| Details | Number of Options Exercised/ Shares Issued | Total Raised ($) |
|---|---|---|
| Unlisted options exercisable at $0.07 on or before 24 October 2021 | 10,169,643 | 711,875 |
| Unlisted options exercisable at $0.12 on or before 30 November 2022 | 1,965,242 | 235,829 |
| **Total** | **12,134,885** | **947,704** |

## Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the period ended 31 December 2021 has been received and can be found on page 10 of the Financial Report.

## Rounding of Amounts

The Company is an entity to which ASIC Corporations Instrument 2016/191 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest dollar.

**Ryan Parkin**
Managing Director/CEO
14 March 2022

**AUDITOR'S INDEPENDENCE DECLARATION**

**TO THE DIRECTORS OF INFINITY LITHIUM CORPORATION LIMITED AND ITS CONTROLLED ENTITIES**

In relation to the independent review for the half-year ended 31 December 2021, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards).*

This declaration is in respect of Infinity Lithium Corporation Limited and the entities it controlled during the period.

Pitcher Partners BA&A Pty Ltd

PITCHER PARTNERS BA&A PTY LTD

J C PALMER
Executive Director
Perth, 14 March 2022

PITCHER PARTNERS

**INFINITY LITHIUM CORPORATION LIMITED**
**ABN 52 147 413 956**

**INDEPENDENT AUDITOR'S REVIEW REPORT**
**TO THE MEMBERS OF INFINITY LITHIUM CORPORATION LIMITED**

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Infinity Lithium Corporation Limited (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Infinity Lithium Corporation Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Infinity Lithium Corporation Limited financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Emphasis of matter – material uncertainty related to Investigation Permit Valdeflórez

We draw attention to Note 3 to the financial report, which indicates a material uncertainty in relation to the status of the Investigation Permit Valdeflórez ("PIV") research permit at the San José Lithium Project, held by the Equity Accounting Investment at 31 December 2021. Our conclusion is not modified in respect of this matter.

### Responsibility of the Directors for the Financial Report

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

PITCHER PARTNERS

**INFINITY LITHIUM CORPORATION LIMITED**
**ABN 52 147 413 956**

**INDEPENDENT AUDITOR'S REVIEW REPORT**
**TO THE MEMBERS OF INFINITY LITHIUM CORPORATION LIMITED**

**Auditor's Responsibility for the Review of the Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Pitcher Partners BA&A Pty Ltd

PITCHER PARTNERS BA&A PTY LTD

J C PALMER
Executive Director
Perth, 14 March 2022

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2021

| | Notes | 31 Dec 2021 $ | 31 Dec 2020 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Other income | | 134,690 | 266,077 |
| | | | |
| Corporate and compliance expenses | | (421,703) | (250,480) |
| Consulting expenses | | (86,446) | (30,158) |
| Employee and director benefits expenses | | (316,611) | (246,759) |
| Share-based payments | *2* | (3,449,017) | (864,269) |
| R&D expense | | (12,327) | - |
| Depreciation expense | | (614) | - |
| Foreign exchange loss | | (2,298) | (11,016) |
| Reversal of impairment on equity accounted investment | *3* | - | 4,981,058 |
| **(Loss)/profit before income tax from continuing operations** | | **(4,154,326)** | **3,844,453** |
| Income tax expense | | - | - |
| **(Loss)/profit for the period from continuing operations** | | **(4,154,326)** | **3,844,453** |
| | | | |
| **Other comprehensive (loss)/income:** | | | |
| *Items that may be subsequently reclassified to profit or loss in subsequent periods* | | | |
| Exchange differences arising on translation of foreign operations | | (122,012) | (160,619) |
| **Total comprehensive (loss)/income for the period** | | **(4,276,338)** | **3,683,834** |
| | | | |
| **(Loss)/profit for the period attributable to:** | | | |
| Equity holders of the Parent | | (4,154,326) | 3,844,453 |
| Non-controlling interests | | - | - |
| | | **(4,154,326)** | **3,844,453** |
| **Total comprehensive (loss)/income for the period attributable to:** | | | |
| Equity holders of the Parent | | (4,276,338) | 3,683,834 |
| Non-controlling interests | | - | - |
| | | **(4,276,338)** | **3,683,834** |
| **(Loss)/profit per share attributable to the ordinary shareholders of the Parent for the period:** | | | |
| Basic and diluted (cents per share) | | (1.02) | 1.39 |
| Basic and diluted (cents per share) from continuing operations | | (1.02) | 1.17 |

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

## Condensed Consolidated Statement of Financial Position

As at 31 December 2021

| | Notes | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | | 18,713,656 | 19,134,704 |
| Trade and other receivables | | 186,530 | 101,620 |
| **Total Current Assets** | | **18,900,186** | **19,236,324** |
| | | | |
| **Non-Current Assets** | | | |
| Other assets | | 60,712 | 40,734 |
| Property, plant and equipment | | 88,264 | 7,063 |
| Equity accounted investments | *3* | 9,767,982 | 9,146,871 |
| **Total Non-Current Assets** | | **9,916,958** | **9,194,668** |
| | | | |
| **Total Assets** | | **28,817,144** | **28,430,992** |
| | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 241,283 | 201,295 |
| Deferred consideration payable | *4* | 936,294 | 948,372 |
| Provisions | | 78,953 | 60,825 |
| **Total Current Liabilities** | | **1,256,530** | **1,210,492** |
| | | | |
| **Total Liabilities** | | **1,256,530** | **1,210,492** |
| | | | |
| **Net Assets** | | **27,560,614** | **27,220,500** |
| | | | |
| **Equity** | | | |
| Issued capital | *5* | 47,117,023 | 46,259,358 |
| Reserves | *6* | 6,998,665 | 3,361,892 |
| Accumulated losses | | (26,555,076) | (22,400,750) |
| Equity attributable to equity holders of the Parent | | 27,560,612 | 27,220,500 |
| Non-controlling interest | | 2 | - |
| | | | |
| **Total Equity** | | **27,560,614** | **27,220,500** |

*The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.*

# Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2021

| | Notes | Attributable to equity holders of the Parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | Issued Capital $ | Share Based Payment Reserve $ | Foreign Translation Reserve $ | Accumulated Losses $ | Non-Controlling Interest $ | Total $ |
| **Balance as at 1 July 2020** | | **26,562,671** | **638,289** | **269,311** | **(25,033,942)** | **-** | **2,436,329** |
| Profit for the period | | - | - | - | 3,844,453 | - | 3,844,453 |
| ***Other comprehensive income*** | | | | | | | |
| Exchange differences arising on translation of foreign operations | | - | - | (160,619) | - | - | (160,619) |
| Total comprehensive income for the period | | - | - | (160,619) | 3,844,453 | - | 3,683,834 |
| ***Transactions with owners, recorded directly in equity*** | | | | | | | |
| Issue of share capital | | 4,663,538 | - | - | - | - | 4,663,538 |
| Share-based payments | | 166,000 | 1,523,416 | - | - | - | 1,689,416 |
| Costs of raising capital | | (109,855) | - | - | - | - | (109,855) |
| Exercise of options | | 48,377 | - | - | - | - | 48,377 |
| Total transactions with owners | | 4,768,060 | 1,523,416 | - | - | - | 6,291,476 |
| **Balance as at 31 December 2020** | | **31,330,731** | **2,161,705** | **108,692** | **(21,189,489)** | **-** | **12,411,639** |
| **Balance as at 1 July 2021** | | **46,259,358** | **3,240,927** | **120,965** | **(22,400,750)** | **-** | **27,220,500** |
| Loss for the period | | - | - | - | (4,154,326) | - | (4,154,326) |
| ***Other comprehensive income*** | | | | | | | |
| Exchange differences arising on translation of foreign operations | | - | - | (122,012) | - | - | (122,012) |
| Total comprehensive income for the period | | - | - | (122,012) | (4,154,326) | - | (4,276,338) |
| ***Transactions with owners, recorded directly in equity*** | | | | | | | |
| Issue of share capital | | - | - | - | - | 2 | 2 |
| Share-based payments | *2* | 4,000 | 3,758,785 | - | - | - | 3,762,785 |
| Costs of raising capital | *5* | (6,441) | - | - | - | - | (6,441) |
| Exercise of options | *5* | 860,106 | - | - | - | - | 860,106 |
| Total transactions with owners | | **857,665** | **3,758,785** | **-** | **-** | **2** | **4,616,452** |
| **Balance as at 31 December 2021** | | **47,117,023** | **6,999,712** | **(1,047)** | **(26,555,076)** | **2** | **27,560,614** |

*The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

## Condensed Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2021

| | Notes | 31 Dec 2021 $ | 31 Dec 2020 $ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Payments to suppliers and employees | | (882,669) | (518,940) |
| Interest received | | 30 | 143 |
| Government grants received | | 134,660 | 273,895 |
| **Net cash flows used in operating activities** | | **(747,979)** | **(244,902)** |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Payments for equity accounted investments | | (524,264) | (209,678) |
| Payments for security deposits | | (12,223) | - |
| Payments for other assets | | (7,755) | - |
| Payments for property, plant and equipment | | (43,242) | - |
| **Net cash flows used in investing activities** | | **(587,484)** | **(209,678)** |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from issue of shares | | - | 4,663,538 |
| Payments for share issue costs | | (6,441) | (109,855) |
| Proceeds from exercise of options | | 920,856 | 48,377 |
| **Net cash flows provided by financing activities** | | **914,415** | **4,602,060** |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | (421,049) | 4,147,480 |
| Effect of exchange rates on cash | | - | - |
| Cash and cash equivalents at the beginning of the financial period | | 19,134,704 | 627,953 |
| **Cash and cash equivalents at the end of the financial period** | | **18,713,655** | **4,775,433** |

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

# Notes to the Interim Financial Statements

For the Half-Year Ended 31 December 2021

## Note 1. Statement of Significant Accounting Policies

**Statement of Compliance**

Infinity Lithium Corporation Limited (the '**Company**') is a public company, limited by shares, domiciled and incorporated in Australia and listed on the Australian Securities Exchange. The condensed consolidated financial report of the Company for the six months ended 31 December 2021, comprise the Company and its subsidiaries (the '**Consolidated Entity**' or '**Group**').

The condensed consolidated financial report is a general-purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The condensed consolidated financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Infinity Lithium Corporation Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

This condensed consolidated financial report was authorised for issue in accordance with a resolution of the directors on 14 March 2022.

**Basis of Preparation**

The condensed consolidated financial report is an interim financial report prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting.* The condensed consolidated financial report has been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated. The presentation and functional currency is Australian Dollars.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2021 except where expressly stated below.

**Rounding of Amounts**

The Company is an entity to which ASIC Corporations Instrument 2016/191 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the dollar.

**Impact of New Standards and Interpretations Issued but Not Yet Adopted**

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial report are consistent with those adopted and disclosed in the Group's financial report for the year ended 30 June 2021, except for the adoption of the new standards as set out below.

The adoption of the new and revised Standards and Interpretations issued by the AASB has no material impact on the accounts reported in the current and prior periods.

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2021.

**New Accounting Standards issued not yet effective**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group.

The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

***AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current***

AASB 2020-1 amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. AASB 2020-1 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the Group in the financial year commencing 1 July 2023.

***AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments***

AASB 2020-3 amends AASB 1 First-time Adoption of Australian Accounting Standards, AASB 3 Business Combinations, AASB 9 Financial Instruments, AASB 116 Property, Plant and Equipment, AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 141 Agriculture as a consequence of the recent issuance by IASB of the following IFRS: Annual Improvements to IFRS Standards 2018-2020, Reference to the Conceptual Framework, Property, Plant and Equipment: Proceeds before Intended Use and Onerous Contracts – Cost of Fulfilling a Contract. AASB 2020-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

**Significant Accounting Estimates, Judgements and Assumptions**

The preparation of financial statements requires management to make judgements and estimates relating to the carrying amounts of certain assets and liabilities. Actual results may differ from the estimates made. Estimates and assumptions are reviewed on an ongoing basis.

The Consolidated Entity's significant accounting judgements, estimates and assumptions are consistent with those disclosed in the financial year ended 30 June 2021 annual report, with the following addition:

*(i) Impairment of assets*

Recoverability of capitalised exploration and evaluation expenditure recognised in Tecnologia Extremeña Del Lito S.L ('**TEL**'), and the Consolidated Entity's premium paid on its 75% interest is dependent on various factors.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements; and
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

Accordingly, this is considered a significant accounting estimate and judgement.

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# Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2021

## Note 2. Share-Based Payments

| | 31 Dec 2021 $ | 31 Dec 2020 $ |
|---|---|---|
| **(a) Reserves (Note 6)** | | |
| Options issued to Directors & Employees[1] | 3,001,097 | - |
| Share Appreciation Rights issued[2,3,4,5] | 447,920 | 152,165 |
| Options issued to Corporate Advisors | - | 1,074,385 |
| Performance Rights expired | - | (362,281) |
| **Total Share-Based Payments – P&L** | **3,449,017** | **864,269** |
| Warrants issued[6] | 309,768 | 659,147 |
| **Total Share-Based Payments – Reserves** | **3,758,785** | **1,523,416** |
| **(b) Issued Capital (Note 5)** | | |
| Shares issued to consultant[7] | 4,000 | - |
| Shares issued to Directors | - | 166,000 |
| **Total Share-Based Payments – Equity** | **4,000** | **166,000** |

Notes:

1) On 8 December 2021, 21,000,000 unlisted options were issued to Directors and employees of the Company. 15,500,000 Director options were approved at the Annual General Meeting of shareholders on 30 November 2021, with the grant of the 5,500,000 employee options contingent upon the Director options receiving shareholder approval. The options are exercisable at $0.25 on or before 8 December 2023.

   The options were valued using Black-Scholes option pricing model, utilising the following inputs:

| **Measurement of Fair Value** | |
|---|---|
| Grant date share price | $0.185 |
| Exercise price | $0.25 |
| Expected volatility | 181.25% |
| Option life | 2 years |
| Risk-free interest rate | 0.53% |
| Fair value per option granted | $0.143 |
| **Expense vested during the period** | **$3,001,097** |

   The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

2) <u>Share Appreciation Rights expiring on 13 September 2024</u>

   On 11 December 2019, the Company issued 10,000,000 Share Appreciation Rights ('SARS') to Mr Ryan Parkin and Mr Vincent Ledoux-Pedailles (5,000,000 each respectively). The SARS have an expiry date of 13 September 2024 and an exercise price of $0.072. Each SAR entitles the holder to one Company share.

   Mr Ledoux-Pedailles' SARS lapsed upon his resignation on 26 August 2020.

   The SARS vesting profile is as follows:

   - Tranche 1 - 50% (2,500,000 total remaining) - vested on 13 September 2020
   - Tranche 2 - 25% (1,250,000 total remaining) - vested on 13 September 2021
   - Tranche 3 - 25% (1,250,000 total remaining) - will vest on 13 September 2022

# Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2021

The SARS were valued using a Black Scholes option pricing model and are being expensed over the vesting period of the SARS.

| Valuation and Assumptions of Share Appreciation Rights: | Tranche 1 | Tranche 2 | Tranche 3 |
|---|---|---|---|
| Grant date | 27 November 2019 | 27 November 2019 | 27 November 2019 |
| Number issued | 5,000,000 | 2,500,000 | 2,500,000 |
| Number lapsed on resignation | (2,500,000) | (1,250,000) | (1,250,000) |
| Share price | $0.066 | $0.066 | $0.066 |
| Exercise price | $0.072 | $0.072 | $0.072 |
| Vesting date | 13 September 2020 | 13 September 2021 | 13 September 2022 |
| Expiry date | 13 September 2024 | 13 September 2024 | 13 September 2024 |
| Volatility | 70.51% | 70.51% | 70.51% |
| Risk-free interest rate | 0.73% | 0.73% | 0.73% |
| Value per right | $0.036 | $0.036 | $0.036 |
| Total fair value | $90,481 | $45,241 | $45,241 |
| **Expense vested during the period** | **-** | **$5,171** | **$8,155** |

3) Share Appreciation Rights expiring on 5 October 2025

On 7 December 2020, 9,700,000 SARS were issued to Directors and employees of the Company under the Incentive Performance and Share Appreciation Rights Plan. Approval was received at the Annual General Meeting of shareholders on 25 November 2020 to issue 8,200,000 Share Appreciation Rights to Mr Ryan Parkin, Mr Adrian Byass, Mr Remy Welschinger and Mr Jon Starink. The SARS will vest in equal tranches over a 3-year period, exercisable at $0.082 on or before 5 October 2025. Each SAR entitles the holder to one Company share.

The SARS were valued using a Black Scholes option pricing model and are being expensed over the vesting period of the SARS.

| Valuation and Assumptions of Share Appreciation Rights: | Tranche 1 | Tranche 2 | Tranche 3 |
|---|---|---|---|
| Grant date | 25 November 2020 | 25 November 2020 | 25 November 2020 |
| Number | 3,233,333 | 3,233,333 | 3,233,333 |
| Share price | $0.135 | $0.135 | $0.135 |
| Exercise price | $0.082 | $0.082 | $0.082 |
| Vesting date | 5 October 2021 | 5 October 2022 | 5 October 2023 |
| Expiry date | 5 October 2025 | 5 October 2025 | 5 October 2025 |
| Volatility | 139.43% | 139.43% | 139.43% |
| Risk-free interest rate | 0.29% | 0.29% | 0.29% |
| Value per right | $0.122 | $0.122 | $0.122 |
| Total fair value | $394,905 | $394,905 | $394,905 |
| **Expense vested during the period** | **$121,992** | **$107,014** | **$69,600** |

4) Share Appreciation Rights expiring on 2 December 2025

On 7 December 2020, 500,000 Share Appreciation Rights were issued to Consultants of the Company, as approved by the Board on 3 December 2020. The SARS will vest in equal tranches over a 2-year period, exercisable at $0.144 on or before 2 December 2025. Each SAR entitles the holder to one Company share.

The SARS were valued using a Black Scholes option pricing model and are being expensed over the vesting period of the SARS.

| Valuation and Assumptions of Share Appreciation Rights: | Tranche 1 | Tranche 2 |
|---|---|---|
| Grant date | 3 December 2020 | 3 December 2020 |
| Number | 250,000 | 250,000 |
| Share price | $0.155 | $0.155 |
| Exercise price | $0.144 | $0.144 |
| Vesting date | 2 December 2021 | 2 December 2022 |
| Expiry date | 2 December 2025 | 2 December 2025 |
| Volatility | 139.39% | 139.39% |
| Risk-free interest rate | 0.29% | 0.29% |
| Value per right | $0.137 | $0.137 |
| Total fair value | $34,330 | $34,330 |
| **Expense vested during the period** | **$14,619** | **$8,665** |

5) Share Appreciation Rights expiring on 5 January 2026

On 3 February 2021 2,000,000 SARS were issued to an employee of the Company under the Incentive Performance and Share Appreciation Rights Plan. The SARS will vest in equal tranches over a 2-year period, exercisable at $0.17 on or before 5 January 2026. Each SAR entitles the holder to one Company share.

The SARS vesting profile is as follows:

- Tranche 1 - 50% (1,000,000) will vest on 5 January 2022
- Tranche 2 - 50% (1,000,000) will vest on 5 January 2023

The SARS were valued using a Black-Scholes option pricing model and are being expensed over the vesting period of the SARS.

| Valuation and Assumptions of Share Appreciation Rights: | Tranche 1 | Tranche 2 |
|---|---|---|
| Grant date | 5 January 2021 | 5 January 2021 |
| Number | 1,000,000 | 1,000,000 |
| Share price | $0.175 | $0.175 |
| Exercise price | $0.17 | $0.17 |
| Vesting date | 5 January 2022 | 5 January 2023 |
| Expiry date | 5 January 2026 | 5 January 2026 |
| Volatility | 128.16% | 128.16% |
| Risk-free interest rate | 0.37% | 0.37% |
| Value per right | $0.149 | $0.149 |
| Total fair value | $149,046 | $149,046 |
| **Expense vested during the period** | **$75,136** | **$37,568** |

6) Warrants

On 17 November 2021, 1,864,068 zero exercise price warrants were issued to EIT InnoEnergy upon successful completion of a test work milestone as contemplated by Tranche 2 of the relevant project agreement with EIT InnoEnergy (the '**Agreement**'). The warrants are exercisable at $0.00 on or before 28 July 2025. For further details refer to the ASX announcement released on 15 November 2021.

*Direct Financial Investment: €800,000 Phase One Investment*

The first phase of feasibility study test work at San José will be funded by EIT InnoEnergy with an amount of up to €800,000 (approximately A$1.35 million) committed to Infinity through the issue of unlisted warrants priced at the higher of the 30-day VWAP or A$0.05 per share. The funding comprises of 3 tranches as follows:

- Tranche 1: €400,000 in zero exercise price warrants calculated at the higher of A$0.05 per share, or the 30-day VWAP prior to their issue date. Payable after the execution of Project Agreement and subject to shareholder approval. On 27 July 2020 the Company received shareholder approval to issue 13,182,938 warrants to EIT InnoEnergy, which were duly issued on 28 July 2020 and these tranche 1 funds are being directly used for the current test work;
- Tranche 2: €200,000 in zero exercise price warrants calculated at the higher of the 30-day VWAP or A$0.05 per share payable upon completion of a test work milestone, which was successfully completed on 15 November 2021. On 17 November 2021, 1,864,068 zero exercise price warrants were issued to EIT InnoEnergy; and
- Tranche 3: Up to €200,000 in zero exercise price warrants calculated at the higher of the 30-day VWAP or A$0.05 per share payable upon completion of phase one.

The zero exercise price warrants were issued to EIT InnoEnergy for tranche 1 and tranche 2 and remain payable for tranche 3. This is structured to meet EIT InnoEnergy requirements. Funds are allocated directly to test work activities that have commenced at laboratories in the EU.

7) 30,000 fully paid ordinary shares were issued under cleansing prospectuses to meet Corporations Act requirements, issued in three equal tranches with issue prices of $0.10 on 30 July 2021, and $0.15 on 22 October 2021 and 26 November 2021.

## Note 3. Equity Accounted Investments

The Company has an interest in a joint venture held through a 75% interest in Tecnologia Extremeña Del Lito S.L ('**TEL**') which is a special purpose vehicle established for the purpose of holding the San José tenement in Spain.

Interest in joint ventures are accounted for using the equity method of accounting recognised at cost (following the reversal of impairment during financial year 2021).

| | **31 Dec 2021 $** | **30 Jun 2021 $** |
|---|---|---|
| At cost | | |
| Equity contributions in TEL | 3,012,702 | 3,051,565 |
| Premium Paid for Equity Accounted Investment | 6,755,280 | 6,095,306 |
| | 9,767,982 | 9,146,871 |
| *Less:* Provision for impairment | - | - |
| **Total Equity Accounted Investments** | **9,767,982** | **9,146,871** |

**a) Reconciliation of the Consolidated Entity's carrying amount for Equity Accounted Investments:**

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| Opening balance | 9,146,871 | 2,929,035 |
| Additions | 986,844 | 1,527,484 |
| Reversal of impairment | - | 4,887,998 |
| Foreign exchange impact | (365,733) | (197,646) |
| **Closing balance** | **9,767,982** | **9,146,871** |

Infinity, through San José Joint Venture ('**JV**') entity TEL and with authority under the revised JV amendment with Project JV partners Valoriza Mineria S.L.U. ('**VM**'), continued to contest the cancellation of Investigation Permit Valdeflórez ('**PIV**') through a contentious-administrative appeal. The Company strongly disputes the basis of the decision regarding the cancellation of PIV and reserves all legal rights against the Junta of Extremadura ('**Junta**'). A full summary of the events that led to the decision is contained in ASX announcement 17 May 2021.

The reporting period ended 31 December 2021 included the administrative progression of the legal process through the Contentious-Administrative Court in Cáceres ('**CAC**', or '**the Court**'). The Company finalised the filings for the matter to be heard before the Court and draft of claim. Subsequent to period end, the final submission of TEL's writ with regards to the status of PIV was lodged with the CAC.

The statement of defence will subsequently be provided to the CAC. Documentary evidence will be considered by the judge presiding over the CAC prior to the issue of the Court's findings and the final judgement.

In the event that the above matters are not resolved, there is a material uncertainty that the carrying value of the Consolidated Entity's interest in the TEL may not be recoverable at the amount stated in the Condensed Consolidated Statement of Financial Position.

## Note 4. Deferred Consideration Payable

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| Current | 936,294 | 948,372 |
| **Total Deferred Consideration** | **936,294** | **948,372** |

On 13 March 2019, the Consolidated Entity, through its 100% owned subsidiary, Extremadura Mining S.L (now trading as Extremadura New Energies S.L), sought to amend the terms of the Joint Venture Agreement and signed the "Novacion Al Contrato De Participacion en lan Investigacion Minera Y Ocuerdo De Valuntad Asociativa Entre Valoriza Mineria, S.L.U, Y Extremadura Mining S.L ('**Novation**'), with the following impact:

i. The removal of the prior obligation by the Consolidated Entity to spend €2.5 million in TEL;
ii. The requirement to pay VM €1 million, with €250,000 upfront, a further €150,000 within three months (paid September 2019) and the remaining €600,000 payable in six equal payments made each month (conditional on the tenement application reverting back to granted status); and

iii. Consequently, as a result of i) and ii) above, the immediate transfer of a further 25% of the shares in TEL to give INF a 75% equity interest.

The first instalment of €150,000 was paid on 6 September 2019 following the upfront amount, with €600,000 remaining due and payable as at 30 June 2021. On 28 July 2020 the Consolidated Entity and Valoriza Mineria executed an agreement to extend the payment term of the deferred consideration outstanding. It was agreed that the Consolidated Entity would pay €100,000 on or before 29 July 2021, with a further 5 equal successive and monthly instalments of €100,000 to then be made.

On 19 July 2021, the Company announced a further deferral of current payment obligations by the Consolidated Entity to Valoriza Mineria aligned to the resolution of the PIV cancellation. The deferred consideration of €600,000 is now payable within thirty (30) calendar days following notification of the resolution that favourably resolves the PIV appeal or, if applicable, from the agreement to restart the processing of the PIV, provided that the PIAV remains granted in its status. However, the Consolidated Entity may make the pending payment at any time prior to the granting of the PIV or the resumption of its processing. Extremadura Mining S.L maintains 75% project ownership interest in JV entity TEL, the project vehicle that contains the rights to San José. Further details are available in the ASX announcement on 19 July 2021.

## Note 5. Issued Capital

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| A reconciliation of the movement in capital and reserves for the consolidated group can be found in the Statement of Changes in Equity. | | |
| 414,089,456 fully paid ordinary shares (30 June 2021: 402,654,556) | 51,001,329 | 50,137,223 |
| Less: capital raising costs | (3,884,306) | (3,877,865) |
| | **47,117,023** | **46,259,358** |

| | 31 Dec 2021 No. | 30 Jun 2021 No. |
|---|---|---|
| **a) Fully Paid Ordinary Shares – Number of Shares** | | |
| At the beginning of the reporting period | 402,654,556 | 238,767,292 |
| Shares issued during the period/year: | | |
| • Exercise of options[1] | 11,404,900 | 13,378,926 |
| • Shares issued under cleansing prospectus[2] | 30,000 | - |
| • Placements | - | 145,378,338 |
| • Shares issued to Directors | - | 5,130,000 |
| **Total at the end of the reporting period/year** | **414,089,456** | **402,654,556** |

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| **b) Fully Paid Ordinary Shares – Value of Shares** | | |
| At the beginning of the reporting period | 46,259,358 | 26,562,671 |
| Shares issued during the period/year: | | |
| • Exercise of options[1] | 860,106 | 1,446,096 |
| • Shares issued under cleansing prospectus[2] | 4,000 | - |
| • Placements | - | 19,713,046 |
| • Shares issued to Directors | - | 216,050 |
| Less: | | |
| • Capital raising costs | (6,441) | (1,678,505) |
| **Total at the end of the reporting period/year** | **47,117,023** | **46,259,358** |

Notes:

1) 250,000 fully paid ordinary shares issued on exercise of options on 20 July 2021, and 9,919,643 fully paid ordinary shares issued on exercise of options on 19 October 2021 at an exercise price of $0.07 per option. 48,250 fully paid ordinary shares issued on the exercise of options on 19 October 2021, and 1,187,007 fully paid ordinary shares issued on the exercise of options on 23 November 2021 at an exercise price of $0.12 per option.

2) 30,000 fully paid ordinary shares were issued under cleansing prospectuses to meet Corporations Act requirements, issued in three equal tranches with issue prices of $0.10 on 30 July 2021, and $0.15 on 22 October 2021 and 26 November 2021.

**Fully Paid Ordinary Shares**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. The fully paid ordinary shares have no par value.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called.

**c) Options**

The unissued ordinary shares of Infinity Lithium under option at 31 December 2021 are as follows:

| Date of Expiry | Exercise Price ($) | Number under Option |
|---|---|---|
| 16 September 2022 | $0.088 | 1,000,000 |
| 30 November 2022 | $0.12 | 21,526,880 |
| 30 November 2022 | $0.09 | 10,000,000 |
| 30 November 2022 | $0.20 | 500,000 |
| 8 December 2023 | $0.25 | 21,000,000 |
| 31 December 2024 | $0.27 | 4,000,000 |
| 31 December 2024 | $0.30 | 4,000,000 |
| **Total** | | **62,026,880** |

A reconciliation of the total options on issue is as follows:

| | 31 Dec 2021 No. | 30 Jun 2021 No. |
|---|---|---|
| At the beginning of the reporting period | 44,431,780 | 17,142,143 |
| Issued during the period[1] | 69,000,000 | 44,168,563 |
| Exercised during the period | (11,404,900) | (3,500,000) |
| Expired during the period[1] | (40,000,000) | (13,378,926) |
| **Total at the end of the reporting period/year** | **62,026,880** | **44,431,780** |

Notes:

1) On 10 August 2021 the Company issued 8,000,000 unlisted options in two equal tranches to Canaccord Genuity in consideration for capital raising services in the February 2021 Placement, which were subject to shareholder approval at the General Meeting held on 5 August 2021. Both tranches consist of 4,000,000 options with an expiry date of 31 December 2024, with exercise prices of $0.266 and $0.304 per tranche, based on a 40% and 60% premium to the February 2021 Placement Offer Price respectively. The options were accrued for at 30 June 2021.

   On 10 August 2021 the Company issued 40,000,000 unlisted options in two equal tranches to Promotora de Minas de Carbon, S.A. in lieu of cash for success-based consultancy services provided after receiving approval from shareholders at the General Meeting held on 5 August 2021. The options were issued in two 20,000,000 tranches and had an exercise price of $0.11. The expiry date of both tranches was 10 August 2022, with vesting conditions for each tranche based on successful resolution of the PIV permitting situation prior to their respective vesting dates, being 1 September 2021 and 30 November 2021. All options lapsed unvested by 30 November 2021 as the PIV permitting situation remained unresolved at the specified vesting dates.

   On 8 December 2021, 21,000,000 unlisted options were issued to Directors and employees of the Company. 15,500,000 Director options were approved at the Annual General Meeting of shareholders on 30 November 2021, with the grant of the 5,500,000 employee options contingent upon the Director options receiving shareholder approval. The options are exercisable at $0.25 on or before 8 December 2023. Refer to Note 2 Share-Based Payments for further details.

## d) Warrants

| | 31 Dec 2021 No. | 30 Jun 2021 No. |
|---|---|---|
| At the beginning of the reporting period | 13,182,938 | - |
| Issued during the period[1] | 1,864,068 | 13,182,938 |
| Exercised during the period | - | - |
| Expired during the period | - | - |
| **Total at the end of the reporting period/year** | **15,047,006** | **13,182,938** |

Notes:

1) On 17 November 2021, 1,864,068 zero exercise price warrants were issued to EIT InnoEnergy upon successful completion of a test work milestone as contemplated under the terms of the relevant Agreement. The warrants are exercisable at $0.00 on or before 28 July 2025. Refer to Note 2 Share-Based Payments for further details.

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2021

**e) Share Appreciation Rights**

The unissued ordinary shares of Infinity Lithium under SARS at 31 December 2021 are as follows:

A reconciliation of the total SARS on issue as at 31 December 2021 is as follows:

| | 31 Dec 2021 No. | 30 Jun 2021 No. |
|---|---|---|
| At the beginning of the reporting period | 17,200,000 | 10,000,000 |
| Issued during the period | - | 12,200,000 |
| Lapsed/expired during the period | - | (5,000,000) |
| Exercised during the period | - | - |
| **Total at the end of the reporting period/year** | **17,200,000** | **17,200,000** |

## Note 6. Reserves

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| Share-Based Payment Reserve[a] | 6,999,712 | 3,240,927 |
| Foreign Currency Translation Reserve[b] | (1,047) | 120,965 |
| **Total Reserves** | **6,998,665** | **3,361,892** |

Notes:

**(a) Share-Based Payments Reserve**

The share-based payments reserve records items recognised as expenses on valuation of employees' shares and consultants' options.

A reconciliation of the movement in the share-based payments reserve as at 31 December 2021 is as follows:

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| At the beginning of the reporting period | 3,240,927 | 638,289 |
| Share-based payments (Note 2) | 3,758,785 | 2,778,748 |
| Lapse of options | - | (176,110) |
| **Total at the end of the reporting period/year** | **6,999,712** | **3,240,927** |

**(b) Foreign Currency Reserve**

The foreign currency translation reserve records exchange differences arising on translation of foreign operations.

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| At the beginning of the reporting period | 120,965 | 269,311 |
| Exchange differences arising on translation of foreign operations | (122,012) | (148,346) |
| **Total at the end of the reporting period/year** | **(1,047)** | **120,965** |

## Note 7. Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors and Managing Director (chief operating decision makers) to make decisions about resources to be allocated to the segments and assess their performance. Operating segments are identified by Management based on the mineral resource and exploration activities in Australia and Spain. Discrete financial information about each project is reported to the chief operating decision maker on a regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate. As at 31 December 2021 management has assessed that the Consolidated Entity only has one reportable segment based on the geographical areas of the mineral resource and exploration activities, being Spain. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

**Basis of accounting for purposes of reporting by operating segments**

**(a) Accounting policies adopted**
Unless otherwise stated, all amounts reported to the Board of Directors and Managing Director, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated group.

**(b) Segment assets**
Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority asset economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

**(c) Segment liabilities**
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of that segment. Borrowings and tax liabilities are generally considered to relate to the consolidated group as a whole and are not allocated. Segment liabilities include trade and other payables.

**(d) Unallocated items**
Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2021

| 31 December 2021 | Spain<br>$ | Australia<br>$ | Total<br>$ |
|---|---|---|---|
| **Revenue** | | | |
| Other income | - | 134,660 | 134,660 |
| Interest revenue | - | 30 | 30 |
| **Total Gross Revenue** | **-** | **134,690** | **134,690** |
| **Expenses** | | | |
| Corporate and compliance expenses | (65,160) | (356,543) | (421,703) |
| Consulting expenses | - | (86,446) | (86,446) |
| Employee and director benefits expense | - | (316,611) | (316,611) |
| Share-based payments | - | (3,449,017) | (3,449,017) |
| R&D expense | - | (12,327) | (12,327) |
| Depreciation expense | - | (614) | (614) |
| Foreign exchange loss | - | (2,298) | (2,298) |
| **Profit/(Loss) for the Period** | **(65,160)** | **(4,089,166)** | **(4,154,326)** |
| **Segment Assets** | | | |
| Cash and cash equivalents | 128,410 | 18,585,246 | 18,713,656 |
| Trade and other receivables | 134,920 | 51,610 | 186,530 |
| Equity accounted investments | 9,767,982 | - | 9,767,982 |
| Property, plant and equipment | 3,252 | 85,012 | 88,264 |
| Other assets | 10,597 | 50,115 | 60,712 |
| **Total Assets** | **10,045,161** | **18,771,983** | **28,817,144** |
| **Segment Liabilities** | | | |
| Trade and other payables | - | 241,283 | 241,283 |
| Deferred consideration payable | 936,294 | - | 936,294 |
| Provisions | - | 78,953 | 78,953 |
| **Total Liabilities** | **936,294** | **320,236** | **1,256,530** |

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2021

| 31 December 2020 | Spain<br>$ | Australia<br>$ | Total<br>$ |
|---|---|---|---|
| **Revenue** | | | |
| Other income | - | 265,933 | 265,933 |
| Interest revenue | - | 144 | 144 |
| **Total Gross Revenue** | **-** | **266,077** | **266,077** |
| **Expenses** | | | |
| Corporate and compliance expenses | (474) | (250,006) | (250,480) |
| Consulting expenses | - | (30,158) | (30,158) |
| Reversal of impairment on equity accounted investment | 4,981,058 | - | 4,981,058 |
| Employee and director benefits expense | (35,759) | (211,000) | (246,759) |
| Share-based payments | - | (864,269) | (864,269) |
| Foreign exchange loss | - | (11,016) | (11,016) |
| **Profit/(Loss) for the Period** | **4,944,825** | **(1,100,372)** | **3,844,453** |
| **30 June 2021** | | | |
| **Segment Assets** | | | |
| Cash and cash equivalents | 43,872 | 19,090,832 | 19,134,704 |
| Trade and other receivables | 79,948 | 21,672 | 101,620 |
| Equity accounted investments | 9,146,871 | - | 9,146,871 |
| Other assets | 10,734 | 30,000 | 40,734 |
| Property, plant and equipment | - | 7,063 | 7,063 |
| **Total Assets** | **9,281,425** | **19,149,567** | **28,430,992** |
| **Segment Liabilities** | | | |
| Trade and other payables | 71,118 | 130,177 | 201,295 |
| Deferred consideration payable | - | 60,825 | 60,825 |
| Provisions | 948,372 | - | 948,372 |
| **Total Liabilities** | **1,019,490** | **191,002** | **1,210,492** |

## Note 8. Related Party Transactions

**a) Ryan Parkin – Managing Director/CEO**

Effective 19 October 2021, Mr Parkin receives a base salary of $320,000 per annum (exclusive of superannuation). Mr Parkin received a base salary of $260,000 (exclusive of superannuation) in the financial year ending 30 June 2021. All other terms of Mr Parkin's employment contract with the Company remain the same.

**b) Jon Starink – Executive Director**

Effective 1 January 2022, Mr Starink receives a base director's fee of $96,000 per annum. Mr Starink received a base director's fee of $72,000 per annum in the period to 31 December 2021. All other terms of Mr Starink's employment contract with the Company remain the same.

On 8 December 2021, 15,500,000 unlisted options were issued to Key Management Personnel of the Company following approval at the Annual General Meeting of shareholders on 30 November 2021. The options are exercisable at $0.25 on or before 8 December 2023. Refer to Note 2 Share-Based Payments for further details on the valuation of the options.

| Related Party | Number of Options |
|---|---|
| Ryan Parkin | 4,500,000 |
| Remy Welschinger | 4,500,000 |
| Adrian Byass | 2,000,000 |
| Jon Starink | 4,500,000 |
| **Total** | **15,500,000** |

## Note 9. Controlled Entities

**a) Controlled Entities Consolidated**

| | Country of Incorporation | Percentage Owned (%) 31 Dec 2021 | Percentage Owned (%) 30 Jun 2021 |
|---|---|---|---|
| **Parent Entity** | | | |
| Infinity Lithium Corporation Limited | Australia | 100% | 100% |
| **Subsidiaries of Infinity Lithium:** | | | |
| Tonsley Mining Pty Ltd | Australia | 100% | 100% |
| Infinity GreenTech Pty Ltd | Australia | 100% | - |
| Infinity New Energies Pty Ltd | Australia | 85% | - |
| Castilla Mining S.L | Spain | 100% | 100% |
| Morille Mining S.L | Spain | 80% | 80% |
| Extremadura Mining S.L (trading as Extremadura New Energies S.L) | Spain | 100% | 100% |

**b) Other Entities – Jointly Controlled**

| Other jointly controlled entities: | Country of Incorporation | Percentage Owned (%) 31 Dec 2021 | Percentage Owned (%) 30 Jun 2021 |
|---|---|---|---|
| Tecnolgia Extremena Del Lito S.L | Spain | 75% | 75% |

**c) Non-Controlling Interests**

**Morille Mining S.L.**
Aurum Mining P.L.C has a 20% non-controlling interest in the Company's subsidiary Morille Mining S.L.

**Infinity New Energies Pty Ltd**
Mr Myles Youngs, an employee of the Company, has a 15% non-controlling interest in the Company's subsidiary Infinity New Energies Pty Ltd.

## Note 10. Capital Commitments

In order to maintain current rights of tenure to exploration tenements the Consolidated Entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State Governments and overseas government bodies.

The Consolidated Entity ceased exploration activities for the Morille, Banio and Mamana projects in the prior year in order to focus on the San José Lithium Project (accounted for as part of equity holding in TEL). As such, the Consolidated Entity does not have any further material financial commitments in relation to these projects.

## Note 11. Events After Reporting Date

In February 2022 Infinity announced the production of increased quantities of battery grade lithium chemicals from the completion of metallurgical test work from the San José Lithium Project.

This test work was conducted at Dorfner Anzaplan's facilities in Germany, under the terms of the Project Agreement with EIT InnoEnergy, to facilitate the development of the sustainable, novel and innovative sulphate roast process (refer to ASX announcement 18 June 2020). This development work at Dorfner Anzaplan has been funded by EIT InnoEnergy, with an aim of creating more sustainable refining technology for lithium mineralogies that have to be exploited industrially for the first time. EIT InnoEnergy is supported by the European Institute of Innovation and Technology ('**EIT**'), which is a body of the European Union.

The Project Agreement and ensuing test work program have provided successful results and confirmation of the production of battery grade lithium carbonate and hydroxide in the advancement of the Project's Feasibility Study.

Infinity has retained approximately 0.8 kg of battery grade lithium hydroxide for future product verification. Infinity and its technical partners produced this increased volume of battery grade lithium chemicals in line with both the requirements for the Feasibility Study (open circuit), and for samples of end products for verification purposes in the advancement of offtake discussions.

This pilot-scale test work has confirmed the scalability of the process emerging from the bench-scale test work, confirming key process design criteria. The next stage of test work will progress locked cycle test work ('LCT') and advancement of the engineering design criteria for the Project Feasibility Study with an underground mine providing lithium bearing mica ROM to feed a fully integrated, on-site lithium chemical conversion plant capable of producing both battery grade lithium carbonate and hydroxide.

Since the end of the reporting period, the Company issued 729,985 ordinary shares as a result of the exercise of options exercisable at $0.12 each to raise $87,598. There were no amounts unpaid on these shares issued.

No further matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

## Note 12. Contingent Assets and Liabilities

The Group is unaware of any contingent assets or liabilities that may have a material impact on the Group's financial position.

## Note 13. Fair Values of Financial Instruments

*Recurring fair value measurements*
The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

*Fair values of financial instruments not measured at fair value*
Due to their short-term nature, the carrying amount of current trade and other receivables, current trade and other payables, and current deferred consideration payable is assumed to approximate their fair value.

# Directors' Declaration

For the Half-Year Ended 31 December 2021

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 13 to 33 are in accordance with the Corporations Act 2001, including:

   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting, and Corporations Regulations 2001; and

   (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

**Ryan Parkin**
Managing Director/CEO
14 March 2022