INFINITY LITHIUM

# INTERIM REPORT

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

# Contents

# Corporate Directory

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

# Directors' Report

Your Directors present their report on Infinity Lithium Corporation Limited (the 'Company' or 'Infinity') and its controlled entities (together the 'Consolidated Entity') in conjunction with the Financial Report for the half-year ended 31 December 2022 (the 'reporting period').

## Directors

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

- Mr Adrian Byass — Non-Executive Chairman
- Mr Ryan Parkin — Managing Director/CEO
- Mr Remy Welschinger — Non-Executive Director
- Mr Jon Starink — Executive Director
- Mr Ramón Jiménez Serrano — Executive Director (appointed 6 September 2022)

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

## Principal Activities and Significant Changes in Nature of Activities

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

## Operating Results

The consolidated loss of the Consolidated Entity after providing for income tax amounted to $2,385,000 (31 December 2021: $4,154,000).

## Review of Operations

**Business Activities**

**San José Lithium Project:**

***Mining Licence & EIA Permitting Process Initiated***

The process of submitting an Exploitation Concession application was initiated in advance of the Contentious Administrative Court in Cáceres' ('CAC', or 'the Court') decision on the status of the Investigation Permit Valdelflorez ('PIV') with the lodgement of the 'Initial Document' to the Dirección General de Industria, Energía y Minas (General Directorate of Industry, Energy and Mines) and Dirección General de Sostenibilidad (General Directorate of Sustainability) in Extremadura.

The purpose of the Initial Document is to request that the environmental body formulate an Environmental Impact Assessment Scoping Document ('ESIA') in advance of the commencement of the ordinary Environmental Impact Assessment procedure. The ESIA will provide the basis on which the direct Exploitation Concession application will be prepared. Refer to ASX Announcement 3 October 2022 for further details.

## Directors' Report (continued)

***Permitting Strategy Clarified by Investigation Permit Rulings***

In December 2022, Infinity through its wholly owned subsidiary Extremadura New Energies, advised that it will advance submissions for the lodgement of a direct exploitation concession following the determination by the CAC to uphold the cancellation of the PIV.

The CAC's decision provided clarity on the pathway to the lodgement of an Exploitation Concession Application and the Company's permitting strategy remains on course following the initiation of the permitting process at the invitation of regional and local authorities through the lodgement of the Initial Document.

The Regional Government of Extremadura had publicly acknowledged the potential for the Project Joint Venture ('JV') entity Technologia Extremeña Del Litio S.L. ('TEL') to apply for a direct Exploitation Concession through the submission of an Exploration Permit application. The Company and TEL maintain subsequent and sequential rights to the Project as detailed in ASX announcement 19 July 2021. The avenue to lodge an Exploitation Concession Application is available under Spanish Mining Law with the technical and economic viability of the San José deposit already demonstrated. Refer to ASX announcement 22 December 2022.

Subsequent to period end, the Court ratified the correct granting of Investigation Permit Ampliación Valdeflórez ('PIAV') which upheld the position of both Extremadura New Energies and the Industrial, Energy and Mining Management Service of the Regional Government of Extremadura.

The Court's judgement clarified the General Urban Development Plan of Cáceres facilitates the utilisation of certain areas within PIAV in which the urban land classification allows "extraction activity" and the industrial development of the proposed lithium hydroxide conversion facility. The Court had recently determined other areas within an adjacent area to the PIAV did not allow for extractive activity and the disturbance of the surface based on land classification under the General Urban Development Plan of Cáceres (see ASX announcement 22 December 2022).

The decision reinforced compliance under General Urban Development Plan of Cáceres for Extremadura New Energies' disturbance of the surface areas required for the decline portal within the PIAV area, adjacent to the resource area, and undertake subsurface activities to access the lithium bearing deposit (subject to environmental and mining licences being granted following the assessment of the Exploitation Concession Application).

The Company will now further advance its submission for the lodgement of a direct Exploitation Concession Application (see ASX announcement 22 December 2022). The CEO of Extremadura New Energies, Ramón Jiménez, stressed that *"the decision of the Cáceres court ratifies the urban planning compatibility of the work in the Valdeflórez expansion area and supports the option chosen for the exploitation concession application".*

***Infinity Assumed Administrative Control of the San José Lithium Project***

In October 2022, the Company moved to solely control the San José Lithium Project ('San José', or 'the Project') JV entity TEL through the finalisation of payment obligations to JV partners Valoriza Mineria S.L.U. ('VM') under the novated JV agreement. The Company retains the right to move to 100% Project ownership through the exercise of an upfront call option of between €2 million and €4 million dependent on timing of acquisition. Refer to ASX announcement 3 October 2022 for further details.

## Directors' Report (continued)

***Lithium Decree Law***

Subsequent to the presentation of the Initial Document, the Regional Government of Extremadura ratified the Lithium Decree-Law 5/2022 in the Regional Assembly. Allegations against the decree were dismissed and the validation of the decree mandates the requirement for all lithium minerals extracted to be processed in the region.

Whilst the purpose of the decree is to align the transformation of lithium resources in the region, the decree enables the accelerated administrative processing of projects, access to public funding, and categorisation of PREMIA (projects of regional interest) to facilitate expropriations that may be required.

San José fully complies with the decree law to exploit and process lithium in the region of Extremadura. For further details refer to ASX announcement 3 October 2022.

***MOU with LG Energy Solution Extended***

In December 2022, the Company announced an extension of its Memorandum of Understanding ('MoU') with LG Energy Solution ('LGES') to advance discussions relating to the future definitive offtake agreement for battery grade lithium hydroxide from San José.

Any formal agreement is likely to be subject to standard conditions precedent for an offtake agreement of this nature, including Infinity successfully entering commercial production and producing a product that meets the product specification requirements of LGES.

***MOU with Major Spanish Industrial and Energy Consortium Signed***

In November 2022, the Company announced the execution of a binding MoU for a photovoltaic, methane and green hydrogen project ('Renewable Project') aligned to San José. San José has the potential to take advantage of the vast renewable energy opportunities in Extremadura and to benefit from reduced energy costs from the localised green energy project that can be meet renewable electricity and green hydrogen requirements of the Project.

The Renewable Project will see Extremadura New Energies partner with Enalter to establish the Renewables Project JV company upon the successful completion of an initial scoping phase. Enalter was established as a joint venture between leading Extremadura company Cristian Lay Grupo Industrial ('CLG') subsidiary Alter Enersun, S.A ('Alter Enersun'), and Spanish IBEX35 energy company Enagás S.A subsidiary Enagás Renovable, S.L. ('Enagas').

The parties intend to deliver a project of regional and national significance which is heavily aligned and conditional on the successful development of San José.

The 1st phase of the MoU established the terms and conditions under which the Extremadura New Energies and Enalter will study the technical and economic feasibility, opportunity and profitability of the Renewable Project and, subject to obtaining the authorisations, establish the framework to execute a Power Purchase Agreement ('PPA') for the supply of green energies to San José.

Refer to the ASX announcement on 9 November 2022 for further details.

# Directors' Report (continued)

***Completion of Test Work under Project Agreement***

In August 2022 the Company announced the successful completion of the Business Investment Platform Project Agreement with EIT InnoEnergy and Dorfner Anzaplan.

The test work program completed under the Project Agreement has culminated in the successful production of both battery grade lithium hydroxide and carbonate.

The relationship with EIT InnoEnergy has expanded into other lithium-related aspects of the battery chain. The Company's wholly owned Spanish subsidiary Extremadura New Energies has officially launched the Extremadura New Energies Battery Academy, and in collaboration with EIT InnoEnergy, provide training courses of the European Battery Academy. Refer to the ASX announcement on 2 August 2022 for further details.

The Company has lodged a provisional patent application for the innovative sulphate roast lithium chemical conversion process that has been developed and confirmed through the test work program under the Business Investment Platform Project Agreement with EIT InnoEnergy and Dorfner Anzaplan.

***Local Engagement and Project Alignment to the Cáceres Community***

The Company, through Extremadura New Energies, continued to engage directly with major community and business groups during the half-year period to progress the direct alignment of the benefits of the Project to the locality of Cáceres and region of Extremadura.

## Discussion and Analysis of Operations and the Financial Position

The Consolidated Entity's cash position as at 31 December 2022 was $16,119,000 (30 June 2022: $16,288,000). The net assets of the Consolidated Entity have increased from $25,282,000 on 30 June 2022 to $27,727,000 on 31 December 2022. The Consolidated Entity's net working capital, being current assets less current liabilities, has slightly increased from $15,243,000 on 30 June 2022 to $15,666,000 on 31 December 2022.

## Significant Changes in State of Affairs

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

## Dividends Paid or Recommended

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

## Events After Reporting Date

In January 2023 the Court ratified the correct granting of PIAV which upheld the position of both Extremadura New Energies and the Industrial, Energy and Mining Management Service of the Regional Government of Extremadura.

## Directors' Report (continued)

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

### Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2022 has been received and can be found on page 8 of the Financial Report.

### Rounding of Amounts

In accordance with *ASIC Corporations Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar.

**Ryan Parkin**
Managing Director/CEO
15 March 2023

# AUDITOR'S INDEPENDENCE DECLARATION
# TO THE DIRECTORS OF INFINITY LITHIUM CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

In relation to the independent auditor's review for the half-year ended 31 December 2022, to the best of my knowledge and belief there have been:

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

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

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

PITCHER PARTNERS BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

MICHAEL LIPRINO
Director
Perth WA, 15 March 2023

PITCHER PARTNERS

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

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

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Infinity Lithium Corporation Limited (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for Conclusion

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

### Emphasis of matter – material uncertainty related to the carrying value of Exploration and Evaluation Expenditure

We draw attention to Note 4 to the financial report, which indicates a material uncertainty in relation to the status of the Investigation Permit Valdeflórez ("PIV") research permit at the San José Lithium Project, held by the Group as at 31 December 2022. Our conclusion is not modified in respect of this matter.

### Responsibility of the Directors for the Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

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

PITCHER PARTNERS BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

MICHAEL LIPRINO
Director
Perth WA, 15 March 2023

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

For the Half-Year Ended 31 December 2022

| | Notes | 31 Dec 2022 $'000 | 31 Dec 2021 $'000 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Other income | | 58 | 135 |
| | | | |
| Corporate and compliance expenses | | (514) | (423) |
| Consulting expenses | | (634) | (98) |
| Employee and director benefits expenses | | (729) | (317) |
| Share-based payments | *2* | (557) | (3,449) |
| Depreciation expense | | (2) | - |
| Foreign exchange loss | | (7) | (2) |
| **Loss before income tax from continuing operations** | | **(2,385)** | **(4,154)** |
| Income tax expense | | - | - |
| **Loss for the half-year from continuing operations** | | **(2,385)** | **(4,154)** |
| | | | |
| **Other comprehensive loss:** | | | |
| *Items that may be subsequently reclassified to profit or loss in subsequent periods* | | | |
| Exchange differences arising on translation of foreign operations | | 157 | (122) |
| **Total comprehensive loss for the half-year** | | **(2,228)** | **(4,276)** |
| | | | |
| **Loss for the half-year attributable to:** | | | |
| Equity holders of the Parent | | (2,353) | (4,154) |
| Non-controlling interests | | (32) | - |
| | | **(2,385)** | **(4,154)** |
| **Total comprehensive loss for the half-year attributable to:** | | | |
| Equity holders of the Parent | | (2,196) | (4,276) |
| Non-controlling interests | | (32) | - |
| | | **(2,228)** | **(4,276)** |
| **Loss per share attributable to the ordinary shareholders of the Parent for the half-year:** | | | |
| Basic and diluted (cents per share) | | (0.56) | (1.02) |
| Basic and diluted (cents per share) from continuing operations | | (0.56) | (1.02) |

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

## Condensed Consolidated Statement of Financial Position

As at 31 December 2022

| | Notes | 31 Dec 2022 $'000 | 30 Jun 2022 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | | 16,119 | 16,288 |
| Trade and other receivables | | 364 | 262 |
| **Total Current Assets** | | **16,483** | **16,550** |
| | | | |
| **Non-Current Assets** | | | |
| Other assets | | 119 | 106 |
| Property, plant and equipment | | 117 | 116 |
| Equity accounted investments | *3* | - | 9,817 |
| Deferred exploration and evaluation expenditure | *4* | 11,825 | - |
| **Total Non-Current Assets** | | **12,061** | **10,039** |
| | | | |
| **Total Assets** | | **28,544** | **26,589** |
| | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 699 | 311 |
| Deferred consideration payable | *5* | - | 891 |
| Provisions | | 118 | 105 |
| **Total Current Liabilities** | | **817** | **1,307** |
| | | | |
| **Total Liabilities** | | **817** | **1,307** |
| | | | |
| **Net Assets** | | **27,727** | **25,282** |
| | | | |
| **Equity** | | | |
| Issued capital | *6* | 50,569 | 47,228 |
| Reserves | *7* | 6,631 | 6,776 |
| Accumulated losses | | (29,962) | (28,683) |
| Equity attributable to equity holders of the Parent | | 27,238 | 25,321 |
| Non-controlling interest | | 489 | (39) |
| | | | |
| **Total Equity** | | **27,727** | **25,282** |

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

## Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2022

| | Notes | Attributable to equity holders of the Parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | Issued Capital $'000 | Share Based Payment Reserve $'000 | Foreign Translation Reserve $'000 | Accumulated Losses $'000 | Non-Controlling Interest $'000 | Total $'000 |
| **Balance as at 1 July 2021** | | **46,259** | **3,241** | **121** | **(22,400)** | **-** | **27,221** |
| Loss for the period | | - | - | - | (4,154) | - | (4,154) |
| ***Other comprehensive income/(loss)*** | | | | | | | |
| Exchange differences arising on translation of foreign operations | | - | - | (122) | - | - | (122) |
| Total comprehensive income/(loss) for the period | | - | - | (122) | (4,154) | - | (4,276) |
| ***Transactions with owners, recorded directly in equity*** | | | | | | | |
| Share-based payments | | 4 | 3,759 | - | - | - | 3,763 |
| Costs of raising capital | | (6) | - | - | - | - | (6) |
| Exercise of options | | 860 | - | - | - | - | 860 |
| Total transactions with owners | | **858** | **3,759** | **-** | **-** | **-** | **4,617** |
| **Balance as at 31 December 2021** | | **47,117** | **7000** | **(1)** | **(26,555)** | **-** | **27,562** |
| **Balance as at 1 July 2022** | | **47,228** | **7,229** | **(453)** | **(28,683)** | **(39)** | **25,282** |
| Loss for the period | | - | - | - | (2,353) | (32) | (2,385) |
| ***Other comprehensive income/(loss)*** | | | | | | | |
| Exchange differences arising on translation of foreign operations | | - | - | 157 | - | - | 157 |
| Total comprehensive income/(loss) for the period | | - | - | 157 | (2,353) | (32) | (2,228) |
| ***Transactions with owners, recorded directly in equity*** | | | | | | | |
| Share-based payments | *2* | - | 772 | - | - | - | 772 |
| Non-controlling interest arising on acquisition | *4* | - | - | - | - | 560 | 560 |
| Exercise/expiry of options | *6* | 3,341 | (1,074) | - | 1,074 | - | 3,341 |
| Total transactions with owners | | **3,341** | **(302)** | **-** | **1,074** | **560** | **4,673** |
| **Balance as at 31 December 2022** | | **50,569** | **6,927** | **(296)** | **(29,962)** | **489** | **27,727** |

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

# Condensed Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2022

| | Notes | 31 Dec 2022 $'000 | 31 Dec 2021 $'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Payments to suppliers and employees | | (1,547) | (883) |
| Government grants received | | 58 | 135 |
| **Net cash flows used in operating activities** | | **(1,489)** | **(748)** |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Payments for equity accounted investments | | (1,114) | (524) |
| Payments for deferred consideration | | (891) | - |
| Receipts/(payments) for security deposits | | 8 | (12) |
| Payments for other assets | | (20) | (8) |
| Payments for property, plant and equipment | | (4) | (43) |
| **Net cash flows used in investing activities** | | **(2,021)** | **(587)** |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Payments for share issue costs | | - | (6) |
| Proceeds from exercise of options | | 3,341 | 921 |
| **Net cash flows provided by financing activities** | | **3,341** | **914** |
| | | | |
| Net decrease in cash and cash equivalents | | (169) | (421) |
| Effect of exchange rates on cash | | - | - |
| Cash and cash equivalents at the beginning of the financial period | | 16,288 | 19,135 |
| **Cash and cash equivalents at the end of the half-year** | | **16,119** | **18,714** |

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

## Notes to the Interim Financial Statements

For the Half-Year Ended 31 December 2022

### Note 1. Statement of Significant Accounting Policies

**Statement of Compliance**

Infinity Lithium Corporation Limited (the 'Company') is a public company, limited by shares, domiciled and incorporated in Australia and listed on the Australian Securities Exchange. The condensed consolidated financial report of the Company for the six months ended 31 December 2022, comprise the Company and its subsidiaries (the 'Consolidated Entity' or 'Group').

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

The condensed consolidated financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Infinity Lithium Corporation Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

This condensed consolidated financial report was authorised for issue in accordance with a resolution of the directors on 15 March 2023.

**Basis of Preparation**

The condensed consolidated financial report has been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated. The presentation and functional currency is Australian Dollars.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2022 except where expressly stated below and disclosed in Note 4.

**Rounding of Amounts**

In accordance with *ASIC Corporations Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar.

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

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2022.

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

**New Accounting Standards issued not yet effective**

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

The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements is that they are not expected to have a material impact on the Group.

**Significant Accounting Estimates, Judgements and Assumptions**

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

The Consolidated Entity's significant accounting judgements, estimates and assumptions are consistent with those disclosed in the financial year ended 30 June 2022 annual report, except as referred to in Note 4.

## Note 2. Share-Based Payments

| | 31 Dec 2022 $'000 | 31 Dec 2021 $'000 |
|---|---|---|
| **(a) Reserves (Note 7)** | | |
| Options issued to Directors & Employees[1] | 321 | 3,001 |
| Share Appreciation Rights issued[2,3,4,5,6] | 175 | 448 |
| Performance Rights issued[7] | 61 | - |
| **Total Share-Based Payments – P&L** | **557** | **3,449** |
| Warrants issued[8] | 215 | 310 |
| **Total Share-Based Payments – Reserves** | **772** | **3,759** |
| | | |
| **(b) Issued Capital (Note 6)** | | |
| Shares issued to consultant | - | 4 |
| **Total Share-Based Payments – Equity** | **-** | **4** |

Notes:

1) On 15 December 2022, 3,000,000 unlisted options were issued to Ramón Jiménez Serrano, a Director of the Company, as approved at the Annual General Meeting of shareholders on 30 November 2022.

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

| Measurement of Fair Value | |
|---|---|
| Grant date share price | $0.185 |
| Exercise price | $0.25 |
| Expected volatility | 100% |
| Option life | 3 years |
| Risk-free interest rate | 3.17% |
| Fair value per option granted | $0.107 |
| **Expense vested during 2022 half-year period** | **$320,297** |

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

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

2) At half-year ended 31 December 2022, the Company had 17,200,000 Share Appreciation Rights over ordinary shares under issue (30 June 2022: 17,200,000). The Share Appreciation Rights are exercisable as follows:

Share Appreciation Rights

| Grant Date | Expiry Date | Exercise Price $ | No. of Rights |
|---|---|---|---|
| 27/11/2019 | 13/09/2024 | 0.072 | 5,000,000 [3] |
| 25/11/2020 | 05/10/2025 | 0.082 | 9,700,000 [4] |
| 03/12/2020 | 02/12/2025 | 0.144 | 500,000 [5] |
| 05/01/2021 | 05/01/2026 | 0.170 | 2,000,000 [6] |
| | | | 17,200,000 |

3) Share Appreciation Rights expiring on 13 September 2024

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

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

The SARS vesting profile is as follows:

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

The SARS were valued using a Black Scholes option pricing model and are being expensed over the vesting period of the SARS. Expected volatility is based on historical volatility of the Company's shares over recent trading periods, aligned to the expected life of the rights.

| Valuation and Assumptions of Share Appreciation Rights: | Tranche 1 | Tranche 2 | Tranche 3 |
|---|---|---|---|
| Grant date | 27 November 2019 | 27 November 2019 | 27 November 2019 |
| Number issued | 5,000,000 | 2,500,000 | 2,500,000 |
| Number lapsed on resignation | (2,500,000) | (1,250,000) | (1,250,000) |
| Share price | $0.066 | $0.066 | $0.066 |
| Exercise price | $0.072 | $0.072 | $0.072 |
| Vesting date | 13 September 2020 | 13 September 2021 | 13 September 2022 |
| Expiry date | 13 September 2024 | 13 September 2024 | 13 September 2024 |
| Volatility | 70.51% | 70.51% | 70.51% |
| Risk-free interest rate | 0.73% | 0.73% | 0.73% |
| Value per right | $0.036 | $0.036 | $0.036 |
| Total fair value | $90,481 | $45,241 | $45,241 |
| **Expensed during 2022 half-year period** | - | - | **$3,323** |
| **Expensed during 2021 half-year period** | - | **$5,171** | **$8,155** |

4) Share Appreciation Rights expiring on 5 October 2025

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

The SARS were valued using a Black Scholes option pricing model and are being expensed over the vesting period of the SARS. Expected volatility is based on historical volatility of the Company's shares over recent trading periods, aligned to the expected life of the rights.

| Valuation and Assumptions of Share Appreciation Rights: | Tranche 1 | Tranche 2 | Tranche 3 |
|---|---|---|---|
| Grant date | 25 November 2020 | 25 November 2020 | 25 November 2020 |
| Number | 3,233,333 | 3,233,333 | 3,233,333 |
| Share price | $0.135 | $0.135 | $0.135 |
| Exercise price | $0.082 | $0.082 | $0.082 |
| Vesting date | 5 October 2021 | 5 October 2022 | 5 October 2023 |
| Expiry date | 5 October 2025 | 5 October 2025 | 5 October 2025 |
| Volatility | 139.43% | 139.43% | 139.43% |
| Risk-free interest rate | 0.29% | 0.29% | 0.29% |
| Value per right | $0.122 | $0.122 | $0.122 |
| Total fair value | $394,905 | $394,905 | $394,905 |
| **Expensed during 2022 half-year period** | **-** | **$56,415** | **$69,600** |
| **Expensed during 2021 half-year period** | **$121,992** | **$107,014** | **$69,600** |

5) Share Appreciation Rights expiring on 2 December 2025

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

The SARS vesting profile is as follows:

- Tranche 1 - 50% (250,000) vested on 2 December 2021
- Tranche 2 - 50% (250,000) vested on 2 December 2022

The SARS were valued using a Black Scholes option pricing model and are being expensed over the vesting period of the SARS. Expected volatility is based on historical volatility of the Company's shares over recent trading periods, aligned to the expected life of the rights.

| Valuation and Assumptions of Share Appreciation Rights: | Tranche 1 | Tranche 2 |
|---|---|---|
| Grant date | 3 December 2020 | 3 December 2020 |
| Number | 250,000 | 250,000 |
| Share price | $0.155 | $0.155 |
| Exercise price | $0.144 | $0.144 |
| Vesting date | 2 December 2021 | 2 December 2022 |
| Expiry date | 2 December 2025 | 2 December 2025 |

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

| Valuation and Assumptions of Share Appreciation Rights: | Tranche 1 | Tranche 2 |
|---|---|---|
| Volatility | 139.39% | 139.39% |
| Risk-free interest rate | 0.29% | 0.29% |
| Value per right | $0.137 | $0.137 |
| Total fair value | $34,330 | $34,330 |
| **Expensed during 2022 half-year period** | - | **$7,299** |
| **Expensed during 2021 half-year period** | **$14,619** | **$8,665** |

6) Share Appreciation Rights expiring on 5 January 2026

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

The SARS vesting profile is as follows:

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

The SARS were valued using a Black-Scholes option pricing model and are being expensed over the vesting period of the SARS. Expected volatility is based on historical volatility of the Company's shares over recent trading periods, aligned to the expected life of the rights.

| Valuation and Assumptions of Share Appreciation Rights: | Tranche 1 | Tranche 2 |
|---|---|---|
| Grant date | 5 January 2021 | 5 January 2021 |
| Number | 1,000,000 | 1,000,000 |
| Share price | $0.175 | $0.175 |
| Exercise price | $0.17 | $0.17 |
| Vesting date | 5 January 2022 | 5 January 2023 |
| Expiry date | 5 January 2026 | 5 January 2026 |
| Volatility | 128.16% | 128.16% |
| Risk-free interest rate | 0.37% | 0.37% |
| Value per right | $0.149 | $0.149 |
| Total fair value | $149,046 | $149,046 |
| **Expensed during 2022 half-year period** | - | **$38,589** |
| **Expensed during 2021 half-year period** | **$75,136** | **$37,568** |

7) Performance Rights

In August 2022, 3,500,000 Performance Rights were issued under the Incentive Performance and Share Appreciation Rights Plan. The rights expire on 29 August 2025 and vest subject to milestones outlined below:

- 1,250,000 Performance Rights ("Class A") vest upon the reinstatement of the PIV, and the PIAV remaining in good standing, in relation to the San José Lithium Project, expiring 29 August 2025.
- 750,000 Performance Rights ("Class B") vest upon the Company obtaining all relevant approvals and permits required to commence land modification and construction in relation to the San José Lithium Project. These approvals are as required from Local Caceres Council for development on the land on which the San José Lithium Project is located, expiring 29 August 2025.
- 750,000 Performance Rights ("Class C") vest upon the Company obtaining all Environmental Permits required for the approval and development of the San José Lithium Project under an Exploitation Concession (Mining), expiring 29 August 2025.
- 750,000 Performance Rights ("Class D") vest upon the Company obtaining required financing and reaching a 'decision to mine' stage in which the project development for the San José Lithium Project is initiated, expiring 29 August 2025.

The rights have been valued at share price at date of issue and are being expensed over the vesting period of the rights.

| Measurement of Fair Value | |
|---|---|
| Grant date share price | $0.155 |
| Number | 3,500,000 |
| Expiry date | 29 August 2025 |
| Total fair value | $542,500 |
| **Expense vested during 2022 half-year period** | **$61,378** |

8) Warrants

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

The first phase of feasibility study test work at San José has been funded by EIT InnoEnergy with an amount of up to €800,000 (approximately A$1.35 million) committed to Infinity through the issue of unlisted warrants priced at the higher of the 30-day VWAP or A$0.05 per share. The warrants are exercisable at $0.00 on or before 28 July 2025. The funding comprises of 3 tranches as follows:

- Tranche 1: €400,000 in zero exercise price warrants calculated at the higher of A$0.05 per share, or the 30-day VWAP prior to their issue date. Payable after the execution of Project Agreement and subject to shareholder approval. On 27 July 2020 the Company received shareholder approval to issue 13,182,938 warrants to EIT InnoEnergy, which were duly issued on 28 July 2020 and these tranche 1 funds are being directly used for the current test work;
- Tranche 2: €200,000 in zero exercise price warrants calculated at the higher of the 30-day VWAP or A$0.05 per share payable upon completion of a test work milestone, which was successfully completed on 15 November 2021. On 17 November 2021, 1,864,068 zero exercise price warrants were issued to EIT InnoEnergy; and
- Tranche 3: Up to €200,000 (A$292,000) in zero exercise price warrants calculated at the higher of the 30-day VWAP or A$0.05 per share payable upon completion of phase one, which was successfully completed on 2 August 2022. On 2 August 2022, 1,921,341 zero exercise priced warrants were recognised as at the date of their issue with reference to the fair value of goods to be received/services provided. This amount was €147,230 as outlined within the agreement with EIT InnoEnergy for Tranche 3 feasibility study works, translating to approximately A$215,321.

# Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

## Note 3. Equity Accounted Investments

| | 31 Dec 2022 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| At cost | | |
| Equity contributions in TEL | - | 2,970 |
| Premium Paid for Equity Accounted Investment | - | 6,847 |
| | - | 9,817 |
| *Less:* Provision for impairment | - | - |
| **Total Equity Accounted Investments** | **-** | **9,817** |

Interest in joint ventures are accounted for using the equity method of accounting recognised at cost.

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

| Tecnologia Extremena Del Litio S.L. ("TEL") | 31 Dec 2022 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Opening balance | 9,817 | 9,147 |
| Additions | 871 | 1,225 |
| Foreign exchange impact | 577 | (555) |
| Derecognised upon obtaining control of TEL[1] | (11,265) | - |
| **Closing balance** | **-** | **9,817** |

Notes:

1) The Company had an interest in a joint venture held through a 50% interest in TEL, a special purpose vehicle established for the purpose of holding the San José tenements in Spain. On 13 March 2019 the Consolidated Entity acquired, by way of a Novation to the terms of the JV Agreement, a further 25% interest in TEL, increasing the Consolidated Entity's aggregate interest to 75%.

   It was the Consolidated Entity's view that it jointly controlled TEL with Valoriza Mineria as at 30 June 2022 until such time that the Consolidated Entity made the outstanding deferred consideration payment of €600,000. This was primarily as a result of an 80% (and therefore unanimous) majority required for all company and management body decisions until such time that the €600,000 was paid. This includes decisions over the relevant activities that affect the returns of the joint arrangement.

   In October 2022, the Consolidated Entity moved to solely control JV entity TEL through the finalisation of payment obligations to JV partners Valoriza Mineria under the novated JV agreement. The deferred consideration of €600,000 was paid at the Consolidated Entity's election. The Consolidated Entity's interest in TEL remains at 75% and it retains the right to move to 100% San José Project ownership through the exercise of an upfront call option of between €2 million and €4 million dependent on timing of acquisition.

   As at 31 December 2022 it is the Consolidated Entity's view that it solely controls TEL and therefore its interest in TEL is no longer classified as a joint arrangement under *AASB 128 Investments in Associates and Joint Ventures* and therefore TEL has been consolidated as a subsidiary of the Group with effect from 3 October 2022.

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

### Note 4. Deferred Exploration and Evaluation Expenditure

| | 31 Dec 2022 $'000 |
|---|---|
| Opening balance | - |
| Acquired during the period[1] | 11,825 |
| **Total Deferred Exploration and Evaluation Expenditure** | **11,825** |

Notes:

1) On 3 October 2022, following the payment of the deferred consideration owing to Valoriza Mineria, it was determined that the Group assumed control of TEL (Refer to Note 3 for further information).

The acquisition of TEL was accounted for as an asset acquisition rather than as business combination, as it was determined that the acquired net assets of TEL did not constitute a business.

When an asset acquisition does not constitute a business combination, assets and liabilities are assigned a carrying amount based on the relative fair value of the assets acquired and liabilities assumed. No deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

TEL has a loan with Extremadura Mining S.L. as a result of the JV Agreement entered into historically. The value of the loan and existing investment in TEL upon payment of the deferred consideration (which had previously been recognised as a liability owing to Valoriza Mineria) was AUD$11,265,000.

Details of the acquisition of TEL are outlined as follows:

| | 31 Dec 2022 $'000 |
|---|---|
| *Purchase consideration:* | |
| Existing loan to, and investment, in TEL | 11,265 |
| **Closing balance** | **11,265** |

| | 31 Dec 2022 $'000 |
|---|---|
| *Fair value of assets acquired and liabilities assumed:* | |
| Deferred exploration and evaluation assets | 11,825 |
| | **11,825** |
| Non-controlling interest (25% of net assets) | (560) |
| | **11,265** |

**Accounting Policy**

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Entity has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of interest are current and either:

- The expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- Activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

An impairment exists when the carrying amount of capitalised exploration and evaluation expenditure relating to an area of interest exceeds its recoverable amount. The asset is then written down to its recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment and depreciated over the life of the mine.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Where applicable, such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

**Key Estimates, Judgments and Assumptions**

***Impairment of exploration and evaluation assets and investments in and loans to subsidiaries***

The ultimate recoupment of the value of exploration and evaluation assets, the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation asset.

Impairment assessments are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts.

***Carrying Value of Exploration and Evaluation Assets***

The carrying value of the exploration expenditure is dependent upon:

- The continuance of the rights to tenure of the areas of interest;
- The results of future exploration; and
- The recoupment of costs through successful development and exploitation of the areas of interest or alternatively by their sale.

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

***Impairment Assessment***

In April 2021 the Company received notification from the Junta which informed the Company of the cancellation of PIV research permit application at San José. The decision was unexpected and followed the resolution of the Junta which granted the PIAV, as announced on 23 December 2020. The Company strongly disputes the validity of the decision to cancel the PIV application and following legal advice the Company lodged an administrative appeal of this resolution as filed by TEL which was subsequently rejected in July 2021.

The Project comprises the PIV and PIAV. The location of the beneficiation plant and downstream lithium chemical conversion facilities have been identified in the PIAV area, utilising feedstock from the lithium mica ore contained within PIV. The Company received notice that the PIAV remained granted and in good standing with an appeal by an NGO rejected in July 2021.

The Consolidated Entity assessed the carrying value of its exploration expenditure for indicators of impairment and concluded that impairment testing of the project was not triggered, noting the following permitting update.

***Permitting Strategy Clarified by Investigation Permit Rulings***

In December 2022, the Company advised that it will advance submissions for the lodgement of a direct exploitation concession following the determination by the CAC to uphold the cancellation of the PIV.

The CAC's decision provided clarity on the pathway to the lodgement of an Exploitation Concession Application and the Company's permitting strategy remains on course following the initiation of the permitting process at the invitation of regional and local authorities through the lodgement of the Initial Document.

The Regional Government of Extremadura had publicly acknowledged the potential for TEL to apply for a direct Exploitation Concession through the submission of an Exploration Permit application. The Company and TEL maintain subsequent and sequential rights to the Project as detailed in ASX announcement 19 July 2021. The avenue to lodge an Exploitation Concession Application is available under Spanish Mining Law with the technical and economic viability of the San José deposit already demonstrated.

Subsequent to period end, the Court ratified the correct granting of the PIAV which upheld the position of both Extremadura New Energies and the Industrial, Energy and Mining Management Service of the Regional Government of Extremadura.

The Court's judgement clarified the General Urban Development Plan of Cáceres facilitates the utilisation of certain areas within PIAV in which the urban land classification allows "extraction activity" and the industrial development of the proposed lithium hydroxide conversion facility. The Court had recently determined other areas within an adjacent area to the PIAV did not allow for extractive activity and the disturbance of the surface based on land classification under the General Urban Development Plan of Cáceres.

The decision reinforced compliance under General Urban Development Plan of Cáceres for Extremadura New Energies' disturbance of the surface areas required for the decline portal within the PIAV area, adjacent to the resource area, and undertake subsurface activities to access the lithium bearing deposit (subject to environmental and mining licences being granted following the assessment of the Exploitation Concession Application).

# Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

The Company will now further advance its submission for the lodgement of a direct Exploitation Concession Application (see ASX announcement 22 December 2022).

In the event that the above matters are not resolved, there is a material uncertainty that the carrying value of deferred exploration and evaluation expenditure may not be recoverable at the amount stated in the Consolidated Statement of Financial Position.

## Note 5. Deferred Consideration Payable

| | 31 Dec 2022 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Current[1] | - | 891 |
| **Total Deferred Consideration** | **-** | **891** |

Notes:

1) In October 2022, the Consolidated Entity moved to solely control JV entity TEL, the project vehicle that contains the rights to San José, through the finalisation of payment obligations to JV partners Valoriza Mineria under the novated JV agreement. The deferred consideration of €600,000 was paid at the Consolidated Entity's election. The Consolidated Entity retains the right to move to 100% San José Project ownership through the exercise of an upfront call option of between €2 million and €4 million dependent on timing of acquisition.

## Note 6. Issued Capital

| | 31 Dec 2022 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| A reconciliation of the movement in capital and reserves for the consolidated group can be found in the Statement of Changes in Equity. | | |
| 462,592,093 fully paid ordinary shares (2022: 415,013,066) | 54,453 | 51,112 |
| Less: capital raising costs | (3,884) | (3,884) |
| | **50,569** | **47,228** |

| | 31 Dec 2022 No. | 30 Jun 2022 No. |
|---|---|---|
| **a) Fully Paid Ordinary Shares – Number of Shares** | | |
| At the beginning of the reporting period | 415,013,066 | 402,654,556 |
| Shares issued during the period/year: | | |
| • Exercise of options[1] | 47,579,027 | 12,318,510 |
| • Shares issued under cleansing prospectus | - | 40,000 |
| **Total at the end of the reporting period/year** | **462,592,093** | **415,013,066** |

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

| | 31 Dec 2022 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| **b) Fully Paid Ordinary Shares – Value of Shares** | | |
| At the beginning of the reporting period | 47,228 | 46,259 |
| Shares issued during the period/year: | | |
| • Exercise of options[1] | 3,341 | 970 |
| • Shares issued under cleansing prospectus | - | 5 |
| Less: | | |
| • Capital raising costs | - | (6) |
| **Total at the end of the reporting period/year** | **50,569** | **47,228** |

Notes:

1) During the period, 19,610,680 fully paid ordinary shares were issued on exercise of $0.12 options, 10,000,000 fully paid ordinary shares were issued on the exercise of $0.09 options, 1,000,000 fully paid ordinary shares were issued on the exercise of $0.88 options and 16,968,347 fully paid ordinary shares were issued on the exercise of zero exercise price warrants.

**Fully Paid Ordinary Shares**

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

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

**c) Options**

The unissued ordinary shares of Infinity Lithium under option at 31 December 2022 are as follows:

| Date of Expiry | Exercise Price ($) | Number under Option |
|---|---|---|
| 8 December 2023 | $0.25 | 21,000,000 |
| 31 December 2024 | $0.27 | 4,000,000 |
| 31 December 2024 | $0.30 | 4,000,000 |
| 15 December 2025 | $0.25 | 3,000,000 |
| **Total** | | **32,000,000** |

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

| | 31 Dec 2022 Weighted Average Exercise Price $ | 31 Dec 2022 No. | 30 Jun 2022 Weighted Average Exercise Price $ | 30 Jun 2022 No. |
|---|---|---|---|---|
| At the beginning of the reporting period | $0.181 | 61,113,270 | $0.102 | 44,431,780 |
| Issued during the period[1] | $0.250 | 3,000,000 | $0.173 | 69,000,000 |
| Exercised during the period[2] | $0.113 | (30,610,680) | $0.110 | (12,318,510) |
| Expired during the period | $0.147 | (1,502,590) | $0.079 | (40,000,000) |
| **Total at the end of the reporting period/year** | **$0.259** | **32,000,000** | **$0.181** | **61,113,270** |

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

Notes:

1) On 15 December 2022, 3,000,000 unlisted options were issued to Ramón Jiménez Serrano, a Director of the Company, as approved at the Annual General Meeting of shareholders on 30 November 2022. Refer to Note 2 Share-Based Payments for further information.

2) During the period, 19,610,680 fully paid ordinary shares were issued on exercise of $0.12 options, 10,000,000 fully paid ordinary shares were issued on the exercise of $0.09 options and 1,000,000 fully paid ordinary shares were issued on the exercise of $0.88 options.

### d) Warrants

| | 31 Dec 2022 No. | 30 Jun 2022 No. |
|---|---|---|
| At the beginning of the reporting period | 15,047,006 | 13,182,938 |
| Issued during the period[1] | 1,921,341 | 1,864,068 |
| Exercised during the period[1] | (16,968,347) | - |
| Expired during the period | - | - |
| **Total at the end of the reporting period/year** | **-** | **15,047,006** |

Notes:

1) In August 2022, 1,921,341 zero exercise price warrants were issued to EIT InnoEnergy upon successful completion of the final test work milestone as contemplated under the terms of the relevant Agreement. The warrants are exercisable at $0.00 on or before 28 July 2025. On 16 November 2022 16,698,347 fully paid ordinary shares were issued on the exercise of zero exercise price warrants. Refer to Note 2 Share-Based Payments for further details.

### e) Share Appreciation Rights

A reconciliation of the total SARS on issue as at 31 December 2022 is as follows:

| | 31 Dec 2022 No. | 30 Jun 2022 No. |
|---|---|---|
| At the beginning of the reporting period | 17,200,000 | 17,200,000 |
| Issued during the period | - | - |
| Exercised during the period | - | - |
| Lapsed/expired during the period | - | - |
| **Total at the end of the reporting period/year** | **17,200,000** | **17,200,000** |

### f) Performance Rights

A reconciliation of the total Performance Rights on issue as at 31 December 2022 is as follows:

| | 31 Dec 2022 No. | 30 Jun 2022 No. |
|---|---|---|
| At the beginning of the reporting period | - | - |
| Issued during the period[1] | 3,500,000 | - |
| Exercised during the period | - | - |
| Lapsed/expired during the period | - | - |
| **Total at the end of the reporting period/year** | **3,500,000** | **-** |

Notes:

1) In August 2022, 3,500,000 Performance Rights were issued under the Incentive Performance and Share Appreciation Rights Plan. The rights expire on 29 August 2025. Refer to Note 2 Share-Based Payments for further information.

## Note 7. Reserves

| | 31 Dec 2022 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Share-Based Payment Reserve[(a)] | 6,927 | 7,229 |
| Foreign Currency Translation Reserve[(b)] | (296) | (453) |
| **Total Reserves** | **6,631** | **6,776** |

### (a) Share-Based Payments Reserve

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

A reconciliation of the movement in the share-based payments reserve as at 31 December 2022 is as follows:

| | 31 Dec 2022 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| At the beginning of the reporting period | 7,229 | 3,241 |
| Share-based payments (Note 2) | 772 | 3,988 |
| Lapse of options (Note 5) | (1,074) | - |
| **Total at the end of the reporting period/year** | **6,927** | **7,229** |

**(b) Foreign Currency Reserve**

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

| | 31 Dec 2022 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| At the beginning of the reporting period | (453) | 121 |
| Exchange differences arising on translation of foreign operations | 157 | (574) |
| **Total at the end of the reporting period/year** | **(296)** | **(453)** |

## Note 8. Operating Segments

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

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate. As at 31 December 2022 management has assessed that the Consolidated Entity only has one reportable segment based on the geographical areas of the mineral resource and exploration activities, being Spain. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

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

**(a) Accounting policies adopted**

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

**(b) Segment assets**

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

**(c) Segment liabilities**

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

**(d) Unallocated items**

Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

## Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

| 31 December 2022 | Spain $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Other income | - | 58 | 58 |
| **Total Gross Revenue** | **-** | **58** | **58** |
| **Expenses** | | | |
| Corporate and compliance expenses | (174) | (340) | (514) |
| Consulting expenses | - | (634) | (634) |
| Employee and director benefits expense | - | (729) | (729) |
| Share-based payments | - | (557) | (557) |
| Depreciation expense | (1) | (1) | (2) |
| Foreign exchange loss | - | (7) | (7) |
| **Loss for the Period** | **(175)** | **(2,210)** | **(2,385)** |
| **Segment Assets** | | | |
| Cash and cash equivalents | 402 | 15,717 | 16,119 |
| Trade and other receivables | 273 | 91 | 364 |
| Deferred exploration and evaluation expenditure | 11,825 | - | 11,825 |
| Property, plant and equipment | 5 | 112 | 117 |
| Other assets | 22 | 97 | 119 |
| **Total Assets** | **12,527** | **16,017** | **28,544** |
| **Segment Liabilities** | | | |
| Trade and other payables | 144 | 555 | 699 |
| Provisions | - | 118 | 118 |
| **Total Liabilities** | **144** | **673** | **817** |

# Notes to the Interim Financial Statements (continued)

For the Half-Year Ended 31 December 2022

| 31 December 2021 | Spain $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Other income | - | 135 | 135 |
| **Total Gross Revenue** | **-** | **135** | **135** |
| | | | |
| **Expenses** | | | |
| Corporate and compliance expenses | (65) | (358) | (423) |
| Consulting expenses | - | (98) | (98) |
| Employee and director benefits expense | - | (317) | (317) |
| Share-based payments | - | (3,449) | (3,449) |
| Foreign exchange loss | - | (2) | (2) |
| **Loss for the Period** | **(65)** | **(4,089)** | **(4,154)** |
| | | | |
| **30 June 2022** | | | |
| | | | |
| **Segment Assets** | | | |
| Cash and cash equivalents | 124 | 16,164 | 16,288 |
| Trade and other receivables | 174 | 88 | 262 |
| Equity accounted investments | 9,817 | - | 9,817 |
| Other assets | 10 | 96 | 106 |
| Property, plant and equipment | 6 | 110 | 116 |
| **Total Assets** | **10,131** | **16,458** | **26,589** |
| | | | |
| **Segment Liabilities** | | | |
| Trade and other payables | 98 | 214 | 311 |
| Deferred consideration payable | 891 | - | 891 |
| Provisions | - | 105 | 105 |
| **Total Liabilities** | **988** | **319** | **1,307** |

## Note 9. Related Party Transactions

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

Effective 1 February 2023, Mr Parkin receives a base salary of $345,000 per annum (exclusive of superannuation). Mr Parkin received a base salary of $320,000 (exclusive of superannuation) in the period to 31 December 2022. All other terms of Mr Parkin's employment contract with the Company remain the same.

b) **Adrian Byass – Non-Executive Chairman**

Effective 1 February 2023, Mr Byass receives a base director's fee of $105,000 per annum. Mr Byass received a base director's fee of $75,000 per annum in the period to 31 December 2022. All other terms of Mr Byass' employment contract with the Company remain the same.

**c) Ramón Jiménez Serrano – Executive Director**

In August 2022, 3,500,000 Performance Rights were issued under the Incentive Performance and Share Appreciation Rights Plan to Mr Jiménez. The rights expire on 29 August 2025. Refer to Note 2 Share-Based Payments for further information.

In September 2022 the Company announced the appointment of Mr Jiménez to the Board of Directors. Ramón was appointed as CEO of the Company's wholly owned Spanish subsidiary Extremadura New Energies in March 2022.

On 15 December 2022, 3,000,000 unlisted options were issued to Mr Jiménez, as approved at the Annual General Meeting of shareholders on 30 November 2022. Refer to Note 2 Share-Based Payments for further information.

## Note 10. Controlled Entities

**a) Controlled Entities Consolidated**

| | Country of Incorporation | Percentage Owned (%) 31 Dec 2022 | 30 Jun 2022 |
|---|---|---|---|
| **Parent Entity** | | | |
| Infinity Lithium Corporation Limited | Australia | 100% | 100% |
| | | | |
| **Subsidiaries of Infinity Lithium:** | | | |
| Tonsley Mining Pty Ltd | Australia | 100% | 100% |
| Infinity GreenTech Pty Ltd | Australia | 100% | 100% |
| Infinity New Energies Pty Ltd | Australia | 85% | 85% |
| Castilla Mining S.L | Spain | 100% | 100% |
| Morille Mining S.L | Spain | 80% | 80% |
| Extremadura Mining S.L (trading as Extremadura New Energies S.L) | Spain | 100% | 100% |
| Tecnolgia Extremena Del Lito S.L[1] | Spain | 75% | 75% |

Notes:

1) In October 2022, the Consolidated Entity moved to solely control JV entity TEL, the project vehicle that contains the rights to San José, through the finalisation of payment obligations to JV partners Valoriza Mineria under the novated JV agreement. The deferred consideration of €600,000 was paid at the Consolidated Entity's election. The Consolidated Entity retains the right to move to 100% San José Project ownership through the exercise of an upfront call option of between €2 million and €4 million dependent on timing of acquisition. Refer to ASX announcement 3 October 2022 for further details.

**b) Non-Controlling Interests**

**Morille Mining S.L.**

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

**Infinity New Energies Pty Ltd**

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

**Tecnolgia Extremeña Del Lito S.L**
Valoriza Mineria S.L.U. has a 25% non-controlling interest in the Company's subsidiary Tecnolgia Extremeña Del Lito S.L.

## Note 11. Capital Commitments

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

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

## Note 12. Events After Reporting Date

In January 2023 the Court ratified the correct granting of PIAV which upheld the position of both Extremadura New Energies and the Industrial, Energy and Mining Management Service of the Regional Government of Extremadura.

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

## Note 13. Contingent Assets and Liabilities

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

## Note 14. Fair Values of Financial Instruments

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

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

## Directors' Declaration

For the Half-Year Ended 31 December 2022

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 11 to 33 are in accordance with the Corporations Act 2001, including:

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

    (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.

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

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

**Ryan Parkin**
Managing Director/CEO
15 March 2023