Li-S Energy

ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

Li-S Energy Limited – ASX Code: LIS

Friday 19 August 2022

Preliminary Final Report and Annual Report to Shareholders

Please find attached our Preliminary Final Report and Annual Report to Shareholders for the Year Ended 30 June 2022.

For further information contact:

Melissa Hamilton	**Dr. Lee Finniear**
Associate Director	Chief Executive Officer
Media & Capital Partners	Li-S Energy Limited
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ASX Announcement

Appendix 4E – Results for announcement to the market

This information should be read in conjunction with Li-S Energy's 30 June 2022 Annual Report.

Name of Entity

Li-S Energy Limited

ABN

12 634 839 857

Results for announcement to the market		**AUD $**
Revenue from ordinary activities	No change	-
Loss from ordinary activities after tax attributable to members of Li-S Energy Limited	Up 272%	($6,271,817)
Net loss for the period attributable to members of Li-S Energy Limited	Up 272% to	($6,271,817)

Dividend information	**Amount per share**
2022 Interim	Nil
2021 Final	Nil

The Board has resolved not to pay a final dividend.

Net tangible asset backing

Net tangible asset backing per ordinary share is 7.3 cents.

Audit

This report is based on financial statements which have been audited.

Commentary on results for the period

A commentary on the results for the period is contained in the Annual Report that accompanies this announcement.

Annual General Meeting

The Company expects to hold its Annual General Meeting in Brisbane on Thursday 10 November 2022. Nominations from persons wishing to be considered for election as a director is expected to close on Wednesday 21 September 2022.

LI-S ENERGY LIMITED

ANNUAL REPORT 30 JUNE 2022

Li-S Energy

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CHAIRMAN'S REPORT

Dear Shareholders,

2022 was an exciting year for Li-S Energy (**LIS**) as we transitioned from a privately held venture to our listing on the ASX on 28 September 2021. Whilst the pandemic and a challenging geopolitical and economic environment have presented challenges, I am delighted that LIS has achieved or exceeded the challenging goals we set ourselves in our prospectus, culminating in test flights of drones powered by our lithium sulphur and lithium metal batteries (see www.lis.energy/news for the videos). In achieving this, I must recognise the support of my Board members Robin Levison, Tony McDonald and Hedy Cray, plus the tireless efforts of the management team led by CEO Dr Lee Finniear with support from CTO Dr Steve Rowlands and Chief Strategic Advisor, Glenn Molloy.

BUSINESS OVERVIEW

Over the last three years, LIS, has worked with Deakin University (**Deakin**) to commercialise over a decade of research in the development of a lithium-sulphur battery that utilises boron nitride nanotubes (**BNNTs**) as a nano-insulator to improve performance and cycle life.

Lithium-sulphur batteries (also known as Li-S batteries) have the potential to provide a much greater energy storage capacity than current lithium-ion batteries and much of the science behind them is well established. However, to date lithium sulphur's main drawback has been a relatively short cycle life, inhibiting their mass adoption. By using BNNTs and other novel materials, LIS has substantially increased cycle life in our lithium sulphur batteries. Test cells have now demonstrated sustained performance over 1000 charge/discharge cycles whilst retaining a specific capacity almost three times that of a typical commercial lithium-ion battery. We have also been able to extend our innovation to another high energy density technology, lithium-metal batteries, with early results showing improved capacity retention and dendrite reduction.

2022 progress was not just limited to research and development, with the signing of a number of significant collaboration agreements. Of note were our agreements with Insitu Boeing to develop batteries for its uncrewed aircraft systems and our partnership with Janus Electric to support the evolution of prime movers into electric vehicles.

Professor Ian Chen and his team at Deakin University continue to lead our core research program to support the scale production of lithium sulphur batteries and they have made great progress over the year, going from single layer pouch cells to ten layer cells and finally twenty layer cells that we are currently preparing for testing. We have also been able to augment Prof Chen's work with the world-renowned capabilities of Professor Maria Forsyth and her team, also at Deakin, who have brought their expertise to the development of our lithium anodes and cutting-edge electrolytes. This collaboration between the teams of two leading Professors at Deakin will allow LIS to move into the next generation of semi- and solid-state LIS battery development, which we expect to yield even higher energy density and cycle life.

In our IPO prospectus we set out our five development priorities for our first 12 months as a listed company, namely:

1. Lithium sulphur battery optimisation and production of multi-layer cells
2. Li-nanomesh anode protection for a range of battery chemistries
3. Pilot cell production in our Deakin University facilities
4. Retrofitting batteries into products, exemplified by the drone flights utilising our cells
5. Modelling and simulation to better understand the performance of our batteries and reduce testing times

Over the nine months to the end of June 2022 we remain on target for these priorities, in spite of the ongoing challenges of the pandemic through an extended lock down in Victoria and ongoing supply chain disruption. We have also taken advantage of additional opportunities as they have arisen, including:

- Consideration of additional growth opportunities, both organic and inorganic. In particular, we have identified our clear competitive advantage in providing batteries for drones and heavy vehicles (e.g. prime movers and mining) and have deepening partnerships in both areas
- Extending our investment in safe and novel electrolyte compositions with a plan to incorporate a semi-solid-state electrolyte into our batteries where appropriate

- Leveraging our outstanding lab results to access industrial and research opportunities in Europe, including the Fraunhofer Institute in Germany
- LIS has joined the Future Battery Industry CRC giving it access to leading researchers and partners across Australia and is also a foundational industry partner in the Deakin Recycling and Renewable Energy Commercialisation Hub as part of the Commonwealth Trailblazer University program that should result in close to $5 million of additional funding over its four years.

SHAREHOLDER SUPPORT

To achieve the results to date, LIS has relied upon the continued support of its major shareholders, PPK Group Limited, Deakin University and BNNT Technology Limited. However, the Company could not have achieved its goals this year without the ongoing support of new shareholders and the funds raised through the IPO and pre-IPO raises.

This capital has ensured that not only can the company fund its ongoing development work, but also retained a healthy balance sheet with $43.9m of cash and cash equivalents at the end of the 2022 financial year. This gives us the strategic flexibility to continue to invest in and develop opportunities as they arise.

We thank current and new shareholders for their support of LIS.

OUTLOOK

Worldwide demand for energy storage in all its forms is increasing exponentially. This is driven by the demand for electric vehicles (EVs), drones, grid storage solutions, plus any number of portable devices. Li-S Energy is positioned at the leading edge of this demand, with the IP position, expertise and balance sheet strength to compete successfully across multiple industries.

Our core goal is to develop an affordable, lithium-sulphur battery with a significantly higher gravimetric energy density and comparable cycle life to existing batteries. Currently, we anticipate that these batteries can have the greatest near-term impact in the drone and heavy vehicle markets and our strategic collaboration with Boeing InSitu and Janus Electric reflect that.

As our research program progresses, we are also turning our attention to ensuring that our batteries are manufactured at scale. Initially, this will be in our own 2MWh Phase 3 facility, but subsequently will require the investment in either a dedicated gigafactory or IP licensing to third party manufacturers.

As we discussed in our prospectus, the LIS research and development program is designed to provide a path to deliver Li-S Energy Batteries, materials and intellectual property to market and has the following four primary goals that we are progressing against:

1. Further optimise LIS technology

During FY22 we commenced testing 10-layer lithium sulphur cells with BNNT and Li-nanomesh, having successfully completed our 4-layer cell testing earlier in the year. During FY23 we will continue to test 10-layer cells, and to build and test 20-layer cells, to assess the technology's performance in larger format cells with a lower electrolyte loading. This will help maximise the energy density in commercial cells.

Assuming the 10-layer and 20-layer cell test results are in line with expectations, and in consultation with collaborating Product OEM partners, we then expect to produce appropriate test cells for OEM partner testing.

2. Produce Li-S Energy Batteries in pouch, cylinder and flexible battery formats

Having assessed the detailed requirements of our target industries, we are focusing our development strategy on the production of cells in the pouch cell format given its flexibility to scale to large battery packs for commercial use.

Pouch cells also offer the potential for higher cell gravimetric energy density as we can minimise "inactive materials" such as the weight of cell casings & electrodes.

3. Build pilot production line, manufacture batteries and prove their benefits in commercial products with commercial partners

During FY22 we recognised that we needed to enhance our ability to produce larger numbers of multi-layer test cells more quickly, in advance of building our planned initial pilot production line. As a result, we re-engineered our cell production plan to include a second phase of lab scale production to sit between our research production and automated pilot line. We are currently in the process of commissioning this Phase 2 capability in new labs on the Deakin campus with the pilot phase also being purchased for delivery and installation through the year into our 2MWh Phase 3 facility.

4. Develop intellectual property on how lithium-ion battery manufacturing plants can be adapted to produce Li-S Energy Batteries

Our Phase 3 production line is the key infrastructure we expect to drive the process of examining lithium-ion cell manufacturing equipment and how it can be practically modified to suit the manufacture of Li-S Energy lithium sulphur and lithium metal cells. Additional IP may be identified during this process that could provide additional value to the Company.

During Phase 3 operation we also expect to derive operating and production data that will assist battery manufacturers on the metrics of how to build appropriate large scale manufacturing lines, or to adapt current lithium-ion manufacturing to suit Li-S Energy cell manufacture.

We also remain alert for complementary ventures, technologies, facilities and acquisitions in the broader battery space that have the potential to deliver benefits in terms of technology or market access. In all cases, the Board will assess such opportunities against the overall potential to create shareholder value.

Yours sincerely,

BEN SPINCER
Chairman

DIRECTORS' REPORT

For the year ended 30 June 2022

The directors of Li-S Energy Limited ("Li-S Energy", "LIS" or the "Company") present their report together with the financial statements of the company for the financial year ended 30 June 2022.

DIRECTORS

The following persons were Directors in office at any time during or since the beginning of the financial year:

Ben Spincer
Robin Levison
Anthony McDonald
Hedy Cray

INFORMATION ON DIRECTORS

Details of the current Directors' and experience are detailed below:

Dr Ben Spincer MA, PhD, GAICD. (Age 50)
Non-Executive Director and Chairman

Appointed as a Non-Executive Independent Director on 18 March 2021.

Ben was the Executive Director of Deakin Research Innovations, responsible for Deakin's commercial research partnerships, as well as the commercialisation and translation of the University's research and oversight of the ManuFutures advanced manufacturing scale-up facility. He was a member of the Victorian Government Innovation Taskforce in 2020 and represented Deakin on a number of research centre and institutes Boards.

Prior to joining Deakin in 2015, Ben was Director of Technology Strategy and Innovation at Telstra, working with the Chief Technology Officer to oversee the long-term technology strategy of the company and to instil a culture of innovation in the company. From 2007 to 2013, Ben was the Director of Investor Relations for Telstra, managing relationships between the company and its shareholders after its full privatisation.

Previously, Ben was Vice President and financial analyst at Credit Suisse in London covering the European telecom industry.

Mr Robin Levison CA, MBA, FAICD. (Age 64)
Non-Executive Director

Appointed as a Non-Executive Director on 12 July 2019 and a member of the Audit & Risk Committee.

Robin Levison has more than 25 years of public company management and board experience. During this time, he has served as Managing Director at Industrea Limited and Spectrum Resources Limited and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. He is a Non-Executive Director of PPK Group Limited ("PPK"), and a number of PPK's related companies including unlisted public companies White Graphene Limited ("WGL"), BNNT Technology Limited ("BNNTTL") and BNNT Precious Metals Limited and private companies including 3D Dental Technology Pty Ltd, Ballistic Glass Pty Ltd, Strategic Alloys Pty Ltd, AMAG Holdings Australia Pty Ltd, Survivon Pty Ltd and Craig International Ballistics Pty Ltd.

Robin holds a Master of Business Administration from the University of Queensland, is a Member of the Institute of Chartered Accountants Australia and NZ and is a Graduate and Fellow of Australian Institute of Company Directors. Robin recently retired as Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council.

Other listed public company directorships held in the last 3 years:

- Member of the PPK Group Limited Board since 22 October 2013.
    - Executive Chairman from 22 October 2013 to 29 April 2015 and re-appointed from 28 February 2016 to 30 June 2022.
    - Non-Executive Chairman from 29 April 2015 to 28 February 2016 and since 1 July 2022 onwards.
- Mighty Craft Limited (formerly Founders First Limited), Non-executive Director & Chairman (Appointed: 17 December 2019)

Mr Anthony McDonald LL.B. (Age 64)
Non-Executive Director

Appointed as a Non-Executive Director on 12 July 2019 and a member of the Audit & Risk Committee.

Tony McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981 and was admitted as a solicitor in 1981. He has been involved in the natural resource sector for many years both within Australia and internationally and for the past 20 years has held senior management roles in this sector. He is a Non-Executive Director of a number of PPK's related companies including unlisted public company White Graphene Limited and private company Strategic Alloys Pty Ltd.

Other listed public company directorships held in the last 3 years:

- Member of the PPK Group Limited Board since 13 September 2017.
- Santana Minerals Limited, Non-Executive Director (Appointed: December 2019, Executive Director 15 January 2013 to December 2019)

Ms Hedy Cray LL.B. (Hons), LL.M. (Age 49)
Non-Executive Director

Appointed as a Non-Executive Director on 21 April 2021 and Chair of the Audit & Risk Committee

Hedy graduated with a Bachelor of Laws with Honours in 1996 and a Master of Laws in 1999 from Queensland University of Technology. For over 26 years Hedy worked in private legal practice, first becoming a partner in 2001. Hedy joined Clayton Utz in 2003 and spent almost 19 years growing and leading its Workplace Relations Employment and Safety team to 4 partners before retiring from the partnership in 2022.

Hedy is currently the Executive Vice President of Global Affairs for Korea Zinc, one of the world's largest metal smelting operators with interests in green and renewable energies, including developing solar and wind power, green hydrogen production, battery recycling and e-waste.

Hedy has extensive experience in commercial and corporate strategy, risk management, corporate governance, acquisitions and company restructuring as well as employment, human capital and safety and has worked with multinationals across energy, renewable resources, manufacturing, transport and logistics and the government sector. Hedy served as a Director of the Clayton Utz Foundation for 6 years, the firm's body responsible for giving back to the community which has distributed almost $12m of grants to over 270 charities since 2003.

INFORMATION ON COMPANY SECRETARIES

Will Shiel BA in Law (Hons) FGIA (Age 40)

Appointed Company Secretary on 30 June 2022.

Will was appointed as General Counsel and Company Secretary for PPK Group Limited on 20 August 2021. He specialises in all aspects of commercial law, with a particular focus on contracts and cutting-edge technology transactions.

Before joining PPK, Will was Head of Technology at ASX Limited where he managed a legal team responsible for technology, intellectual property and data matters. Before this, he held a variety of senior positions in Brisbane, Sydney and London at leading national and international law firms.

Liam Fairhall BLaw (Hons); BMed Rad Sci; Grad Dip ACGRM; (Age 41)

Appointed Company Secretary on 30 June 2022.

Liam is the Deputy General Counsel for PPK Group Limited. He specialises in all aspects of corporate law and governance and has acted on a wide range of complex transactions, assisted multiple companies list on the ASX and advised Boards on a diverse range of regulatory and compliance issues. Before joining PPK, Liam was Head of Legal and Company Secretary at a technology focussed bank that specialises in the provision of payment products and financial crimes services. Before this, he was a Senior Associate in the Corporate Advisory Group of one of Brisbane's largest independent law firms.

Mr Ken Hostland CA/CPA (Canada), MBA, BCom (Age 64)

Appointed as Company Secretary on 12 July 2019, resigned 30 June 2022.

Mr Andrew Cooke LL.B. (age 61)

Appointed as Company Secretary on 8 July 2021, resigned 30 June 2022.

Pat Rogers (Age 51) BLaws, BBus Accy, FGIA

Appointed as Company Secretary on 4 May 2021, resigned on 26 July 2021.

PRINCIPAL ACTIVITIES

LIS was incorporated on 12 July 2019 with the objective of utilising BNNT Technology Limited's (**BNNTTL**) and Deakin University's (**Deakin**) existing technology and research to develop a battery technology based on more advanced lithium-sulphur chemistry, where BNNTs and other nanomaterials are incorporated into battery components to:

- Improve battery energy capacity when compared to current lithium-ion batteries; and
- Improve cycle life when compared to conventional lithium-sulphur batteries.

LIS issued a Prospectus in August 2021 which identified eight Development Program Components that underpin the principal activities of LIS. In the year ending 30 June 2022, LIS has advanced a number of these programs to further research and development of the Li-S battery and has demonstrated the efficacy of our technology through drone test flights using LIS's lithium sulphur and lithium metal batteries.

As noted in our Prospectus, LIS does not currently generate any significant revenue and intends to derive revenue from the following activities:

- Supplying BNNT and Li-Nanomesh materials and know-how in relation to the application of BNNTs and Li-Nanomesh in the construction of a battery to battery manufacturers in order to enable them to produce Li-S batteries, Li-Nanomesh and know-how for other forms of battery that can make use of this material;
- Engaging product OEMs in collaborative projects to retrofit and test Li-S batteries in their products; and
- Licensing LIS's intellectual property to battery manufacturers so they can produce LIS batteries for product OEMs.

Many of the activities undertaken to generate international awareness of LIS are a step toward generating revenues as noted above. The Company's Directors and Executives have:

- met with leading battery research companies and laboratories in Europe to demonstrate the L-S battery technology and seek participation to expedite the development program.
- attended the Battery Show Europe and Electric & Hybrid Vehicle Technologies Expo in Stuttgart Germany with over 550 exhibitions from battery manufacturers, vehicle manufacturers and industry specialists.
- sponsored the International Meeting on Lithium Batteries 2022 in Sydney, Australia with over 800 delegates attending from around the world with specialty interests and experience in lithium battery technologies.

As a result of these meetings, LIS has obtained an international awareness from leading battery manufacturers and industry experts and is seeking further opportunities to engage in research, development and manufacturing of both Li-S batteries and the Li-metal technologies with the potential to supply BNNT and Li-Nanomesh materials and know-how for current battery manufacturers. These are expanded in further detail in the Product Development Strategy.

As noted below, LIS has signed two strategic collaboration agreements to date which provide an opportunity to retrofit and test Li-S batteries in their products. In addition, LIS has successfully flown a commercial drone on multiple test flights using 10-layer lithium sulphur and lithium metal test cells.

REVIEW OF OPERATIONS

The Company has seen significant development successes through this financial year, including scaling our lithium sulphur test cells from single layer to 20-layer cells now under construction, building our first 10-layer lithium metal test cells and successfully completing our first drone test flights.

On the commercial side we have entered into strategic collaboration agreements with Boeing's Insitu Pacific in the drone target market and Janus Electric in the heavy EV target market. These collaborations will enable us to hone in on the battery requirements of each product category, while we continue our testing, optimise our cell chemistry and scale up the size and volume of our cell production capability.

The company continues to pursue its business and development strategies as outlined in its IPO Prospectus and we have achieved significant technical successes which have enabled us to refine these strategies.

PRODUCT DEVELOPMENT STRATEGY

The Development Strategy in our IPO Prospectus identified 4 key areas of strategic focus:

1. Further optimise Li-S Technology
2. Produce Li-S Energy Batteries in pouch, cylinder and flexible battery formats
3. Build pilot production line, manufacture batteries, and prove their benefits in commercial products with commercial partners
4. Develop intellectual property on how lithium-ion battery manufacturing plants can be adapted to produce Li-S Energy Batteries

During this financial year we have refined and focused this strategy as follows:

1. Further optimise Li-S Technology

We continued our research and development to improve our battery materials, optimise the use of BNNT and Li-nanomesh and improve construction and material coating techniques to drive cell performance.

A key part of this work is scaling test cells from coin cells and single layer pouch cells, to successively larger multi-layer pouch cells that provide performance data more consistent with target commercial cells in production.

Lithium sulphur cells

We built and commenced testing 10-layer lithium sulphur pouch cells with BNNT and Li-nanomesh protection, having successfully completed 4-layer cell testing earlier in the year. Looking forward, we expect to continue to test these 10-layer cells, build and test 20-layer cells, and to optimise the electrolyte loading to further enhance gravimetric energy density.

Assuming the 10-layer and 20-layer cell test results are in line with expectations, and in consultation with collaborating Product OEM partners, we then expect to fine tune the engineering design of the cells to suit relevant partner requirements, and to produce appropriate test cells for OEM partner testing.

Lithium metal cells

Based on the positive performance achieved with Li-nanomesh in mitigating dendrite formation in lithium symmetric test cells, we have built a series of multi-layer (10-layer) lithium metal cells which are currently undergoing testing. Initial results from these cells are positive and indicate that we have reduced "capacity fade" in early cycling compared to unprotected cells, and we are continuing these tests to verify the initial results.

Semi-Solid State & Advanced Electrolytes

In parallel with cell scale-up work, we expect to continue several other important lines of development started during the financial year including:

- **Development of semi-solid-state lithium sulphur cells**: this work holds the potential to deliver a lithium sulphur cell protected by BNNT and Li-nanomesh with an even higher gravimetric energy density, lower electrolyte loading and with additional safety enhancements.

- **Development of higher performance electrolytes** for lithium sulphur and lithium metal cells. We expect this key research and development, being undertaken in part with the support of the Future Battery Industries CRC, to establish an optimum formulation of electrolyte to maximise the performance of Li-S Energy batteries. This work includes liquid, gel and solid-state candidate electrolyte compositions.

Our development and testing to date has been carried out by scientists from Deakin University' Institute of Frontier Materials under a Research Framework Agreement and we are pleased to continue this close working relationship.

Moving forward we intend to expand our scientific team and to also engage Fraunhofer IWS, Dresden, Germany to conduct complementary lithium sulphur cell development & testing, and to develop additional manufacturing techniques. Fraunhofer IWS is a pioneer in lithium sulphur cell research and is highly respected in the European battery industry. We foresee synergistic areas of IP and expertise where this collaboration has the potential to accelerate our path to commercialisation.

We are also supporting research into lithium sulphur cathode materials at the University of Queensland.

While we are confident that our test results to date are likely to scale to provide the expected performance in full commercial cells, we note that this has yet to be proven, which is the rationale for our continued development, testing and cell optimisation activities.

To maintain our sharp focus on scaling and optimising the development of our lithium sulphur and lithium metal cells and to align with the market demand, during FY23 we do not expect to proceed with the 3D printed & flexible Li-S battery projects originally identified in the IPO prospectus.

2. Produce Li-S Energy Batteries in pouch, cylinder and flexible battery formats

Having assessed the detailed requirements of our target industries, we are now focusing our development strategy on the production of cells in the pouch cell format.

Pouch cells offer the potential for higher cell gravimetric energy density as we can minimise "inactive materials" such as the weight of cell casings and electrodes, so reducing the overall weight of the cell. Pouch cells also give an advantage to battery pack designers to use optimised rectangular pack dimensions, each with a reduced connection complexity due to fewer, larger capacity cells being needed.

Cylinder cells, by contrast, require the use of metal alloy cylinder cases, metal end caps & connectors which encase relatively small volumes of active material, this "dead weight" reducing overall cell energy density. From a volumetric energy density perspective, cylindrical cells inevitably increase the overall volume of a battery pack due to voids between the stacked cylinder cells. Many EV manufacturers avoid the use of the cylinder cell format for these reasons.

We note that if a requirement for cylinder cells arises in the future, the company expects to be able to adapt its cell production capability through the purchase of commercially available cylinder cell production equipment.

We recognise that flexible battery formats are of interest in certain niche markets, however we believe our priority and focus needs to be on pouch cells at this stage of our commercialisation journey due to the far larger market potential of this format. Advancements in our pouch cell performance and materials will accelerate flexible battery format development if we choose to pursue this in future years.

3. Build pilot production line, manufacture batteries, and prove their benefits in commercial products with commercial partners

During the year, in consultation with our OEM collaboration partners, we identified 3 evaluation steps that OEMs are expected to employ when assessing new battery technologies:

- **Step 1 – Cell assessment** – testing individual cells for initial performance in simulated mission test profiles, followed by compliance assessments
- **Step 2 – Battery module assessment** – building and testing a complete battery module with test cells
- **Step 3 – full flight/drive performance assessment** – acquiring sufficient matched cells to build sufficient battery modules to enable full product testing (EV/Drone/Aircraft)

To enable earlier engagement in this evaluation process, we have re-engineered our cell production plan into 3 phases:

Phase 1 – R&D Cell Construction

This involves the manual construction of cells using laboratory techniques and tools and is the process we have been using to date. This is a suitable process to produce small numbers of coin cells, single layer pouch cells and small multi-layer pouch cells. It enables our scientists to build individual cells, optimise cell materials and complete initial performance testing. However, it is labour intensive and requires a high level of care and skill to produce each cell.

Phase 2 – Lab scale Cell Production

To increase the speed and quality of test cell production, during FY22 we invested in a suite of cell production equipment, including two roll-to-roll coaters for cathode production and separator coating, plus equipment for slurry preparation, electrode die cutting, electrode stacking, welding, pouching and cell testing. In the coming months we expect this equipment to significantly enhance the number and quality of multi-layer test cells we can produce for internal testing, while also allowing us to deliver initial test cells to collaborating OEM Partners.

Phase 3 – Enhanced Cell Production

Our planned Phase 3 is expected to increase our capacity to produce larger numbers of high quality, matched commercial sized cells using automated cell production equipment in our expanded facilities.

We expect the facility to include dry rooms and clean room within which the cell production equipment will operate. We are in discussion with battery manufacturing equipment companies in Europe, USA and Asia to purchase the most appropriate machinery for the line.

We expect to complete the dry rooms and clean room during the coming financial year assuming current supply chain timelines do not further degrade. We anticipate finalising Phase 3 equipment suppliers and placing orders progressively across the next 6-9 months, with delivery times expected to be between 4 and 12 months from date of order.

4. Develop intellectual property on how lithium-ion battery manufacturing plants can be adapted to produce Li-S Energy Batteries

During Phase 3 development, commissioning and operation we expect to develop IP on the use of lithium-ion cell manufacturing equipment and how it can be practically modified to suit the manufacture of Li-S Energy lithium sulphur and lithium metal cells. We also expect certain production processes to require bespoke equipment.

Once Phase 3 is operating we expect to derive operating IP and production data that is likely to assist battery manufacturers to understand processes and metrics to scale to full manufacture.

INTELLECTUAL PROPERTY

In our Prospectus, we identified seven key aspects of Li-S battery construction. Based on the development undertaken to date, we have lodged the following three patents this year:

Flexible battery/polysulfone separator invention

The PCT application for the flexible battery/polysulfone separator invention was successful converted into national or regional patent applications in relevant jurisdictions.

Protected cathodes invention

The International Patent Application, PCT/AU2022/050237 for the protected cathodes invention was successfully filed on 17 March 2022.

Protected anode invention

The International Patent Application, PCT/AU2022/050267 for the protected anodes invention was successfully filed on 17 March 2022.

FINANCIAL RESULTS

For the financial year ended 30 June 2022 LIS incurred a loss of $6,271,817 (2021: $1,684,391 loss) which is predominantly due to:

- $406,916 (2021: nil) for employee expenses, mainly the Chief Executive Officer and Chief Technology Officer who were employed for the full year
- $2,382,161 (2021: $1,193,104) for IPO related costs associated with the capital raise and listing on the ASX;
- $813,630 (2021: $218,042) for professional costs including:
  - $167,152 legal fees for patents and trademarks and preparation of agreements associated with the IPO
  - $324,662 company secretarial costs, investor relations costs, registrar costs and listing fees
  - $321,816 consulting costs for strategic advice, risk management and cybersecurity
- $600,000 (2021: $200,000) management fees paid to PPK Aust Pty Ltd for shared support services under the Management Services Agreement

- $820,657 (2021: $127,058) share based payments expense which is a non-cash item to recognise the cost of the service rights issued to Non-Executive Directors and Executives
- $1,272,316 (2021: $108,793) for administration costs inclusive of insurance, travel, technology, memberships and other

LIS had an unrealized gain on its investments in Zeta Energy Corp. of $251,736 (2021: $289,638 loss). The Company also earned interest of $42,374 (2021: nil) and rental income of $47,924 (2021: nil) from sub-leasing one of its premises for a part of the year.

REVIEW OF FINANCIAL CONDITION

LIS completed its capital raise of $34,000,000 and has commenced the Development Program Components as identified in the Prospectus. As a result, it has increased the strength of its balance sheet with total assets of $52,017,823 (2021: $23,193,407) consisting of:

- $43,853,377 (2021: $18,606,698) of cash
- $3,317,963 (2021: $991,863) of intangible assets
- $1,091,554 (2021: $120,773) of property, plant and equipment
- $2,509,798 (2021: $2,258,062) being the fair value of its investment in Zeta Energy Corp.
- $785,196 (2021: $921,733) of deferred taxes

LIS has total liabilities of $1,025,107 (2021: $443,397) resulting in total net assets of $50,992,716 (2021: $22,750,010).

The underlying driver of these financial results is that the Company has been focused on finalising its research and development program before progressing further on the pathway to commercialisation.

In accordance with ASX Listing Rule 4.10.19, from the time of the Company's admission to the ASX on 24 September 2021 until 30 June 2022, the Company has used the cash and assets in a form readily convertible to cash, that it had at the time of admission, in a way that is consistent with its business objectives at that time.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

LIS was listed on the ASX on 24 September 2021 and commenced trading on 28 September 2021.

During the year, LIS entered into the following important operational agreements:

Supply Agreement with BNNTTL

On 9 July 2021, a supply agreement for the supply of BNNTs, with a purity of at least 95% or otherwise agreed, for the purpose of using BNNTs in the development, testing and manufacture of the LIS batteries. The key terms of the supply agreement are as follows:

- LIS may only order from BNNTTL to use BNNTs in the Customer's development, testing and manufacture of batteries or any other purpose agreed between the parties in writing; and
- the initial term of the agreement is 5 years and it automatically renews for further 2 year terms unless LIS elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.

Distribution Agreement with BNNTTL

On 9 July 2021, a worldwide exclusive distribution agreement pursuant to which LIS is appointed as distributor for BNNT products, with a purity of at least 95% or otherwise agreed, within the battery industry, with certain exclusive distribution rights in respect of lithium-sulphur batteries. The key material terms of the distribution agreement are as follows:

- Li-S Energy may only buy BNNTs from BNNTTL to:

(a) distribute on an exclusive basis BNNTs to third party customers (**Customers**), provided the Customers are only permitted to use BNNTs to develop, test or manufacture lithium-sulphur batteries; and

(b) distribute on a non-exclusive basis BNNTs to Customers, provided the Customers are only permitted to use BNNTs to:

a. develop, test or manufacture batteries that are not lithium-sulphur batteries (including to stockpile BNNTs for later use in accordance with forecasts); and

b. manufacture nanomesh products incorporating BNNTs (including Li-Nanomesh) for the use in any form or type of battery;

and any other purpose agreed between the parties in writing.

LIS is not restricted from distributing Li-Nanomesh (or other nanomesh products), or BNNTs to LIS's customers who have a licence from LIS to manufacture Li-Nanomesh (or other nanomesh products).

- the initial term of the agreement is 5 years and it automatically renews for further 2 year terms unless LIS elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.

Management Services Agreement with PPK Aust P/L

On 9 July 2021, a management services agreement pursuant to which PPK Aust will provide administrative functions such as accounting, record keeping, reporting, legal, company secretarial support, IT/systems support, etc. It is also appointed, to the extent permitted by law, facilitate/oversee the funding and capital raising requirements of the company and is paid a funding fee of up to 1% of any debt or capital raised that it facilitates. PPK Aust will also provide staff to act in key officer roles including the public officer, chief financial officer and company secretary. The key material terms of the management services agreement are as follows:

- PPK Aust is paid a fee for providing the management services, which the scope of services to be provided and the fee is reviewed and agreed between the parties every 3 months;
- the agreement is for an initial term of 3 years and can be renewed by PPK Aust for a further 3 year term upon notice being provided by PPK Aust not later than 3 months prior to the expiry of the initial term;
  - PPK Aust may terminate the agreement on 30 days' notice if it is not satisfied with the Annual Plan of LIS; and
  - LIS may terminate the agreement at will on 6 months' notice.
- Li-S Energy indemnifies PPK Aust for any loss that arises from the performance by PPK Aust of its obligations under the agreement.

Research Framework Agreement with Deakin

On 8 July 2021, a research framework agreement which governs all research projects conducted between LIS and Deakin as set out in Project Schedules made under the agreement. The key material terms of the research framework agreement are as follows:

- The parties may from time to time enter into Project Schedules made under the agreement for research projects proposed and negotiated by the parties. Such Project Schedules include terms around payment, steering committees, specified personnel of the parties and insurances required; and
- Each party will retain ownership of their respective intellectual property developed prior to the date a Project commences or is acquired or developed independent of the agreement but grants a non-transferrable licence to the other party to use such background intellectual property for the purposes of the relevant Project. Any new intellectual property created, developed or discovered in the conduct of a Project vests in LIS (Project IP) and Deakin is granted a non-exclusive, perpetual, non-transferable, royalty free licence to use the Project IP for the purposes of the Project and for non-commercial research, teaching and scholarly pursuits.

Termination of Shareholders Agreement

On 20 July 2021, PPK Aust., Deakin and BNNTTL executed a Deed of Termination of the Shareholders Agreement effective on the date of signing.

DIVIDENDS

There were no dividends declared or paid during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 14 July 2022, LIS loaned $1,400,000 to PPK Mining Equipment Group for a period of 12 months at 8.0% interest. The loan is secured against a property in Mt Thorley, NSW which was independently valued at $2,000,000.

There have been no other matter or circumstance that has arisen since the end of the financial period which is not otherwise dealt with in this report or in the Financial Statements that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS

We have been progressing our business strategy in line with the strategy outlined in our IPO Prospectus and will continue to refine these as we move forward.

We will continue to engage with a range of additional global OEMs covering the high growth industries in the EV, Aviation and Drone markets and are pursuing several additional partnerships as our cell technology matures.

We will continue our discussions with battery manufacturers that are currently building or operating gigafactories in Europe and expect to expand on these as our cell technology continues to mature. Our primary goal moving forward remains to monetise our IP through licensing, and the ongoing supply of nanomaterials for battery production, in particular, optimising Li-nanomesh use in lithium sulphur and lithium metal cells.

We also remain alert for complementary ventures and acquisitions in the battery space that have the potential to deliver benefits in terms of technology or market access.

OPTIONS AND UNISSUED SHARES

As at the date of this report, there are:

- 2,160,000 Service Rights granted to Non-Executive Directors under the NED Equity Plan, of which 720,000 Service Rights vested during the period but were not exercised, and

- 1,200,000 Service Rights under the Executive Rights Plan, of which 450,000 Service Rights vested during the period but were not exercised .

See the Remuneration Report below for further information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LIS is committed to:

- the effective management of environmental issues having the potential to impact on its business; and
- minimising the consumption of resources utilised by its operations.

The Company has otherwise complied with all government legislation and regulations with respect to disposal of waste and other materials and has not received any notices of breach of environmental laws and/or regulations.

LIS is pleased to set out its inaugural sustainability report.

Visibility of environmental, social and governance metrics is becoming of ever-increasing importance to investors and stakeholders. LIS welcomes the opportunity to contribute to these discussions and sets out the key measurements against which it has assessed its performance this financial year. LIS has had particular regard to the UN's Sustainable Development Goals framework and envisages that this inaugural report will set the baseline against which further future improvements can be measured. The following sections on Environmental, Social and Governance describe the progress we have made to date and what further actions we intend to take in the future.

Environmental

Li-S Energy is headquartered in an office in Brisbane with a small direct environmental footprint. The Company's current environmental focus is on minimising energy consumption and non-essential business travel. This is a particular focus as the Board and senior management are spread across Melbourne, Geelong, Gold Coast and Brisbane.

Lowering climate change and carbon emissions

Ultimately, the core mission of Li-S Energy is to develop and commercialise cutting edge battery technology to assist the global economy to decarbonise and move to Net Zero.

We are committed to continually reducing our on-premise energy consumption by:

- using cloud technology for our information and platform services where practical;
- using Microsoft Azure as our platform partner and seeking other services we can use from Microsoft. Microsoft has been carbon neutral since 2012 and is committed to becoming carbon negative by 2030; and
- using office space in a building with a 5-star NABERS (excellent) energy rating for energy, water, waste, and indoor environment and 5-star green star rating.

We are committed to reducing emissions associated with our business travel by:

- booking online meetings where practical and possible. Where travel is necessary, we combine meetings and extend the time away so that more can be achieved to avoid repetitive trips; and
- providing flexibility for our employees to work from home where business needs allow. While this was originally initiated as part of our COVID-19 response, we have continued the practice which we consider is likely to have had the effect of reducing carbon emissions from employees commuting to/from the office.

Waste management

We are committed to further improving our recycling methods by:

- recycling paper, cardboard, glass, hard plastic, aluminium and tin cans through the services provided by our landlord;
- recycling IT equipment and printer cartridges using recycling companies that seek to recycle responsibly; and
- re-using IT equipment and parts, where possible.

Deakin University's Waurn Ponds Campus

LIS seeks to ensure that its important business relationships are with partners that have sustainability plans in place, where practical. One of LIS's key relationships is with Deakin University, particularly the Waurn Ponds Campus in Geelong, Victoria where the laboratory and manufacturing facilities are located.

The campus was established as a 'living laboratory' for sustainable development and has a number of commitments to be achieved by 2025 for procurement and supply, travel and transport, energy and emissions, waste management, water, built environment and natural environment. For example, Deakin University are working to achieve carbon neutrality with 100% of its electricity supply coming from renewable sources. All strategic suppliers will also need to meet Deakin's sustainable procurement principles.

Social

LIS seeks to attract, employ, and retain people with a diverse background of culture, gender, experience, and age. Our business model requires people to be agile, curious and roll their sleeves up to work together to get the job done.

Diversity, inclusion, and equality – our objective is to promote equal employment opportunities and increase female representation across the group, including at the board level.

This year

- Reviewed salary equity for all new hires
- Female representation of 33% of all employees
- 25% women on the board

Thriving people – our objective is to ensure people can perform to their potential and we manage the employee performance lifecycle

This year

- Integration of people risks into the risk management process and reports to board
- Flexible working arrangements

Next year

- Implement a HR information system to record and manage performance objectives, talent and succession planning
- Support staff ongoing development

Strengthen cyber foundations – we acknowledge the cyber threat landscape is ever changing and we have a responsibility to educate and protect our people, partners and data.

This year

- Renewed focus on our cyber insurance policy
- External cyber penetration test and intelligence report
- Implemented Mimecast for email phishing protection
- Leveraged Yammer to share cyber insights, examples, hints and tips

Next year

- Deploy new endpoint and cloud protection solutions
- Implement data loss prevention controls
- Internal awareness campaign and phishing test
- Work with key third party suppliers on how we share cyber insights and processes

Governance

The Company has structured its approach to corporate governance around the principles of ensuring effective contributions by the Board that adds value.

Risk

LIS identified a number of specific risks in its Prospectus and has made substantial progress to mitigate these risks during the financial year. In summary:

(a) Enhancement of its risk management framework:
  - the Board resolved to expand the existing Audit Committee to encompass audit and risk and an updated charter was made available on the company's website; and
  - acquired an internal risk function, pursuant to its management services agreement with PPK, to categorise, manage and mitigate risks across the Company. As well as the support of the PPK Group COO and Chief Risk Officer, Marc Fenton, LIS isusing a market leading Software-as-a-Service risk

platform aligned to the ISO 31000 framework. The platform provides a single integrated view of risk with heatmaps, control library and action tracking.

(b) pilot phase research and technology scale up:
  - the appointment of Steve Rowlands, Chief Technology Officer, with 10 years experience in lithium sulphur battery research and development provided substantial insights with the scale up plans and valuable introductions into European companies that operate in this specialty area and have provided expertise and advice.

(c) Evolving technologies:
  - meetings by Lee Finniear, Chief Executive Officer, and Steve Rowlands, Chief Technology Officer, with international research companies, battery manufacturers, industry specialists and attendance at international battery conferences have provided important insights into customer requirements, competitors, general battery technology issues to get a better understanding of the risks evolving technologies present and what LIS has to do to manage these risks.

(d) Protection of Intellectual Property
  - continued monitoring of our technology mitigates this risk.

(e) Patent protection
  - continued lodgements of new patents in a wide range of countries and developing monitoring tools to manage infringement.

(f) Reliance on Research Framework Agreement
  - closer working relationships with Deakin's scientists and improvements to contractual terms reduces this risk.

(g) Reliance on key personnel
  - outsourcing agreements with industry specialists for specific development programs and seeking employment of additional key resources reduces this risk.

(h) Future funding requirements
  - obtained up to $5.000 million of federal government funding through the Deakin Trailblazer program over the next four years and will continue to seek opportunities to participate in future funding programs as appropriate.

(i) Information technology/privacy concerns
  - continue to enhance the LIS technology framework and integrate our requirements with Deakin's infrastructure.

LIS continues to identify its risks, develop plans and monitors its actions to mitigate risks and reports regularly to the Audit & Risk Committee.

Remuneration

LIS is committed to fair and responsible remuneration practices sufficient to attract, retain and motivate suitably qualified individuals. Dr Finniear has taken considerable care when building out his team to ensure that appropriate remuneration practices are adopted and that gender pay equity is achieved.

The Chair of LIS is currently designing an appropriate long-term incentive plan for executives, with the current expectation that this will be put to shareholders at the next annual general meeting. LIS is committed to ensuring that any such long-term incentives are fair and responsible in nature. The Board of LIS currently expects to create a Remuneration and Nomination sub-committee when it is appropriate to do so.

Gender equality

LIS has a Diversity Policy that states it "is committed to an inclusive workplace that embraces and promotes diversity" . A critical component of this is to promote gender equality.

Since listing in September 2021, 25% of the composition of the Board of four is female. This is slightly below the Company's target of 30% (based on our Board charter allowing up to 12 Directors).

As Dr Finniear has built out his team, gender equality has remained a key consideration. Currently, 33% of all employees are female and this number is also maintained at the senior leadership level.

REMUNERATION REPORT (audited)

The Directors of LIS present the Remuneration Report for Directors and executives, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001. The Directors have determined that they, Lee Finniear (Chief Executive Officer), Steve Rowlands (Chief Technology Officer), Glenn Molloy (Chief Strategic Advisor) and Ken Hostland (Chief Financial Officer) are the key management personnel ("KMP").

Remuneration Policy

The remuneration policy of the Company has been designed to align directors' and executives objectives and performance with shareholder and business results by providing a fixed remuneration component and offering specific Short Term Incentives (STIs) based on key performance areas affecting the Company's financial results and Long Term Incentives (LTIs) based on retention of key people.

The Li-S Board believes the remuneration policy to be appropriate and effective in its ability to attract, retain and motivate directors and executives of high quality and standard to manage the affairs of the Company and create goal congruence between directors, executives and shareholders.

The remuneration policy, setting the terms and conditions for directors and executives was developed by the Board. The policy for determining the nature and amount of remuneration for board members and executives is detailed in the paragraphs which follow.

Remuneration of non-executive directors is determined by the Board from the maximum amount available for distribution to the non-executive directors as approved by shareholders. In determining the appropriate level of directors' fees, data from surveys undertaken of other public companies similar in size or market section to the Company is taken into account. Currently this amount is set at $800,000 per annum in aggregate was approved by shareholders at the Annual General Meeting held in November 2021.

Non-Executive Directors (NEDs)

The following table details the total compensation each Non-Executive Director is entitled to receive in relation to their duties as a Director of LIS, the Directors do not receive any additional fees for participation on any Committees.

Director	**Directors' Fees $ (including superannuation)**
Dr Ben Spincer	120,000
Mr Robin Levison	80,000
Mr Tony McDonald	80,000
Ms Hedy Cray	80,000

Director fees for Ben Spincer include his responsibilities as the Chairman.

LIS has adopted the NED Equity Plan under which the Board of the Company may invite Non-Executive Directors to apply for Service Rights to be issued in accordance with, and subject to the terms of the Plan. Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company.

The following table indicates the amount of fees that a NED can sacrifice in return for a grant of Service Rights.

Financial Year	Fees Sacrifice ($)	Tranche	Number of Service Rights
Non-Executive Directors (NEDs)			
2021	80,000	1	160,000
2022	80,000	2	160,000
2023	80,000	3	160,000
Chairman			
2021	120,000	1	240,000
2022	120,000	2	240,000
2023	120,000	3	240,000

NEDs sacrifice total Director fees of $80,000 for 160,000 Service Rights and the Chairman sacrifices total Director fees of $120,000 for 240,000 Service Rights for each Financial Year. There is no amount payable other than the sacrificed fees for the Service Rights. The Directors believe that accepting Share Rights in lieu of cash remuneration aligns their risk/reward with that of the Shareholders.

The number of Service Rights are calculated by dividing the amount of sacrificed fees by the Share price of $0.50 per Share being the price at which Shares were issued in the April 2021 capital raise. The fair value of these Service Rights at the time that they were granted have been independently valued at $0.50 each. As the Directors fees are equity instruments settled in share-based payments, each tranche of service rights are expensed over the vesting period from the date of granting to the date the last tranche resulting in a proportionally larger expense recognised in the earlier years. Refer to the Short Term Benefits table disclosed further in this Remuneration Report.

The Service Rights were issued as at 1 May 2021 and vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED holds the office of NED on those dates. Each consecutive tranche commences annually on the vesting date of the prior tranche. All NEDs met the vesting requirements for Tranche 1.

Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of holding the office of NED and any role as an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being a NED.

If a NED ceases to hold the office of a NED during a tranche then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche. All subsequent tranches will lapse. Any unvested Service Rights that do not vest will lapse.

A NED must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Service Rights (vested or unvested).

If the Board forms the view that a NED has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.

Executives

The Board is responsible for approving remuneration policies and packages applicable to executives of the Company. The broad remuneration policy is to ensure that the remuneration package properly reflects the person’s duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of high quality and standard.

A review of the compensation arrangements for executives is conducted by the full Board at a duly constituted Directors' meeting.

The Board conducts its review annually based on established criteria which includes:

- the individual's performance;
- reference to market data for broadly comparable positions or skill sets in similar organisations or industry;
- the performance of the Company during the relevant period; and
- the broad remuneration policy of the Company.

Executives may receive bonuses and/or fees based on the achievement of specific goals of the consolidated entity.

Company Performance and Shareholder Wealth for Executive Remuneration

Statutory performance indicators

	2022 $	2021 $
Profit/(loss) after income tax expense	(6,271,817)	(1,684,391)
Revenue	-	-
Share price at period end ($/Share)	0.44	-*
Basic earnings per share (c/Share)	(0.99)	(0.29)
Diluted earnings per share (c/Share)	(0.99)	(0.29)
Dividends declared (c/Share)	-	-

* As at 30 June 2021, the Company was not listed.

The two methods employed in achieving this aim are:

Short Term Incentives

LIS has an STI in place which is paid as salary and superannuation above their normal contracts and aligned with key performance indicators (KPIs) as determined by the board. The KPIs are developed from the strategic and operating plans and are chosen to reflect the core drivers of short-term performance and deliver sustainable value to the Company, its shareholders and its customers. The KPIs for this financial year are based on the following metrics:

Core Drivers	Targets	Weighting
Shareholder Value	Successful ASX listing	20%
Financial	Deliver cashflow outcome in line with Prospectus	30%
Operational	Meet agreed pilot plant timeframe and management recruitment needs	30%
Research	Complete agreed research program	10%
ESG/OH&S/Risk	Develop and enhance ESG, OH&S and risk management	10%

Participation in the STI is considered on an annual basis. Cash bonuses for the current year are assessed by the Board after completion of the financial statement, hence, are nil for this financial year.

Long Term Incentives

LIS has adopted a plan called the LIS Limited Executive Rights Plan (**Executive Rights Plan**) under which the Board of the Company may invite certain eligible persons, to apply for Service Rights or Performance Rights to be issued in accordance with, and subject to the terms of, the Executive Rights Plan. The Executive Rights Plan was approved by shareholders at the Annual General Meeting held on 24 November 2021.

Each Service Right or Performance Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company.

The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Plan. Non-Executive Directors are excluded from Participation in the Plan.

On 12 November 2020 Dr Lee Finniear, Chief Executive Officer, was granted 1,000,000 Service Rights which vest in four equal tranches on 30 April 2022, 2023, 2024 and 2025, subject to continuity of his engagement during the Measurement Periods. The Service Rights at the time that they were granted have been independently valued at $0.065 each and have a nil exercise price. Each consecutive tranche commences annually on the vesting date of the prior tranche and, if Dr Lee Finniear ceases his employment during a tranche, then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche and all subsequent tranches will lapse. Dr Lee Finniear met the vesting requirements for Tranche 1.

On 15 June 2022 Dr Steve Rowlands, Chief Technology Officer, was granted 200,000 Service Rights which vest on 30 June 2022 providing he continued to be employed up to and including that date. The Service Rights were valued at $0.425 each, being the closing share price at the date of the grant and have a nil exercise price. Service Rights that have vested may be exercised any time after 30 June 2024. Dr Steve Rowlands met the vesting requirements for this Tranche.

The Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of being an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being an employee of the Company.

Any unvested Service Rights that do not vest will lapse.

Participants of the Executive Rights Plan must not enter into an arrangement with anyone if it would have the effect of limiting his exposure to risk in relation to Service Rights (vested or unvested). If the Board forms the view that a Participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.

Remuneration Details for the year ended 30 June 2022 for the KMP

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

2022	Salary & Fees ($)	(2)Cash Bonus ($)	Non-Monetary ($)	Post employment Super-annuation ($)	Long Term Benefits ($)	Termination Payments ($)	(1)Share Based Payments ($)	Total ($)	Performance Related %
	Short Term Benefits								
Directors									
Non-Executive									
B Spincer	-	-	-	-	-	-	235,681	235,681	-
R Levison	-	-	-	-	-	-	157,122	157,122	-
A McDonald	-	-	-	-	-	-	157,122	157,122	-
H Cray	-	-	-	-	-	-	157,122	157,122	-
Total Directors	-	-	-	-	-	-	707,047	707,047	-
Other KMP									
L Finniear	276,432	-	-	23,568	-	-	28,610	328,610	9
S Rowlands(3)	201,659	-	-	6,261	-	-	85,000	292,920	29
G Molloy(4)	196,000	-	-	-	-	-	-	196,000	-
K Hostland(5)	-	-	-	-	-	-	-	-	-
Total Other	674,091	-	-	29,829	-	-	113,610	817,530	14
Total KMP	674,091	-	-	29,829	-	-	820,657	1,524,577	0

(1) Equity settled share based payments. Each tranche of the service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests resulting in a proportionally larger expense recognised in the earlier years.
Share based payments for directors are not performance related but are in lieu of salary and fees.
(2) Cash bonuses for the current year are assessed by the Board after completion of the financial statements, hence, are nil for this financial year.
(3) S Row lands w as remunerated as a citizen of the UK for part of the financial year.
(4) Remunerated through a consulting agreement on 12 June 2021 at an agreed hourly rate for w ork undertaken on behalf of LIS.
(5) Remunerated by PPK Group Limited.

2021	Salary & Fees ($)	(3)Cash Bonus ($)	Non-Monetary ($)	Post employment Super-annuation ($)	Long Term Benefits ($)	Termination Payments ($)	(1)Share Based Payments ($)	Total ($)	Performance Related %
	Short Term Benefits								
Directors									
Non-Executive									
B Spincer	-	-	-	-	-	-	36,668	36,668	
R Levison(2)	16,667	100,000	-	-	-	-	24,444	141,111	71
A McDonald(2)	16,667	200,000	-	-	-	-	24,444	241,111	83
H Cray	-	-	-	-	-	-	24,444	24,444	
G Pullen	-	-	-	-	-	-	-	-	
Total Non-Executive	33,334	300,000	-	-	-	-	110,000	443,334	
Executive									
G Molloy(2)	16,667	400,000	-	-	-	-	-	416,667	96
Total Executive	16,667	400,000	-	-	-	-	-	416,667	96
Total Directors	50,001	700,000	-	-	-	-	110,000	860,001	
Other KMP									
L Finniear(2)(4)	98,100	100,000	-	-	-	-	17,058	215,158	46
K Hostland	-	100,000	-	-	-	-	-	100,000	100
M Winfield	-	50,000	-	-	-	-	-	50,000	100
G Walsh	-	50,000	-	-	-	-	-	50,000	100
Total Other	98,100	300,000	-	-	-	-	17,058	415,158	
Total KMP	148,101	1,000,000	-	-	-	-	127,058	1,275,159	

(1) Equity settled share based payments. Each tranche of the service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests resulting in a proportionally larger expense recognised in the earlier years.
(2) Salary & Fees include directors fees paid from 1 July 2020 to 30 April 2021 and consulting fees paid from 14 February 2021 to 30 June 2021.
(3) Cash bonus was paid for work undertaken in relation to the Li-S Energy IPO and was above normal work responsiblities. Bonuses were invested in shares in Li-S Energy in off-market-transfers at $0.50 per share.
(4) Cash bonus was in relation to a sign-on fee for leaving his previous place of employment.

Employment Contracts with Key Management Personnel

Dr Lee Finniear (Chief Executive Officer)

Term: Commencing 1 July 2021 with no fixed term

Remuneration: Base remuneration of $300,000, inclusive of superannuation. He also participates in the Company's short term incentive plan for the 2022 Financial Year up to $100,000 and will receive 1,000,000 Service Rights vesting over a four year term in accordance with the Executive Rights Plan.

Other terms and conditions: Includes standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions.

Termination: The agreement may be terminated at any time by either party giving 6 months written notice or immediately due to serious misconduct or any reason entitling the LIS to summarily dismiss him at common law.

Dr Steve Rowlands (Chief Technology Officer)

Term: Commencing 1 July 2021 with no fixed term.

Remuneration: Base remuneration of $176,000, inclusive of superannuation, was changed to a base remuneration of $200,000 plus super effective 15 December 2021. He also participates in the Company's short term incentive plan for the 2022 Financial Year up to 30% of his base salary and received 200,000 Service Rights which vested on 30 June 2022 in accordance with the Executive Rights Plan.

Other terms and conditions: Includes standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions.

Termination: The agreement may be terminated at any time by either party giving 6 months written notice or immediately due to serious misconduct or any reason entitling the LIS to summarily dismiss him at common law.

Consulting Agreements

Glenn Molloy (Chief Strategic Officer)

Term: Commencing 12 June 2021 for a period of 24 months unless terminated earlier by LIS as permitted under the agreement

Remuneration: A daily rate as agreed between the parties reflective of work commitment and strategy.

Other terms and conditions: Includes standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions.

The number of ordinary shares in LIS held by each KMP for the year ended 30 June 2022 is set out below:

2022	Share Balance at Start of Year	Shares Acquired	Shares Sold	Share Balance at End of Year
Directors				
Non-Executive				
B Spincer	200,000	-	-	200,000
R Levison	2,776,917	13,632	-	2,790,549
A McDonald	866,961	-	-	866,961
H Cray	27,201	140,750	-	167,951
Total Directors	3,871,079	154,382	-	4,025,461
Other KMP				
L Finniear	200,000	-	-	200,000
S Rowlands	-	-	-	-
G Molloy(1)	6,440,784	-	-	6,440,784
K Hostland	504,295	24,771	-	529,066
Total Other	7,145,079	24,771	-	7,169,850
Total KMP	11,016,158	179,153	-	11,195,311

(1) Entered into a consulting agreement on 12 June 2021.

2021	Share Balance at Start of Year	Shares Issued via PPK's In-specie Dividend	Shares Acquired	Shares Sold	Share Balance at End of Year
Directors					
Non-Executive					
B Spincer	-	-	200,000	-	200,000
R Levison	-	1,576,917	1,200,000	-	2,776,917
A McDonald	-	166,961	700,000	-	866,961
H Cray	-	-	27,201	-	27,201
Total Non-Executive	-	1,743,878	2,127,201	-	3,871,079
Executive					
G Molloy(1)	-	5,640,784	800,000	-	6,440,784
Total Executive	-	5,640,784	800,000	-	6,440,784
Total Directors	-	7,384,662	2,927,201	-	10,311,863
Other KMP					
L Finniear	-	-	200,000	-	200,000
Total Other	-	-	200,000	-	200,000
Total KMP	-	7,384,662	3,127,201	-	10,511,863

(1) Resigned as a Director on 11 June 2021.

As at the end of the financial year, the number of service rights in LIS held by each KMP for the year ended 30 June 2022 is set out below:

2022	Balance at Start of Year[1]	Granted During the Year	Vested		Exercised	Forfeited		Vested & Unexercised	Balance at End of Year Unvested	
	Unvested	Unvested	No	%	No	No	%	No	No	Maximum $ Value to Vest[2]
Directors										
B Spincer	720,000	-	240,000	100%	-	-	-	240,000	480,000	70,200
R Levison	480,000	-	160,000	100%	-	-	-	160,000	320,000	64,251
A McDonald	480,000	-	160,000	100%	-	-	-	160,000	320,000	64,251
H Cray	480,000	-	160,000	100%	-	-	-	160,000	320,000	64,251
Total Directors	2,160,000	-	720,000		-	-	-	720,000	1,440,000	262,953
Other KMP										
L Finniear	1,000,000	-	250,000	100%	-	-	-	250,000	750,000	19,333
S Rowlands	-	200,000	200,000	100%	-	-	-	200,000	-	-
Total Other	1,000,000	200,000	450,000		-	-	-	450,000	750,000	19,333
Total KMP	3,160,000	200,000	1,170,000		-	-	-	1,170,000	2,190,000	282,286

(1) There were nil vested and unexercised rights at the beginning of the year.

(2) The maximum value of service rights to vest has been calculated as the amount of the grant date fair value of the service rights yet to be expensed.

2021	Balance at Start of Year	Granted During the Year	Vested		Exercised	Forfeited		Vested & Unexercised	Balance at End of Year Unvested	
	Vested	Unvested	No	%	No	No	%	No	No	Maximum $ Value to Vest[1]
Directors										
B Spincer	-	720,000	-	-	-	-	-	-	720,000	360,000
R Levison	-	480,000	-	-	-	-	-	-	480,000	240,000
A McDonald	-	480,000	-	-	-	-	-	-	480,000	240,000
H Cray	-	480,000	-	-	-	-	-	-	480,000	240,000
Total Directors	-	2,160,000	-	-	-	-	-	-	2,160,000	1,080,000
Other KMP										
L Finniear	-	1,000,000	-	-	-	-	-	-	1,000,000	65,000
Total Other	-	1,000,000	-	-	-	-	-	-	1,000,000	65,000
Total KMP	-	3,160,000	-	-	-	-	-	-	3,160,000	1,145,000

(1) The maximum value of service rights to vest has been calculated as the amount of the grant date fair value of the service rights yet to be expensed.

OTHER TRANSACTIONS WITH RELATED PARTIES OF THE COMPANY

There were no other transactions with directors and/or their related parties during the year.

(End of the Remuneration Report)

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director is as follows:

	Directors' Meetings		Audit & Risk Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Ben Spincer	12	12		
Robin Levison	12	12	2	2
Anthony McDonald	12	12	2	2
Hedy Cray	12	11	2	2

CORPORATE GOVERNANCE STATEMENT

Under ASX Listing Rules, the Company is required to disclose in its Annual Report the extent of its compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Recommendations"). The ASX Recommendations largely adopt an 'if not, why not' approach.

LIS's directors and management are committed to conducting business ethically and in accordance with high standards of corporate governance. A copy of LIS's 2022 Corporate Governance Statement can be found in the corporate governance section of LIS's website at www.lis.energy.

RISK & CONTROL COMPLIANCE STATEMENT

In accordance with the Recommendations, the Board has:

- received and considered reports from management regarding the effectiveness of the Company's management of its material business risks; and
- received assurance from the people performing each of the Chief Executive Officer and Chief Financial Officer functions regarding the consolidated financial statements and the effective operation of risk management systems and internal controls in relation to financial reporting risks.

AUDIT AND COMMITTEE

The details of the composition, role and Charter of the LIS's Audit and Risk Committee are available on the Company's website at www.lis.energy.

During the reporting period, the Li-S Energy Audit Committee consisted of the following:

Hedy Cray	Non-Executive Independent Director, Chairperson
Robin Levison	Non-Executive Director
Anthony McDonald	Non-Executive Independent Director

The Company's lead signing and review External Audit Partner, the Chairman, Chief Executive Officer and Chief Financial Officer and selected consultants attend meetings of the Audit Committee by standing invitation.

PROCEEDINGS ON BEHALF OF COMPANY

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

DIRECTORS' INDEMNIFICATION

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

Each of the Directors and the Company Secretary of LIS have entered into a deed whereby the company has provided certain contractual rights of access to books and records of LIS to those Directors and the Company Secretary. The company has insured all its Directors and Executive Officers. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances.

AUDITOR'S INDEMNIFICATION

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

NON-AUDIT SERVICES

Non-audit services provided by the Company's auditor, Ernst & Young, in the current financial period and prior financial year included preparation of an Independent Limited Assurance Report in relation to the IPO, taxation advice and other advisory services. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the company and its related practices:	**2022**	**2021**
	$	**$**
Independent Limited Assurance Report in relation to IPO	43,350	69,950
Taxation advice and other advisory services	28,500	5,000
Total remuneration	71,850	74,950

ROUNDING OF ACCOUNTS

The amounts contained in the financial report have been rounded to the nearest dollar (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2022 and a copy of this declaration forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

BEN SPINCER
Chairman

ROBIN LEVISON
Non-Executive Independent Director

Brisbane, 18 August 2022

Building a better working world

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Auditor's independence declaration to the directors of Li-S Energy Limited

As lead auditor for the audit of the financial report of Li-S Energy Limited for the financial year ended 30 June 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Bradley Tozer

Brad Tozer
Partner
18 August 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Notes	2022 $	2021 $
Revenue from contracts with customers		-	-
Finance income		42,374	-
Rental income		47,924	-
Employee benefits expenses	13.1	(406,916)	-
IPO Expenses		(2,382,161)	(1,193,104)
Professional costs		(813,630)	(218,042)
Audit Fees	6	(78,050)	(41,000)
Management fees	25.2	(600,000)	(200,000)
Directors' fees		-	(50,000)
Share based payments expense	25.1	(820,657)	(127,058)
Administration expenses		(1,272,316)	(108,793)
Depreciation and amortisation expense	14.1	(231,638)	(54,604)
Finance costs	4	(8,483)	(1,160)
Unrealised gain (loss) on investment at FVTPL	12	251,736	(289,638)
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		(6,271,817)	(2,283,399)
Income tax (expense) benefit	5	-	599,008
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		(6,271,817)	(1,684,391)
OTHER COMPREHENSIVE INCOME (LOSS) NET OF INCOME TAX		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(6,271,817)	(1,684,391)
Earnings per share (in cents)			
Basic	24	(0.99)	(0.29)
Diluted	24	(0.99)	(0.29)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Notes	2022 $	2021 $
CURRENT ASSETS			
Cash and cash equivalents	9	43,853,377	18,606,698
Trade and other receivables	10	156,877	226,143
Other current assets	11	84,234	68,135
TOTAL CURRENT ASSETS		44,094,488	18,900,976
NON-CURRENT ASSETS			
Investments	12	2,509,798	2,258,062
Property, plant & equipment	13	1,091,554	120,773
Right-of-use assets	14	218,824	-
Intangible assets	15	3,317,963	991,863
Deferred tax assets	5	785,196	921,733
TOTAL NON-CURRENT ASSETS		7,923,335	4,292,431
TOTAL ASSETS		52,017,823	23,193,407
CURRENT LIABILITIES			
Trade and other payables	16	743,492	443,397
Lease liabilities	17	101,309	-
Provisions	18	44,326	-
TOTAL CURRENT LIABILITIES		889,127	443,397
NON-CURRENT LIABILITIES			
Lease liabilities	17	95,980	-
Provisions	18	40,000	-
TOTAL NON-CURRENT LIABILITIES		135,980	-
TOTAL LIABILITIES		1,025,107	443,397
NET ASSETS		50,992,716	22,750,010
EQUITY			
Contributed equity	19.1	56,688,707	22,994,841
Reserves	20	2,295,365	1,474,708
Retained earnings (accumulated losses)		(7,991,356)	(1,719,539)
Capital and reserves attributable to owners of Li-S Energy Limited		50,992,716	22,750,010
TOTAL EQUITY		50,992,716	22,750,010

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	Notes	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and employees		(3,039,346)	(462,309)
Cash payments for IPO related costs		(2,382,161)	(941,820)
Cash payments for management fees paid to parent entity		(680,000)	(120,000)
Cash receipts from BAS refunds		645,246	-
Cash receipts from rental income		47,924	-
Interest received		42,374	-
Interest paid	4.1	(8,483)	(1,216)
Net cash provided by (used in) operating activities	4	(5,374,446)	(1,525,345)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for development expenditure and intangibles		(2,045,979)	(563,783)
Payments for purchases of property, plant & equipment		(1,035,722)	(133,906)
Net cash provided by (used in) investing activities		(3,081,701)	(697,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(127,578)	-
Repayment of borrowings – related parties		-	(1,185,118)
Proceeds from capital raisings	19.2	34,000,001	20,000,000
Transaction costs on issue of shares	19.2	(169,597)	(1,021,250)
Net cash provided by (used in) financing activities		33,702,826	17,793,632
Net increase (decrease) in cash held		25,246,679	15,570,598
Cash at the beginning of the financial year	4.2	18,606,698	3,036,100
Cash at the end of the financial year	9	43,853,377	18,606,698

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	Notes	Contributed Equity $	Share Premium Reserve $	Share Options Reserve $	Accumulated Losses $	Total Equity $
ENTITY						
At 1 July 2021		22,994,841	1,347,650	127,058	(1,719,539)	22,750,010
Total comprehensive income (loss) for the year						
Profit (loss) for the year		-	-	-	(6,271,817)	(6,271,817)
Other comprehensive income (loss) for the year		-	-	-	-	-
Total comprehensive income (loss) for the year		-	-	-	(6,271,817)	(6,271,817)
Issue of share capital on initial public offering	19.2	34,000,001	-	-	-	34,000,001
Issue of service rights for Non-Executive Directors	20.1	-	-	707,047	-	707,047
Issue of service rights for Executives	20.1	-	-	113,610	-	113,610
Transaction costs for issue of share capital	19.2	(169,597)	-	-	-	(169,597)
Tax effect of transaction costs on issue of share capital deductible over five years	19.2	(136,538)	-	-	-	(136,538)
At 30 June 2022		56,688,707	1,347,650	947,715	(7,991,356)	50,992,716

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Notes	Contributed Equity $	Share Premium Reserve $	Share Options Reserve $	Equity Reserve $	Accumulated Losses $	Total Equity $
ENTITY							
At 1 July 2020		663,366	1,347,650	-	3,030,000	(35,148)	5,005,868
Total comprehensive income (loss) for the year							
Profit (loss) for the year		-	-	-	-	(1,684,391)	(1,684,391)
Other comprehensive income (loss) for the year		-	-	-	-	-	-
Total comprehensive income (loss) for the year		-	-	-	-	(1,684,391)	(1,684,391)
Issue of share capital on private placement		23,250,000	-	-	(3,250,000)	-	20,000,000
Issue of service rights for Non-Executive Directors	20.1	-	-	110,000	-	-	110,000
Issue of service rights for Executives	20.1	-	-	17,058	-	-	17,058
Transaction costs for issue of share capital		(918,525)	-	-	220,000	-	(698,525)
At 30 June 2021		22,994,841	1,347,650	127,058	-	(1,719,539)	22,750,010

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

NOTE 1 CORPORATE INFORMATION

The financial statements of Li-S Energy Limited ("Li-S Energy" or "LIS" or "the Company") for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 18 August 2022 as required by the *Corporations Act 2001*.

LIS is a for-profit public company limited by shares, incorporated and domiciled in Australia. LIS is registered in Queensland and has its head office at Level 27, 10 Eagle Street, Brisbane, Queensland 4000.

Li-S Energy Limited was incorporated on 12 July 2019 as one of the initial application projects identified in the Joint Venture Research Agreement with Deakin University and announced by PPK Group Limited on 16 October 2019. The principal activity of LIS is to develop and commercialise a new type of battery based on Lithium Sulphur (Li-S) and using boron nitride nanotubes (BNNT) as both an integrated protective insulation layer and a component in composite anodes which will allow faster charging rates and increased battery cycle life.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Statement of Compliance

These general purpose financial statements of the Company have 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. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Financial Information has been prepared on an accruals basis and are based on historical costs, except for investments measured at fair value.

The accounting policies have been consistently applied unless otherwise stated.

2.2 New and revised standards that are effective for these financial statements

There were no first time standards and amendments effective for the financial period ended 30 June 2022 that are material to the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 2020-3 Amendments to AASB 3 – Reference to the Conceptual Framework

When the revised Conceptual Framework was issued in 2018, its application to AASB 3 was excluded requiring entities to apply the definitions of an asset and liability (and supporting concepts) in the previous Framework. In some cases, the revised definitions might change which assets and liabilities qualify for recognition in a business combination. As a consequence, post-acquisition accounting required by other standards could lead to immediate derecognition or such assets or liabilities, causing "day 2 gains or losses" to arise, which did not depict economic reality.

The IASB has assessed the impact of the revised definitions of assets and liabilities in the Conceptual Framework to business combinations, concluding that the problem of day 2 gains or losses would be significant only for liabilities that an acquirer accounts for after acquisition by applying IAS 37 *Provisions, Contingent Liabilities and Contingent* Assets or IFRIC 21 *Levies*. The IASB updated IFRS 3 in May 2020 for the revised definitions of an asset and liability and excluded the application of the Conceptual Framework to liabilities and contingent liabilities within the scope of IAS 37 or IFRIV 21. The AASB released the equivalent amendments to AASB 3 in June 2020. When the amendments are first adopted for the year ended 30 June 2023, the amendments are not expected to have a material impact on the financial statements.

IAS 16 Amendment to Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. An entity applies this amendment for annual reporting periods beginning on or after 1 July 2022 and the amendment is applied retrospectively but only to items of property, plant and equipment that are "ready to use" from the date of application. When this amendment is first adopted for the year ended 30 June 2023, the amendment is not expected to have a material impact on the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2021-2 Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

The amendments to AASB 101 Presentation of Financial Statements require disclosure of "material" accounting policy information, instead of "significant" accounting policies. Unlike material, significant is not defined in Australian Accounting Standards and leveraging the existing definition of material, with additional guidance, is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material and entity-specific accounting policy information is emphasised as being more useful than generic information or summaries of the requirements of Australian Accounting Standards. The amendments to AASB Practice Statement 2 supplement the amendments to AASB 101 by illustrating how the four-step materiality process can identify material accounting policy information. When the amendment is first adopted for the year ended 30 June 2024, the amendment is not expected to have a material impact on the financial statements.

AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates

An accounting policy may require items in the financial statements to be measured using information that is either directly observable or estimated. Accounting estimates use inputs and measurement techniques that require judgement and assumptions based on the latest available reliable information. The amendments to AASB 108 clarify definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction if necessary as their treatment and disclosure requirements are different. Critically, a change of an accounting estimate is applied prospectively whereas a change in accounting policy is applied retrospectively.

The new definition provides that "Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty". The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error. When the amendments are first adopted for the year ended 30 June 2024, the amendments are not expected to have a material impact on the financial statements.

AASB 2021-5 Amendments to AAS – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment requires entities to account for income tax consequences when economic transactions take place, rather than when income tax payments or recoveries are made. Accounting for such tax consequences means entities need to consider the differences between tax rules and accounting standards. Deferred taxes representing amounts of income tax payable or recoverable must be recognised on temporary differences unless specifically prohibited by AASB 112. An entity applies this amendment for annual reporting periods beginning on or after 1 July 2023 and applies the amendment from the beginning of the earliest comparative period presented for all transactions occurring on or after that date and for deferred tax balances arising from leases and decommissioning, restoration and similar liabilities existing at that date. The cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. When the amendment is first adopted for the year ended 30 June 2024, the amendment is not expected to have a material impact on the financial statements.

AASB 2020 – Amendments to AASs – Classification of Liabilities as Current or Non-current

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current, specifically:

- the amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement exists.
- management intention or expectation does not affect the classification of liabilities.
- in cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

A consequence of the first amendment is that a liability would be classified as current if its repayment conditions failed their test at reporting date, despite those conditions only becoming effective in the 12 months after the end of the reporting period.

The AASB has proposed further amendments:

- specifying that conditions with which an entity must comply after the reporting period do not affect the classification at the reporting date;
- adding presentation and disclosure requirements for non-current liabilities subject to conditions in the next 12 months;
- clarifying specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date; and
- deferring the effective date of the original amendments to no earlier than 1 July 2024.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amendments are applied retrospectively and early adoption is permitted. When the amendments are first adopted for the year ended 30 June 2025 or earlier, the amendments are not expected to have a material impact on the financial statements.

AASB 1014-10 Amendments to AAS – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates or Joint Ventures*. The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on loss of control or significant influence is retained in a transaction involving an associate or joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitutes a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involve an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

When the amendments are first adopted for the year ended 30 June 2026, the amendments are not expected to have a material impact on the financial statements.

2.3 Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Company is in Australian Dollars ($AUD).

Foreign currency transactions and balances

Foreign currency transactions during the period are converted to Australian currency at rates of exchange applicable at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses, whether realised or unrealised, resulting from the settlement of such transactions, amounts receivable and payable in foreign currency at the reporting date, and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year end and are measured at historical cost (translated using the exchange rate at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

2.4 Operating expenses

Operating expenses are recognised in the profit or loss upon utilisation of the services or at the date incurred.

2.5 Finance costs

All borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is necessary to complete and prepare the asset for its intended use or sale. Other finance and borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

2.6 Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand, and at call deposits with banks or financial institutions, net of bank overdrafts as they are considered an integral part of the Company's cash management.

2.7 Trade receivables

The Company makes use of a simplified approach in accounting for trade receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix which is based on the historical credit loss experience for the customer segments. At every reporting date, the historical credit loss experience is reviewed and updated, if appropriate, and changes in the forward-looking estimates are analysed. For this financial year, the Company did not have any expected lifetime credit losses.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation and impairment. The cost of fixed assets constructed includes the cost of materials used in construction, direct labour and an appropriate proportion of fixed and variable overheads.

The depreciable amount of all fixed assets, including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the profit and loss of the entity in the year of disposal.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate Straight Line
Leasehold Improvements	Over the term of the lease
Plant & Equipment	10% – 33%

2.9 Intangible assets

Research and Development

Research is recognised as an expense as incurred. Costs incurred on development (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria such as a) selling, administrative and other general overhead expenditure, unless this expenditure can be directly attributed to preparing the asset for use; b) identified inefficiencies and initial operating losses incurred before the asset achieves planned performance; and c) expenditure on training staff to operate the asset, are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets at cost less any accumulated amortisation and impairment losses and amortised over the period of expected future sales from the related projects. The carrying value of development costs is reviewed annually when the asset is not yet ready for use, or when events or circumstances indicate that the carrying value may be impaired.

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset.

2.10 Financial instruments

Initial recognition and measurement

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Financial assets are classified according to the characteristics of their contractual cash flow and the Company's business model for managing them. Except for those trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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. Trade receivables that do contain a significant financing component for which the Company has applied the practical expedient are measured at the transaction price.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value

Estimated discounted cash flows were used to measure fair value, except for fair values of financial assets that were traded in active markets that are based on quoted market prices.

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Company according to the hierarchy stipulated in AASB13 as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs)

The Company's investment in Zeta Energy LLC is at fair value through profit and loss and is measured as a Level 3 financial instrument.

Financial assets are classified according to the characteristics of their contractual cash flow and the Company's business model for managing them. Except for those trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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. Trade receivables that do contain a significant financing component for which the Company has applied the practical expedient are measured at the transaction price as disclosed in Note 2.7.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit and loss ("FVTPL)", irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date (ie the date that the Company commits to purchase or sell the asset).

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through the OCI with no recycling of cumulative gains or losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised.

Financial assets fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, impairment losses or reversals are recognised in the statement of profit and loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company has no debt instruments at fair value through OCI.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value though OCI when they meet the definition of equity under AASB 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company has no equity instruments at fair value through OCI.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit and loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group similar financial assets) is primarily derecognised (ie removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Financial liabilities

Initial measurement and recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement

For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at amortised cost (loans and borrowings)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated up initial recognition as FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.11 Trade and other payables

These amounts represent unpaid liabilities for goods received and services provided to the Company prior to the end of the financial year. The amounts are unsecured and are normally settled within 30 to 60 days, except for imported items for which 90 or 120 day payment terms are normally available.

2.12 Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss statement over the period of the loans and borrowings using the effective interest method.

2.13 Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are only recognised for deductible temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or liability if they arose in a transaction other than a business combination that at the time of the transaction did not affect either accounting profit or taxable profit.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.
Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

2.14 Share Based Payments

The Company operates equity-settled Share right-based incentive plans for its Directors and executives. All goods and services received in exchange for the grant of any Share-based payment are measured at their fair value of the instruments granted. Where Directors and executives are rewarded using Share right-based payments, the cost of Directors' and executives' services is determined by the fair value at the date when the grant is made using an appropriate valuation model and revalued when modified.

All Share-based remuneration is ultimately recognised in employee benefits expense with a corresponding credit to a Share rights reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on best available estimate of the number of Share rights expected to vest. Non-market vesting conditions are included in assumptions about the number of Share rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of Share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if Share rights ultimately exercised are different to that estimated on vesting.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the Share-based payment transaction, or is otherwise beneficial to the holder. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.15 Dividends

Provision is made for dividends declared, and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at the end of the reporting period.

2.16 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If ownership of the leased asset transfers to the Company at the end of the lease term or the costs reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual lease guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate to be used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term. There were no short-term or low-value leases during the financial year.

2.17 Equity

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefit.

2.18 Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote in which case no liability is recognised.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Significant Management Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Impairment of intangibles – development costs

The Company capitalises costs for product development projects. Initial capitalisation of costs is based on Management's judgement, after making inquiries from engineers, scientists and other qualified professionals that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, Management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and expected period of benefits.

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset. Management made this assessment on the basis that the Company has one Cash Generating Unit and the 30 June 2022 share price implied a value for the Company and its assets well in excess of the carrying value of the intangible assets. The intangible assets approximate 1% of the current market capitalisation. The Directors also expect to achieve forward net positive cash flows in excess of the current value of the intangible assets.

Deferred tax asset

Deferred tax asset is only recognised to the extent that there is reasonable certainty of realising future taxable amounts sufficient to recover the carrying value. Given advancements in the Company's activity, product development and capital raising which has indicated a significant value for its operations an assessment has been made that it is probable that future short term taxable income would be realised to allow the deferred tax assets to be utilised and they have been recognised with no valuation allowance in the period.

2.20 Goods and Services Tax (GST)

Revenues and expenses are recognised net of GST except where 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.

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 receivables or payables in the balance sheet. Cash flows are included in the cash flow statement 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2.21 Going Concern

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 normal course of business.

On 18 August 2022, being the date of approval of the financial report, the Directors believe it is appropriate to prepare the financial report on a going concern basis. In making this assessment the Directors have identified and considered:

- during the whole of the 2022 financial year, and at all times subsequent, the Company has been able to meet its obligations as and when they fell due;
- the Company has $43,853,377 of cash in the bank and no fixed debt;
- the Company has net assets of $50,992,716.
- the Company has project plans and budgets approved by the Directors, consistent with disclosure in the Prospectus, to complete the projects over the next year;
- the likelihood of ongoing support from PPK Group Limited.

The Directors have formed a view that the Company will continue as a going concern.

NOTE 3 SEGMENT INFORMATION

The Company applies AASB 8 Operating Segments whereby segment information is presented using a "management approach", segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers.

Operating segments have been determined based on reports reviewed by the Directors. The Directors and the Senior Management are the chief operating decision makers of the Company. The only operating segment for 30 June 2022 is the development and commercialisation of the Li-S Energy Battery.

NOTE 4 CASH FLOW INFORMATION

	Notes	2022 $	2021 $
4.1 Reconciliation of cash flows from operating activities			
Profit (loss) after income tax attributed to owners of LIS		(6,271,817)	(1,684,391)
Cash flows in operating activities but not attributable to operating result:			
Non-cash flows in operating profit:			
Unrealised (gain) loss on investment at FVTPL	12	(251,736)	289,074
Share based payment expense	7.1	820,657	127,058
Depreciation and amortisation expense	14.1	231,638	54,604
Finance costs		8,483	-
Net changes in working capital:			
(Increase) decrease in trade and other receivables		69,267	(109,619)
(Increase) decrease in deferred tax asset		-	(599,008)
(Increase) decrease in prepaids		(36,753)	(34,911)
Increase (decrease) in trade and other payables		11,489	431,848
Increase (decrease) in employee entitlements		44,326	-
Net cash (used in) provided by operating activities		(5,374,446)	(1,525,345)
4.2 Reconciliation of Cash			
For the purposes of the cash flow statement, cash includes:			
Cash at bank and on hand		43,853,377	18,606,698
	9	43,853,377	18,606,698
4.3 Non-cash financing and investing activities			
During the period, the Company had no non-cash financing or investing activities		-	-
		-	-

NOTE 5 INCOME TAX EXPENSE

	Notes	2022 $	2021 $
(a) The prima facie tax payable (benefit) on the profit (loss) before income tax is reconciled to the income tax expense as follows:			
Profit (loss) before tax		(6,271,817)	(2,283,399)
Prima facie tax payable (benefit) at 25.0% (2021: 26%)		(1,567,954)	(593,684)
(Non-assessable income) non-deductible expenses			
Losses for which no deferred tax asset was recognised		1,494,721	-
Temporary differences for which no deferred tax asset was recognised		243,481	-
Transaction costs on issue of ordinary shares		(346,235)	-
Adjustments in respect of deferred income tax of previous years		-	(12,661)
Adjustment for change in statutory tax rate		13,341	
Other		162,646	7,337
Income tax expense (benefit)		-	(599,008)
The applicable weighted average effective tax rate is as follows:		0%	26%
(b) The components of tax expense comprise:			
Current tax		-	(355,849)
Deferred tax in profit and loss		-	(243,159)
Income tax expense (benefit)		-	(599,008)
(c) Recognised in the Statement of Financial Position			
Tax losses		355,849	355,849
Property Plant and Equipment		(26,002)	(26,002)
Investments		65,742	65,742
Accruals		19,799	19,799
Capital Raising Costs [1]		369,808	506,345
Total		785,196	921,733

Note 1 At 30 June 2022, of the recognised deferred tax assets an amount of $186,188 (30 June 2021: $322,725) relating to capital raising costs was recognised directly in equity and the balance of $183,620 was recognised in profit or loss.

		2022 $	2021 $
(d) Not recognised in the Statement of Financial Position			
Unrecognised deferred tax assets / deferred tax liabilities			
Tax losses		1,472,400	9,666
Temporary differences		243,481	-
Total		1,715,881	9,666

NOTE 6 AUDITOR'S REMUNERATION

	Notes	2022 $	2021 $
Remuneration of the auditor of the Company for:			
- fees for auditing the statutory financial report of the company		78,050	27,500
- fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm			
- auditing the 31 December 2020 financial report		-	13,500
- Independent Limited Assurance Report in relation to IPO		43,350	69,950
- fees for other services			
- Tax compliance and other tax related matters		28,500	5,000
Total fees to Ernst & Young (Australia)		149,900	115,950

NOTE 7 KEY MANAGEMENT PERSONNEL REMUNERATION

7.1 Key management personnel remuneration

	Notes	2022	2021
Short-term benefits		674,091	1,148,101
Share-based payments	2.14	820,657	127,058
Post-employment benefits		29,829	-
		1,524,577	1,275,159

During the reporting period, the Directors have determined that they, the Chief Executive Officer, the Chief Technology Officer, the Chief Strategic Advisor and the Chief Financial Officer are the key management personnel ("KMP"). For the 30 June 2021 financial year, the Company paid two executives of BNNTTL for their assistance with the IPO but they are not considered to be key management personnel. See the Directors' Report for details of their remuneration policy and benefits.

7.2 Equity instruments

Non-Executive Directors (NEDs)

LIS has adopted the NED Equity Plan under which the Board of the Company may invite Non-Executive Directors to apply for Service Rights to be issued in accordance with, and subject to the terms of the Plan. Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company.

The following table indicates the amount of fees that a NED can sacrifice in return for a grant of Service Rights.

Financial Year	Fees Sacrifice ($)	Tranche	Number of Service Rights
Non-Executive Directors (NEDs)			
2021	80,000	1	160,000
2022	80,000	2	160,000
2023	80,000	3	160,000
Chairman			
2021	120,000	1	240,000
2022	120,000	2	240,000
2023	120,000	3	240,000

NEDs sacrifice total Director fees of $80,000 for 160,000 Service Rights and the Chairman sacrifices total Director fees of $120,000 for 240,000 Service Rights for each Financial Year. There is no amount payable other than the sacrificed fees for the Service Rights. The Directors believe that accepting Share Rights in lieu of cash remuneration aligns their risk/reward with that of the Shareholders.

NOTE 7 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

The number of Service Rights are calculated by dividing the amount of sacrificed fees by the Share price of $0.50 per Share being the price at which Shares were issued in the April 2021 capital raise. The fair value of these Service Rights at the time that they were granted have been independently valued at $0.50 each.

The Service Rights were issued as at 1 May 2021 and vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED holds the office of NED on those dates. Each consecutive tranche commences annually on the vesting date of the prior tranche. All NEDs met the vesting requirements for Tranche 1.

Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of holding the office of NED and any role as an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being a NED.

If a NED ceases to hold the office of a NED during a tranche then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche. All subsequent tranches will lapse. Any unvested Service Rights that do not vest will lapse.

A NED must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Service Rights (vested or unvested).

If the Board forms the view that a NED has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.

Other Key Management Personnel

LIS has adopted a plan called the Li-S Energy Limited Executive Rights Plan (**Executive Rights Plan**) under which the Board of the Company may invite certain eligible persons, to apply for Service Rights or Performance Rights to be issued in accordance with, and subject to the terms of, the Executive Rights Plan.

Each Service Right or Performance Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company.

The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Plan. Non-Executive Directors are excluded from Participation in the Plan.

On 12 November 2020 Dr Lee Finniear was granted 1,000,000 Service Rights which vest in four equal tranches on 30 April 2022, 2023, 2024 and 2025, subject to continuity of his engagement during the Measurement Periods. The Service Rights at the time that they were granted have been independently valued at $0.065 each and have a nil exercise price. Each consecutive tranche commences annually on the vesting date of the prior tranche and, if Dr Lee Finniear ceases his employment during a tranche, then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche and all subsequent tranches will lapse. Dr Lee Finniear met the vesting requirements for Tranche 1.

On 15 June 2022 Dr Steve Rowlands was granted 200,000 Service Rights which vest on 30 June 2022 providing he continued to be employed up to and including that date. The Service Rights were valued at $0.425 each, being the closing share price at the date of the grant and have a nil exercise price. Service Rights that have vested may be exercised any time after 30 June 2024. Dr Steve Rowlands met the vesting requirements for Tranche 1.

The Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of being an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being an employee of the Company.

NOTE 7 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Any unvested Service Rights that do not vest will lapse.

Participants of the Executive Rights Plan must not enter into an arrangement with anyone if it would have the effect of limiting his exposure to risk in relation to Service Rights (vested or unvested). If the Board forms the view that a Participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.

NOTE 8 DIVIDENDS

	Notes	2022 $	2021 $
(a) Dividends paid			
2022 No interim dividend was declared or paid (2021: nil)		-	-
(b) Dividends declared after balance date			
The directors have not declared a final dividend for the 2022 financial year (2021: nil)	2.15	-	-
(c) Franked dividends			
Franking credits available for subsequent financial years based on a tax rate of 25.0% (2020: 26%)		-	-

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

The amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

NOTE 9 CASH AND CASH EQUIVALENTS

Current			
Cash at bank and on hand	2.6	43,853,377	18,606,698
		43,853,377	18,606,698

NOTE 10 TRADE AND OTHER RECEIVABLES

Current			
GST receivable	2.20	156,877	220,643
Other receivables	2.7	-	5,500
		156,877	226,143

NOTE 11 OTHER ASSETS

Current		
Prepayments	62,661	41,472
Other	21,573	26,663
	84,234	68,135

Other assets for the previous financial year related to costs incurred in relation to the LIS IPO and on the successful listing of LIS, these costs transferred to equity.

NOTE 12 INVESTMENTS

	Notes	2022 $	2021 $
Investment in Zeta Energy LLC	2.10	2,509,798	2,258,062

On 13 May 2022, Zeta Energy was converted from an LLC “taxed as a partnership” to a C Corporation, LIS’s interest was converted to 1,729,000 shares of Class B common stock and Zeta Energy has confirmed the shares are valued at USD1.00 per share at 30 June 2022. The valuation of the investment at USD1,729,000 equates to AUD$2,509,798 at the prevailing exchange rate on 30 June 2022 of $0.6889 and the movement of $251,736 is recognised as a gain on investment at FVTPL.

NOTE 13 PROPERTY PLANT AND EQUIPMENT - NON-CURRENT

Software – at cost	2.8	15,538	6,870
Less: Accumulated amortisation and impairment		(15,538)	-
		-	6,870
Plant and Equipment - at cost	2.8	1,154,844	127,036
Less: Accumulated depreciation and impairment		(63,290)	(13,133)
		1,091,554	113,903
Total property, plant and equipment of continuing operations		1,091,554	120,773

Reconciliations	**Software** **$**	**Plant & Equipment** **$**	**Total** **$**
2022			
Opening balance	6,870	113,903	120,773
Additions	8,668	1,027,808	1,036,476
Disposals	-	-	-
Transfers	-	-	-
Impairment	-	-	-
Depreciation expense	(15,538)	(50,157)	(65,695)
Closing balance	-	1,091,554	1,091,554
2021			
Opening balance	-	-	-
Additions	6,870	127,036	133,906
Disposals	-	-	-
Transfers	-	-	-
Impairment	-	-	-
Depreciation expense	-	(13,133)	(13,133)
Closing balance	6,870	113,903	120,773

Included in $1,027,808 of additions for property, plant and equipment are $117,917 of employee costs capitalised in relation to the installation of the pilot plant production facilities in the Waurn Pond campus.

13.1 Employee benefits expense capitalised

Wages and salaries		794,100	-
Post-employment superannuation		40,813	-
Amount capitalised in property, plant and equipment	13	(117,197)	-
Amounts capitalised in intangible assets	15	(310,800)	-
		406,916	-

NOTE 14 RIGHT-OF-USE - NON-CURRENT

	Notes	2022 $	2021 $
Right-of-use assets – at cost		343,295	-
Less: Accumulated depreciation and impairment		(124,471)	-
Total right-of-use assets		218,824	-
Carrying amount at start of year		-	-
Additions		343,295	-
Disposals		-	-
Transfers		-	-
Depreciation and impairment expense		(124,471)	-
Carrying amount at end of year		218,824	-

LIS leases two production bays that are beside each other in Deakin's ManuFutures advanced manufacturing hub in Waurn Ponds, Victoria. Each lease consists of 157 square metres space, a 58 square metre office and monthly rent of $4,741 plus GST with a CPI increase at each anniversary date. One lease expires on 31 December 2023 and the other lease expires on 30 June 2024, there are no options for further terms.

14.1 Reconciliation depreciation

	Notes	2022 $	2021 $
Short term lease expense	11	41,472	41,471
Property, plant and equipment	13	65,695	13,133
Right-of-use asset	14	124,471	-
		231,638	54,604

NOTE 15 INTANGIBLE ASSETS - NON-CURRENT

	Notes	2022 $	2021 $
Development Costs	2.9	3,317,963	991,863
Less: Accumulated amortisation and impairment		-	-
Total intangibles		3,317,963	991,863

Reconciliations	**Li-Nanomesh $**	**Lithium Sulphur Battery $**	**Total $**
2022			
Opening balance	-	991,863	991,863
Additions	508,300	1,817,800	2,326,100
Disposals	-	-	-
Transfers	-	-	-
Impairment	-	-	-
Depreciation & amortisation expense	-	-	-
Closing balance	508,300	2,809,663	3,317,963
2021			
Opening balance		428,080	428,080
Additions		563,783	563,783
Disposals		-	-
Transfers		-	-
Impairment		-	-
Amortisation expense		-	
Closing balance		991,863	991,863

NOTE 15 INTANGIBLE ASSETS - NON-CURRENT (continued)

The intangible asset is for the development of the Lithium Sulphur battery and the Li-Nanomesh battery projects undertaken by Deakin University under the Research and Development Agreement. Included in $1,817,800 of additions for intangibles are $310,800 (Note 13.1) of employee costs capitalised for the development work undertaken in relation to the intangible assets being developed.

NOTE 16 TRADE AND OTHER PAYABLES - CURRENT

	Notes	2022 $	2021 $
Trade payables – unsecured		374,024	20,117
Sundry payables and accruals - unsecured		369,468	423,280
		743,492	443,397

NOTE 17 LEASE LIABILITIES

	Notes	2022 $	2021 $
Current			
Lease liabilities	2.16	101,309	-
Total current		101,309	-
Non-Current			
Lease liabilities	2.16	95,980	-
Total Non-current		95,980	-

NOTE 18 PROVISIONS

	Notes	2022 $	2021 $
Current			
Annual leave	2.18	44,326	-
Total current		44,326	-
Non-Current			
Make good	2.18	40,000	-
Total Non-current		40,000	-

NOTE 19 SHARE CAPITAL

19.1 Issued capital

	Notes	2022 $	2021 $
640,200,230 (2021: 600,200,230) ordinary shares fully paid		56,688,707	22,994,841
Movements in ordinary share capital			
Balance at the beginning of the financial period		22,994,841	663,366
New shares issued, net of transaction costs	2.17	33,693,866	22,331,475
		56,688,707	22,994,841

The shares have no par value. Ordinary shares participate in dividends and the proceeds of winding up in proportion to the number of shares held. Each ordinary share is entitled to one vote at shareholder meetings.

NOTE 19 SHARE CAPITAL (continued)

19.2 New shares issued

	Notes	2022 $	2021 $
Movements in number of ordinary shares			
Issued for cash on 16 September 2021 @ $0.85 per share on initial public offering		34,000,001	
Less: transaction costs		(169,597)	
Unwind of tax effect of transaction costs on issue of share capital in prior years, deductible over five years		(136,538)	
New shares issued for cash, net of transaction costs		33,693,866	
Settlement on 15 July 2020 as part of capital raise @ $0.65 per share			3,250,000
Less: transaction costs			(162,800)
Shares issued for cash, net of transaction costs			3,087,200
Issued for cash on 9 April 2021 as part of capital raise @ $0.50 per share			20,000,000
Less: transaction costs			(755,725)
Shares issued for cash, net of transaction costs			19,244,275
Total shares issued on acquisition, net of transaction costs		33,693,866	22,331,475

19.3 Share movements

	2022	2021
Movements in number of ordinary shares		
Opening balance	600,200,230	51,020,409
New shares issued[1]	40,000,000	
Shares issued[2]		4,999,614
		56,020,023
Share split on a 500,000 for 1 basis – restated[3]		504,180,207
		560,200,230
Shares issued[4]		40,000,000
Closing balance	640,200,230	600,200,230

1 On 16 September 2021, issued 40,000,000 shares for cash at $0.85 per share
2 On 15 July 2020, issued 4,999,614 shares for cash at $0.65 per share.
3 On 22 October 2020, the Directors resolved to split the shares on a 10 for 1 basis, restating total shares to 560,200,230.
4 On 9 April 2021, issued 40,000,000 shares for cash at $0.50 per share.

NOTE 20 RESERVES

	2022	2021
Share option reserve	947,715	127,058
Share premium reserve	1,347,650	1,347,650
	2,295,365	1,474,708

Movement in reserves

20.1 Share options reserve

	2022	2021
Opening balance	127,058	-
Issue of service rights under the NED Equity Plan	707,047	110,000
Issue of service rights under Executive Rights Plan	113,610	17,058
Closing balance	947,715	127,058

The share options reserve is used to recognise the value of equity settled share-based payments granted as service rights to Non-Executive Directors under the NED Equity Plan and to the Key Management Personnel under the Executive Rights Plan as part of their remuneration (see Note 7.2).

NOTE 20 RESERVES (continued)

20.2 Share premium reserve	**Notes**	**2022 $**	**2021 $**
Opening balance		1,347,650	1,347,650
Movement		-	-
Closing balance		1,347,650	1,347,650

The share premium reserve is to recognise the difference between the value of the investment in Zeta Energy Corp. (see Note 12) of $2,010,916 at the date of the investment and the 1,020,409 shares issued to Zeta Energy Corp. LLC at $0.65 per share at the same time with a value of $663,266.

20.3 Capital Risk Management

The Company considers its capital to comprise its ordinary share capital, reserves and retained earnings. In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth and distributions. In order to achieve this objective, the Company seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or incurring debt, the Company considers not only its short-term position but also its long-term operational and strategic objectives.

NOTE 21 FINANCIAL RISK MANAGEMENT

Financial Risk Management

The Directors have overall responsibility for the establishment and oversight of the financial risk management framework. The Company's activities expose it to a range of financial risks including market risk, credit risk and liquidity risk. The Company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material.

21.1 Market risk

Market risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, equity price risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a security will fluctuate due to changes in interest rates. Exposure to interest risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties and other persons. The Company was not exposed to significant interest rate risk during the year.

(ii) Equity price risk

Equity securities price risk is the risk that changes in market prices will affect the fair value of future cash flows of the Company's investments.

The Company is exposed to equity price risk through the movement in its membership interest in its investment in Zeta Energy LLC if and when Zeta Energy LLC raises capital or completes its initial public offering and is listed on a stock exchange. The equity price risk is determined by market forces and are outside the control of the Company. The risk of loss is limited to the capital invested. A 1% movement in equity value would cause a movement in the investment of approximately $25,000 (2021: $22,000).

(iii) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial item will fluctuate as a result of movements in foreign exchange rates. The Company's exposure to foreign exchange relates to its investment in Zeta Energy Corp. a company domiciled in USA. The Company manages the foreign exchange risk by monitoring the potential benefits of the strategic and economic benefits of this investment and, the ability to divest the investment should the need arise.

NOTE 21 FINANCIAL RISK MANAGEMENT (continued)

21.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. At balance date, the Company does not have material exposure to credit risk. All cash is invested with Tier 1 Australian banks.

21.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's objective to mitigate liquidity risk is by monitoring forecast cash flows and ensuring that adequate facilities or financing options are maintained. At balance date, the Company has cash of $43,853,377 and current liabilities of $889,127 which are primarily for the year end 30 June 2022. The payables of $743,492 share a contractual maturity of 15-45 days.

NOTE 22 FAIR VALUE OF FINANCIAL INVESTMENTS

The carrying values of financial assets and liabilities listed below approximate their fair value.

Estimated discounted cash flows were used to measure fair value, except for fair values of financial assets that were traded in active markets that are based on quoted market prices.

Hierarchy
The following tables classify financial instruments recognised in the statement of financial position of the Company according to the hierarchy stipulated in AASB13 as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

31 June 2022	Notes	Level 1 $	Level 2 $	Level 3 $	Total $
Non-current assets					
Unlisted equity securities	12	-	-	2,509,798	2,509,798
		-	-	2,509,798	2,509,798
30 June 2021					
Non-current assets					
Unlisted equity securities	12	-	-	2,258,062	2,258,062
		-	-	2,258,062	2,258,062

The level 3 fair value assessment of unlisted equity securities has been based on advice provided by the investee company as to the most recent capital raise completed by it on or about 30 June 2022. This amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of $0.6889 at 30 June 2022 (Note 12).

NOTE 23 CONTINGENT ASSETS AND CONTINGENT LIABILITIES AND COMMITMENTS

	Notes	2022 $	2021 $
Plant and equipment		76,301	-
Intangible assets		2,963,272	307,815
Other		210,000	-
		3,249,573	307,815

LIS has made partial payments for plant and equipment that is to be delivered after the reporting date. At that time, LIS will take ownership of the assets but only has a commitment at the reporting date. The Research and Development Agreements with Deakin (see Note 25) have specified dates for the services to be paid. As at the reporting date, LIS has commitments totalling $2,963,272 for services to be performed which will occur after the reporting date. These projects range in duration from six months to two years.

There are no contingent assets or contingent liabilities.

NOTE 24 EARNINGS (LOSS) PER SHARE

	30 June 2022	30 June 2021
	$	$
Profit/(loss) after tax	(6,271,817)	(1,684,391)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding used in calculating basic earnings per share [1]	631,652,285	567,131,895
Weighted average number of ordinary shares outstanding used in calculating diluted earnings per share [1, 2]	631,652,285	567,131,895
Basic earnings (loss) per share (cents)	(0.99)	(0.29)
Diluted earnings (loss) per share (cents)	(0.99)	(0.29)

Note 1 The weighted average number of ordinary shares outstanding used in calculating basic and diluted earnings per share for the current year include the 40,000,000 shares issued on 16 September 2021 for the capital raise of $34,000,000. The comparative year has been adjusted for the impact of the share split on the shares issued on 15 July 2020 and the shares issued on 9 April 2021.

Note 2 The weighted average number of ordinary shares outstanding used in calculating diluted earnings per share has not been adjusted for 2,160,000 Service Rights granted under the NED Equity Plan and 1,000,000 Service Rights granted under the Executive Rights Plan (Note 7.2) as they are anti-dilutive.

NOTE 25 RELATED PARTY TRANSACTIONS

25.1 Transactions with Directors and Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP") of LIS and consulting fees to other related parties are shown in the table below:

	Short Term Benefits								
	Salary & Fees	(2)Cash Bonus	Non-Monetary	Post employment Super-annuation	Long Term Benefits	Termination Payments	(1)Share Based Payments	Total	Performance Related
2022	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**%**
Directors									
Non-Executive									
B Spincer	-	-	-	-	-	-	235,681	235,681	-
R Levison	-	-	-	-	-	-	157,122	157,122	-
A McDonald	-	-	-	-	-	-	157,122	157,122	-
H Cray	-	-	-	-	-	-	157,122	157,122	-
Total Directors	-	-	-	-	-	-	707,047	707,047	-
Other KMP									
L Finniear	276,432	-	-	23,568	-	-	28,610	328,610	9
S Rowlands(3)	201,659	-	-	6,261	-	-	85,000	292,920	29
G Molloy(4)	196,000	-	-	-	-	-	-	196,000	-
K Hostland(5)	-	-	-	-	-	-	-	-	-
Total Other	674,091	-	-	29,829	-	-	113,610	817,530	14
Total KMP	674,091	-	-	29,829	-	-	820,657	1,524,577	0

(1) Equity settled share based payments. Each tranche of the service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests resulting in a proportionally larger expense recognised in the earlier years.
Share based payments for directors are not performance related but are in lieu of salary and fees.
(2) Cash bonuses for the current year are assessed by the Board after completion of the financial statements, hence, are nil for this financial year.
(3) S Row lands w as remunerated as a citizen of the UK for part of the financial year.
(4) Remunerated through a consulting agreement on 12 June 2021 at an agreed hourly rate for w ork undertaken on behalf of LIS.
(5) Remunerated by PPK Group Limited.

NOTE 25 RELATED PARTY TRANSACTIONS (continued)

2021	Short Term Benefits Salary & Fees ($)	[3]Cash Bonus ($)	Non-Monetary ($)	Post employment Super-annuation ($)	Long Term Benefits ($)	Termination Payments ($)	[1]Share Based Payments ($)	Total ($)	Performance Related %
Directors									
Non-Executive									
B Spincer	-	-	-	-	-	-	36,668	36,668	
R Levison[2]	16,667	100,000	-	-	-	-	24,444	141,111	71
A McDonald[2]	16,667	200,000	-	-	-	-	24,444	241,111	83
H Cray	-	-	-	-	-	-	24,444	24,444	
G Pullen	-	-	-	-	-	-	-	-	
Total Non-Executive	33,334	300,000	-	-	-	-	110,000	443,334	
Executive									
G Molloy[2]	16,667	400,000	-	-	-	-	-	416,667	96
Total Executive	16,667	400,000	-	-	-	-	-	416,667	96
Total Directors	50,001	700,000	-	-	-	-	110,000	860,001	
Other KMP									
L Finniear[2][4]	98,100	100,000	-	-	-	-	17,058	215,158	46
K Hostland	-	100,000	-	-	-	-	-	100,000	100
M Winfield	-	50,000	-	-	-	-	-	50,000	100
G Walsh	-	50,000	-	-	-	-	-	50,000	100
Total Other	98,100	300,000	-	-	-	-	17,058	415,158	
Total KMP	148,101	1,000,000	-	-	-	-	127,058	1,275,159	

(1) Equity settled share based payments. Each tranche of the service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests resulting in a proportionally larger expense recognised in the earlier years.
(2) Salary & Fees include directors fees paid from 1 July 2020 to 30 April 2021 and consulting fees paid from 14 February 2021 to 30 June 2021.
(3) Cash bonus was paid for work undertaken in relation to the Li-S Energy IPO and was above normal work responsiblities. Bonuses were invested in shares in Li-S Energy in off-market-transfers at $0.50 per share.
(4) Cash bonus was in relation to a sign-on fee for leaving his previous place of employment.

The following table details the total compensation each Non-Executive Director is entitled to receive in relation to their duties as a Director of LIS, the Directors do not receive any additional fees for participation on any Committees.

Director	**Directors' Fees $ (including superannuation)**
Dr Ben Spincer	120,000
Mr Robin Levison	80,000
Mr Tony McDonald	80,000
Ms Hedy Cray	80,000

Director fees for Ben Spincer include his responsibilities as the Chairman.

LIS has adopted the NED Equity Plan under which the Board of the Company may invite Non-Executive Directors to apply for Service Rights to be issued in accordance with, and subject to the terms of the Plan. Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company. The following table indicates the amount of fees that a NED can sacrifice in return for a grant of Service Rights.

NOTE 25 RELATED PARTY TRANSACTIONS (continued)

	Financial Year	Fees Sacrifice ($)	Tranche	Number of Service Rights
Non-Executive Directors (NEDs)				
	2021	80,000	1	160,000
	2022	80,000	2	160,000
	2023	80,000	3	160,000
Chairman				
	2021	120,000	1	240,000
	2022	120,000	2	240,000
	2023	120,000	3	240,000

NEDs will sacrifice total Director fees of $80,000 for 160,000 Service Rights and the Chairman will sacrifice total Director fees of $120,000 for 240,000 Service Rights for each Financial Year. There is no amount payable other than the sacrificed fees for the Service Rights.

The number of Service Rights are calculated by dividing the amount of sacrificed fees by the Share price of $0.50 per Share being the price at which Shares were issued in the April 2021 capital raise. The fair value of these Service Rights at the time that they were granted have been independently valued at $0.50 each.

The Service Rights were issued as at 1 May 2021 and will vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED holds the office of NED on those dates. Each consecutive tranche commences annually on the vesting date of the prior tranche.

As at the end of the financial year, the number of ordinary shares in LIS held by each KMP for the year ended 30 June 2022 is set out below:

2022	Share Balance at Start of Year	Shares Acquired	Shares Sold	Share Balance at End of Year
Directors				
Non-Executive				
B Spincer	200,000	-	-	200,000
R Levison	2,776,917	13,632	-	2,790,549
A McDonald	866,961	-	-	866,961
H Cray	27,201	140,750	-	167,951
Total Directors	3,871,079	154,382	-	4,025,461
Other KMP				
L Finniear	200,000	-	-	200,000
S Rowlands	-	-	-	-
G Molloy(1)	6,440,784	-	-	6,440,784
K Hostland	504,295	24,771	-	529,066
Total Other	7,145,079	24,771	-	7,169,850
Total KMP	11,016,158	179,153	-	11,195,311

(1) Entered into a consulting agreement on 12 June 2021.

NOTE 25 RELATED PARTY TRANSACTIONS (continued)

2021	Share Balance at Start of Year	Shares Issued via PPK's In-specie Dividend	Shares Acquired	Shares Sold	Share Balance at End of Year
Directors					
Non-Executive					
B Spincer	-	-	200,000	-	200,000
R Levison	-	1,576,917	1,200,000	-	2,776,917
A McDonald	-	166,961	700,000	-	866,961
H Cray	-	-	27,201	-	27,201
Total Non-Executive	-	1,743,878	2,127,201	-	3,871,079
Executive					
G Molloy[(1)]	-	5,640,784	800,000	-	6,440,784
Total Executive	-	5,640,784	800,000	-	6,440,784
Total Directors	-	7,384,662	2,927,201	-	10,311,863
Other KMP					
L Finniear	-	-	200,000	-	200,000
Total Other	-	-	200,000	-	200,000
Total KMP	-	7,384,662	3,127,201	-	10,511,863

(1) Resigned as a Director on 11 June 2021.

As at the end of the financial year, the number of service rights in LIS held by each KMP for the year ended 30 June 2022 is set out below:

2022	Balance at Start of Year[(1)]	Granted During the Year	Vested		Exercised	Forfeited		Vested & Unexercised	Balance at End of Year Unvested	
	Unvested	Unvested	No	%	No	No	%	No	No	Maximum $ Value to Vest[(2)]
Directors										
B Spincer	720,000	-	240,000	100%	-	-	-	240,000	480,000	70,200
R Levison	480,000	-	160,000	100%	-	-	-	160,000	320,000	64,251
A McDonald	480,000	-	160,000	100%	-	-	-	160,000	320,000	64,251
H Cray	480,000	-	160,000	100%	-	-	-	160,000	320,000	64,251
Total Directors	2,160,000	-	720,000		-	-	-	720,000	1,440,000	262,953
Other KMP										
L Finniear	1,000,000	-	250,000	100%	-	-	-	250,000	750,000	19,333
S Rowlands	-	200,000	200,000	100%	-	-	-	200,000	-	-
Total Other	1,000,000	200,000	450,000		-	-	-	450,000	750,000	19,333
Total KMP	3,160,000	200,000	1,170,000		-	-	-	1,170,000	2,190,000	282,286

(1) There were nil vested and unexercised rights at the beginning of the year.

(2) The maximum value of service rights to vest has been calculated as the amount of the grant date fair value of the service rights yet to be expensed.

NOTE 25 RELATED PARTY TRANSACTIONS (continued)

2021	Balance at Start of Year	Granted During the Year	Vested		Exercised	Forfeited		Vested & Unexercised	Balance at End of Year Unvested	
	Vested	Unvested	No	%	No	No	%	No	No	Maximum $ Value to Vest[(1)]
Directors										
B Spincer	-	720,000	-	-	-	-	-	-	720,000	360,000
R Levison	-	480,000	-	-	-	-	-	-	480,000	240,000
A McDonald	-	480,000	-	-	-	-	-	-	480,000	240,000
H Cray	-	480,000	-	-	-	-	-	-	480,000	240,000
Total Directors	-	2,160,000	-	-	-	-	-	-	2,160,000	1,080,000
Other KMP										
L Finniear	-	1,000,000	-	-	-	-	-	-	1,000,000	65,000
Total Other	-	1,000,000	-	-	-	-	-	-	1,000,000	65,000
Total KMP	-	3,160,000	-	-	-	-	-	-	3,160,000	1,145,000

(1) The maximum value of service rights to vest has been calculated as the amount of the grant date fair value of the service rights yet to be expensed.

25.2 A summary of the related party transactions with other entities during the period is as follows:

	Notes	2022 $	2021 $
Management fees paid to PPK		600,000	200,000
Purchase of BNNT from BNNTTL		54,682	5,000
Research and development payments to Deakin		1,941,678	560,899
Lease payments to Deakin		133,448	-
Lease payments received from WGL		47,874	-

During the financial year, LIS had the following related party agreements in place:

Supply Agreement with BNNTTL

On 9 July 2021, a supply agreement for the supply of BNNTs, with a purity of at least 95% or otherwise agreed, for the purpose of using BNNTs in the development, testing and manufacture of the LIS batteries. The key terms of the supply agreement are as follows:

- LIS may only order from BNNTTL to use BNNTs in the Customer's development, testing and manufacture of batteries or any other purpose agreed between the parties in writing; and
- the initial term of the agreement is 5 years and it automatically renews for further 2 year terms unless LIS elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.

Distribution Agreement with BNNTTL

On 9 July 2021, a worldwide exclusive distribution agreement pursuant to which LIS is appointed as distributor for BNNT products, with a purity of at least 95% or otherwise agreed, within the battery industry, with certain exclusive distribution rights in respect of lithium-sulphur batteries. The key material terms of the distribution agreement are as follows:

- LIS may only buy BNNTs from BNNTTL to:
  - (c) distribute on an exclusive basis BNNTs to third party customers (**Customers**), provided the Customers are only permitted to use BNNTs to develop, test or manufacture lithium-sulphur batteries; and
  - (d) distribute on a non-exclusive basis BNNTs to Customers, provided the Customers are only permitted to use BNNTs to:
    - a. develop, test or manufacture batteries that are not lithium-sulphur batteries (including to stockpile BNNTs for later use in accordance with forecasts); and
    - b. manufacture nanomesh products incorporating BNNTs (including Li-Nanomesh) for the use in any form or type of battery;

  and any other purpose agreed between the parties in writing.

NOTE 25 RELATED PARTY TRANSACTIONS (continued)

- LIS is not restricted from distributing Li-Nanomesh (or other nanomesh products), or BNNTs to LIS's customers who have a licence from LIS to manufacture Li-Nanomesh (or other nanomesh products).
- the initial term of the agreement is 5 years and it automatically renews for further 2 year terms unless LIS elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.

Management Services Agreement with PPK Aust

On 9 July 2021, a management services agreement pursuant to which PPK Aust will provide administrative functions such as accounting, record keeping, reporting, legal, company secretarial support, IT/systems support, etc. It is also appointed, to the extent permitted by law, facilitate/oversee the funding and capital raising requirements of the company and is paid a funding fee of up to 1% of any debt or capital raised that it facilitates. PPK Aust will also provide staff to act in key officer roles including the public officer, chief financial officer and company secretary. The key material terms of the management services agreement are as follows:

- PPK Aust is paid a fee for providing the management services, which the scope of services to be provided and the fee is reviewed and agreed between the parties every 3 months;
- the agreement is for an initial term of 3 years and can be renewed by PPK Aust for a further 3 year term upon notice being provided by PPK Aust not later than 3 months prior to the expiry of the initial term;
  - PPK Aust may terminate the agreement on 30 days' notice if it is not satisfied with the Annual Plan of LIS; and
  - LIS may terminate the agreement at will on 6 months' notice.
- LIS indemnifies PPK Aust for any loss that arises from the performance by PPK Aust of its obligations under the agreement.

Research Framework Agreement with Deakin

On 8 July 2021, a research framework agreement which governs all research projects conducted between LIS and Deakin as set out in Project Schedules made under the agreement. The key material terms of the research framework agreement are as follows:

- The parties may from time to time enter into Project Schedules made under the agreement for research projects proposed and negotiated by the parties. Such Project Schedules include terms around payment, steering committees, specified personnel of the parties and insurances required (see Note 12); and
- Each party will retain ownership of their respective intellectual property developed prior to the date a Project commences or is acquired or developed independent of the agreement but grants a non-transferrable licence to the other party to use such background intellectual property for the purposes of the relevant Project. Any new intellectual property created, developed or discovered in the conduct of a Project vests in LIS (Project IP) and Deakin is granted a non-exclusive, perpetual, non-transferable, royalty free licence to use the Project IP for the purposes of the Project and for non-commercial research, teaching and scholarly pursuits.

Lease Agreements with Deakin

LIS leases for two production bays that are beside each other in Deakin's ManuFutures advanced manufacturing hub in Waurn Ponds, Victoria. Each lease consists of 157 square metres space, a 58 square metre office and monthly rent of $4,741 plus GST with a CPI increase at each anniversary date. One lease expires on 31 December 2023 and the other lease expires on 30 June 2024, there are no options for further terms.

On 20 July 2021, PPK Aust., Deakin and BNNTTL the Shareholders Agreement was terminated.

25.3 LIS has the following related party balances owing to its major shareholders at the reporting date:

	Notes	2022 $	2021 $
PPK Group Limited		-	80,000
Deakin University		302,084	-

See Notes 14 and 23 for other related party information.

NOTE 26 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 14 July 2022, LIS loaned $1,400,000 to PPK Mining Equipment Group for a period of 12 months at 8.0% interest. The loan is secured against a property in Mt Thorley, NSW which was independently valued at $2,000,000.

There have been no other matter or circumstance that has arisen since the end of the financial period which is not otherwise dealt with in this report or in the Financial Statements that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2022

1. In the opinion of the Directors of Li-S Energy Limited;

a) The financial statements and notes of Li-S Energy Limited are in accordance with the *Corporations Act 2001*, including
   (i) Giving a true and fair view of is financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
   (ii) Complying with Australia Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) There are reasonable grounds to believe that Li-S Energy Limited will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2022.

3. Note 2 confirms that the consolidation financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

BEN SPINCER	**ROBIN LEVISON**
Chairman	**Non-Executive Director**

Brisbane, 18 August 2022

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Independent auditor's report to the members of Li-S Energy Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Li-S Energy Limited (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

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

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

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Capital Raise and Associated IPO Costs

Why significant	How our audit addressed the key audit matter
As set out in Note 19, the Company undertook an Initial Public Offering ("IPO") in the period and raised $34.0 million. In connection with the IPO, transaction costs of $2,551,758 were incurred by the Company. Transaction costs of $2,382,161 were recorded in profit and loss for the year and the balance of $169,597 recorded against equity. The recognition of these amounts was a key audit matter due to the judgement involved in allocating costs between equity and the profit and loss.	We performed the following procedures in respect of the capital raise and associated transaction costs: ► Assessed the Company's policy of recording equity and associated costs for compliance with Australian Accounting Standards. ► Agreed the proceeds of the capital raising to bank statements and share registry documentation. ► Tested, on a sample basis, the transaction costs incurred by agreeing them to supporting invoices and agreements. ► Independently recalculated the allocation of costs to equity and the profit and loss using share registry documents. ► Assessed the adequacy of disclosures included in the financial statements.

Capitalisation of Development Costs

Why significant	How our audit addressed the key audit matter
At 30 June 2022, the carrying amount of the capitalised development costs totalled $3,317,963. As set out in Note 15 to the financial statements the Company capitalises costs related to the development of battery products. Product development is core to the Company's operations and requires judgement as to whether it meets the capitalisation criteria of AASB 138 *Intangible Assets*. The capitalisation of battery development costs was a key audit matter due to the significant management judgements, including: ► Whether the costs incurred relate to research, which are required to be expensed or development costs which are eligible for capitalisation ► The assessment of the useful life of capitalised battery development costs and when amortisation should commence	We performed the following procedures in respect of the development costs capitalised: ► Assessed the Company's accounting policy for the capitalisation of battery development costs for compliance with Australian Accounting Standards ► Held inquiries with senior management and the development project team members, to understand development activities undertaken and the feasibility of completion of those activities ► Inspected the Company's in-progress development site at Deakin University in Victoria ► For a sample of capitalised battery development costs, we tested whether:

Why significant	How our audit addressed the key audit matter
► The assessment of future economic benefits and impairment testing of the capitalised battery development costs.	► Additions were appropriately supported by approved payroll records including employee time records or third-party documentation ► The nature of the expenditure met the capitalisation criteria under AASB 138 Intangible Assets. ► Considered if any assets should commence amortisation. ► Assessed the Company's impairment analysis. ► Assessed the adequacy of disclosure included in the financial statements.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 on 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 Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Li-S Energy Limited for the year ended 30 June 2022, 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

Ernst & Young

Brad Tozer

Brad Tozer
Partner
Brisbane
18 August 2022

SHAREHOLDER INFORMATION

As at 9 August 2022

Fully paid ordinary shares:

(a) Total shares issued: 640,200,230

(b) Percentage held by 20 largest shareholders: 80.19%

(c) Total number of LIS shareholders: 10,820

(d) Shareholders with less than marketable parcel of shares: 3,022

(e) There is not a current on market buy-back

(f) Voting rights: Every shareholder present personally or by proxy or attorney etc, shall, on a show of hands, have one vote and on a poll shall have one vote for every share held. No voting rights attach to options.

(g) Distribution schedule of fully paid ordinary shares:

Holdings Ranges	Total holders	Units	% Units
1 - 1,000	4,268	2,046,933	0.32%
1,001 - 5,000	3,941	10,744,217	1.68%
5,001 - 10,000	1,132	8,689,436	1.36%
10,001 - 100,000	1,253	37,166,672	5.81%
100,001 Over	226	581,552,972	90.84%
Total	**10,820**	**640,200,230**	**100.00%**

(h) Top 20 Holders of Ordinary Fully Paid Shares:

Rank	Name	Shares	%
1	PPK Aust Pty Limited	290,849,069	45.43%
2	Deakin University	83,333,333	13.02%
3	BNNT Technology Limited	30,000,000	4.69%
4	YJK Pty Ltd	13,583,333	2.12%
5	Baozhi Yu	11,500,000	1.80%
6	Tao Tao	10,416,667	1.63%
7	IP44 Pty Ltd	10,000,000	1.56%
8	Citicorp Nominees Pty Limited	8,124,212	1.27%
9	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	7,311,609	1.14%
10	Blue Stamp Company Pty Ltd <Blue Stamp A/C>	7,230,760	1.13%
11	Ironfury Pty Ltd <The David Dunn Family A/C>	7,191,978	1.12%
12	Wavet Fund No 2 Pty Ltd	5,789,014	0.90%
13	UBS Nominees Pty Ltd	4,608,208	0.72%
14	Equipment Company of Australia Pty Limited	3,759,413	0.59%
15	Blue Stamp Company Pty Ltd	3,750,000	0.59%
16	Howarth Commercial Pty Ltd	3,676,000	0.57%
17	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	3,265,016	0.51%
18	Ye Fan	3,166,667	0.49%
19	National Nominees Limited	3,045,944	0.48%
20	Minoan Corporation Limited	2,794,733	0.44%
Top 20 holders of Ordinary Fully Paid Total		**513,395,956**	**80.19%**
Total Remaining Holders Balance		**126,804,274**	**19.81%**

(i) Substantial Holders

Substantial Holder	Number of Shares Held	% of Issued Capital
PPK Aust Pty Limited	290,849,069	45.43%
Deakin University	83,333,333	13.02%

(j) Unquoted Securities:

Security	Total Holders	Number	Terms
Service Rights	4	2,160,000	Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Service Rights will vest in three equal tranches on 30 April 2022, 2023, 2024.
Service Rights	1	1,000,000	Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Service Rights will vest in four equal tranches on 30 April 2022, 2023, 2024, 2025.
Service Rights	1	200,000	Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Service Rights vested on 30 June 2022.

(k) Restricted Securities:

Security	Number of Escrowed Securities	Date that Escrow Period Ends
Ordinary Fully Paid Shares	474,286,043	28 September 2023
Service Rights	2,160,000	28 September 2023

CORPORATE DIRECTORY

Li-S Energy Limited ABN 12 634 839 857

A public company incorporated in Queensland and listed on the Australian Securities Exchange (ASX Code: LIS)

Directors

Ben Spincer	(Non-Executive Chairman)
Robin Levison	(Non-Executive Director)
Anthony John McDonald	(Non-Executive Director)
Hedy Cray	(Non-Executive Director)

Company Secretaries

Will Shiel
Liam Fairhall

Registered Office and Principal Place of Business

Li-S Energy Limited
Level 27, 10 Eagle Street
Brisbane QLD 4000 Australia

Telephone:	+61 7 3054 4555
Email:	info@lis.energy
Web Site:	www.lis.energy

Share Register

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000 Australia

Telephone (within Australia):	1300 288 664
Telephone (international):	+61 2 9698 5414
Email:	hello@automic.com.au

Solicitors

Mills Oakley
Level 14, 145 Ann Street
Brisbane QLD 4000 Australia

Bankers

National Australia Bank Limited
Level 17, 259 Queen Street
Brisbane QLD 4000 Australia

Auditors

Ernst & Young
Level 51, 111 Eagle Street
Brisbane QLD 4000 Australia