

ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

Li-S Energy Limited – ASX Code: LIS

Friday 18 August 2023

Appendix 4E and Annual Report

Li-S Energy Limited (ASX: LIS) (“LIS” or “the Company”) is pleased to provide its Appendix 4E and Annual Report for the Year Ended 30 June 2023.

This announcement has been authorised by the Board.

For further information contact:

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LI-S ENERGY LIMITED

**APPENDIX 4E AND ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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APPENDIX 4E

This information should be read in conjunction with Li-S Energy Limited's 30 June 2023 Annual Report.

Entity Details

Li-S Energy Limited, ABN: 12 634 839 857

Results for announcement to the market

Comparison to previous corresponding period	30 June 2023 \$	30 June 2022 \$	Change \$	Change %
Total revenues from ordinary activities	-	-	-	N/A
Profit/(loss) from ordinary activities before tax	(3,335,522)	(6,271,817)	2,936,295	(47%)
Profit/(loss) from ordinary activities after tax attributable to owners of Li-S Energy Limited	(3,335,522)	(6,271,817)	2,936,295	(47%)
Net Profit/(loss) after tax attributable to owners of Li-S Energy Limited	(3,335,522)	(6,271,817)	2,936,295	(47%)
Earnings / (loss) per share – cents (basic)	(0.52)	(0.99)	0.47	(47%)
Net tangible assets per share – cents ¹	6.40	7.32	(0.92)	(13%)

¹ The net tangible asset backing includes the right-of-use assets as per AASB 16

Dividends

The Board has resolved not to issue a final dividend.

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 Tuesday 14 November 2023. Nominations from persons wishing to be considered for election as a director is expected to close on Monday 25 September 2023.

CHAIRMAN'S REPORT

Dear Shareholders,

FY23 was another exciting year for Li-S Energy (**LIS**). The company consolidated its position as one of Australia's most innovative battery companies and we saw ground-breaking developments in our core technology in parallel with the development of our Phase 3 production facility and a growing network of cornerstone partners. As we have exited the pandemic years the global economic environment has presented ongoing challenges, but I am delighted that LIS has achieved or exceeded the challenging goals we set ourselves.

Our research team has produced lithium sulfur cells with world-class gravimetric and volumetric energy density and the ever growing and diversified market for electrification has allowed us to increasingly focus our business development efforts on the high value (and we believe high margin) drone and eAviation market. To achieve this, I must recognise the support of my fellow Board members Robin Levison, Tony McDonald and Hedy Cray, plus the efforts of the management team led by CEO Dr Lee Finniear with support from CFO, Sarah Price, CTO, Dr Steve Rowlands, Chief Strategic Advisor, Glenn Molloy and Operations Manager, Tim Hanley.

BUSINESS OVERVIEW

LIS continues to work with Deakin University (**Deakin**) to commercialise over a decade of research in the development of lithium sulfur and lithium-metal batteries that utilise boron nitride nanotubes (**BNNTs**) to improve performance and cycle life. Over the last 12 months we have also engaged other respected leaders in battery research to support elements of our commercialisation program, namely the University of Queensland and the Fraunhofer Institute in Germany.

Lithium sulfur batteries have the potential to provide a much greater energy storage capacity than current lithium-ion batteries. The LIS technology addresses two of the main drawbacks of lithium sulfur batteries in the past – relatively short cycle life and low volumetric energy density. By using BNNTs and our Li-Nanomesh material, LIS has substantially increased cycle life in our lithium sulfur batteries. In 2023 we took this innovation a huge step forward with our semi-solid-state battery system which has significantly increased volumetric energy density and promises further improvements to cell cycle life.

Our highly qualified and experienced battery technology leadership team comprising CTO, Dr Steve Rowlands, and R&D Manager, Dr Paul Bayley, direct our ongoing core research and scale-up production. This in-house team is complemented by research scientists from Deakin University Institute of Frontier Materials, providing additional expertise on lithium sulfur, nanomaterials, plus the development of our lithium anodes and next generation electrolytes.

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

1. Development of a pilot plant to produce commercial test cells
2. Continued engagement with product OEMs and battery manufacturers
3. Further progress in Li-nanomesh research and development
4. Research into one or more of solid state, 3D printed and flexible form batteries with construction of demonstration cells

We remain ahead or on track with all of these priorities. Despite delays in securing an appropriate location, our Phase 3 facility is nearing completion in Geelong. This is believed to be one of Australia's largest dry rooms, supporting production of up to 2MWh of our cells each year, scaling us from tens to thousands of cells being produced each month. This facility will allow us to start production of commercial test cells for our partners over the next year.

In 2023 we also continued to develop and deepen the relationship with core partners. The company has made a conscious decision to focus on understanding the needs of current partners as a proxy for target sectors as we develop our battery specification data sheets and the capacity to manufacture test cells, plus opportunities in the domestic market. As we move through 2024 and on the back of our Phase 3 capabilities, we are expanding and deepening both existing and new partnerships.

Most excitingly, in April we announced our new 20-layer Gen3 lithium sulfur battery, which uses our semi-solid state technology to improve volumetric energy density to a level comparable to current lithium ion batteries, whilst maintaining gravimetric energy density in excess of 400 Wh/kg. We believe that our Gen3 system will be the cornerstone of a safe and reliable lithium sulfur battery for production in our Phase 3 facility.

Having validated the core science behind the semi-solid state chemistry, our development team is working to develop the cell cycle testing and characterisation results to produce an industry standard data sheet on the new cells. We have seen significant interest in our announcement from the drone and eAviation markets and anticipate working with our existing partners in the first instance to test sample cells produced from our Phase 3 facility.

SHAREHOLDER SUPPORT

LIS values the continued support of its major shareholders, PPK Group Limited, Deakin University and BNNT Technology Pty Ltd. However, the Company could not have achieved its goals this year without the ongoing support of all its 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 has also retained a healthy balance sheet in difficult economic conditions with \$33.45 million of cash and cash equivalents at the end of the 2023 financial year. This gives us the strategic flexibility to continue to invest in and develop opportunities as they arise for a number of years.

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

OUTLOOK

In July, we announced the establishment of an advisory panel to support the global recognition of LIS and resulting opportunities. We are excited to welcome the globally recognised battery industry leaders, Ms Isobel Sheldon OBE and Mr Bob Galyen as the first members of this panel.

With the support of this advisory panel, for FY 2024 our focus will be on completing the commissioning of our Phase 3 facility and building up our cell testing capabilities to ensure that we are in a position to produce data sheets and test cells for a range of partners and prospective customers. It has become clear that the largest near-term opportunity is in the drone and eAviation markets, but there are also significant opportunities we are exploring in the heavy vehicles and defence sectors.

As we approach completion of our Phase 3 facility we are also turning our attention to the longer term. We have developed plans for a 200MWh facility in the coming years, that will be able to produce commercial quantities of batteries for the first time and generate significant revenue. This is a significant standalone project that is not tied to the location of our Phase 3 facilities in Geelong and we anticipate leveraging support from Governments and partners as we progress our plans further. Into the long-term we continue to anticipate lithium sulfur gigafactories on the horizon. However, it is increasingly evident that capacity increase is best served by technology licensing since we believe that re-tooling of existing facilities is more viable than a greenfield new build.

We are a proud Australian business with our facilities in regional Victoria, but we are also conscious that we are operating in a dynamic global industry that will present opportunities to build our international capabilities and capacity alongside our core Australian R&D and know-how.

Yours sincerely,



BEN SPINCER

Chairman

DIRECTORS' REPORT

For the year ended 30 June 2023

The directors of Li-S Energy Limited and its subsidiary ("Li-S Energy", "LIS" or the "Company" or the "Group") present their report together with the consolidated financial statements of the company for the financial year ended 30 June 2023.

DIRECTORS

The names of the Directors in office at any time during the year or since the end of the year are set out below. Directors were in office for this period unless otherwise stated.

Ben Spincer	Non-Executive Director and Chairman
Robin Levison	Non-Executive Director
Anthony McDonald	Non-Executive Director
Hedy Cray	Non-Executive Director

INFORMATION ON DIRECTORS

Details of the current Directors', their qualifications, experience, and special responsibilities are detailed below:

Dr Ben Spincer MA, PhD, GAICD.

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 institute 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.

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 Industree 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 company White Graphene Limited ("WGL"), and proprietary companies including BNNT Technology Pty Ltd ("BNNTTL"), BNNT Precious Metals Pty Ltd, 3D Dental Technology Pty Ltd, Ballistic Glass Pty Ltd, Strategic Alloys Pty Ltd, AMAG Holdings Australia 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 (From 17 December 2019 to 22 November 2022)

Mr Anthony McDonald LL.B.

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; Chair of the Audit and Risk Committee.
- 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.

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 national firm 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 the Executive Vice President of Global Affairs for Korea Zinc, one of the world's largest non-ferrous metal smelting operators with interests in green and renewable energies, including developing projects for solar and wind power, green hydrogen production, battery recycling and e-waste, and Vice Chairwoman of Pedalpoint Holdings LLC developing Korea Zinc's interests in urban mining in the United States.

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 distributed almost \$12m of grants to over 270 charities since 2003.

INFORMATION ON COMPANY SECRETARIES

Will Shiel BA in Law (Hons) FGIA

Appointed Company Secretary on 30 June 2022.

Will was appointed as General Counsel and Company Secretary for PPK Group Limited on 16 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 (Legal) at ASX Limited where he managed a 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, including Allens Linklaters, Gilbert+Tobin and Clifford Chance.

Liam Fairhall BLaw (Hons); BMed Rad Sci; Grad Dip ACGRM
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 for both listed and unlisted companies on a diverse range of transactional and regulatory matters.

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.

MANAGEMENT TEAM

CHIEF EXECUTIVE OFFICER

Dr Lee John Finniear BSc (Hons), PhD, F.A.I.C.D.
Appointed Chief Executive Officer on 14 February 2021.

Lee has more than 25 years' experience as a senior executive, including 10 years with Intergraph Corporation, (a US-based Fortune 1000 technology company) in roles including Vice President – Asia Pacific, plus 5 years as the Chief Executive Officer and Managing Director of NASDAQ and ASX listed technology companies. Over the past six years, Lee has been the founder and director of a company delivering innovative Internet of Things (IoT) products to business and consumer markets. He was also the Vice President – Asia Pacific for a European telecommunications operator with a market focus on automotive manufacturers and enterprise IoT solutions.

Lee has a First Class BSc. (Hons) degree in Civil Engineering and a PhD in Artificial Intelligence and Geographic Information Systems.

CHIEF FINANCIAL OFFICER

Ms Sarah Price CA, BCom
Appointed Chief Financial Officer on 23 May 2023.

Sarah has over 20 years' experience as a financial controller, including key roles at Technology One, Cardno, Xstrata and PwC. Across these positions, Sarah has built extensive knowledge of group finance and taxation with a focus on global reporting, financial strategy and risk management. In her role as CFO, Sarah works across PPK Group, Li-S Energy, White Graphene, BNNT Technology, Craig International Ballistics and Advanced Mobility Analytics Group.

Sarah holds a Bachelor of Business from Queensland University of Technology, is a Chartered Accountant and Affiliate of the Governance Institute of Australia.

CHIEF TECHNOLOGY OFFICER

Dr Stephen (Steve) Rowlands BSc. (Hons) PhD
Appointed Chief Technology Officer on 12 July 2021.

Steve has over 20 years' experience in the energy storage sector, including the last eight years as Deputy CTO at OXIS Energy, a pioneer of lithium sulfur battery technology. At OXIS Energy, Steve managed the cathode, electrolyte, cell test engineering and production development teams. He has extensive knowledge of nanomaterials and their effect on the detailed mechanisms of lithium sulfur technology. Managing the OXIS Energy production development team, he gained detailed knowledge of the scale-up processes required in delivering a pilot production line for lithium-sulfur battery manufacture.

Steve has a First-Class BSc. (Hons) degree in Applied Chemistry and a PhD in Electrochemical Supercapacitors for Energy Storage.

CHIEF STRATEGIC ADVISOR

Mr Glenn Robert Molloy
Engaged as Chief Strategic Advisor from 12 June 2021 following two years serving as Executive Chairman and then Director ahead of key appointments.

Glenn founded PPK Group Limited, then known as Plaspak Group Limited, in 1979 and has acted as a director of PPK Group Limited since that time. He has extensive experience on public company boards, and in advising publicly listed and private entities on commercial aspects of mergers, acquisitions and divestment activities. He is a director of a number of PPK Group Limited's related companies including Executive Chairman of BNNTTL and White Graphene Limited and a Non-Executive Director of BNNT Precious Metals Limited, 3D Dental Technology Pty Ltd, Ballistic Glass Pty Ltd and Craig International Ballistics Pty Ltd.

PRINCIPAL ACTIVITIES

LIS was incorporated on 12 July 2019 and listed on the Australian Securities Exchange (ASX) on 28 September 2021. The company was established with the objective of utilising BNNT Technology Pty Ltd's (BNNTTL) and Deakin University's (Deakin) existing technology and research to develop a battery technology based on advanced lithium sulfur 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 sulfur batteries.

LIS does not currently generate any significant revenue and intends to derive revenue from the following activities:

1. 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 cells to battery cell 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;
2. Engaging product OEMs in collaborative projects to retrofit and test Li-S batteries in their products; and
3. Licensing LIS's intellectual property to battery manufacturers so they can produce LIS batteries for product OEMs.

REVIEW OF OPERATIONS

Since listing we have achieved significant progress in our understanding of the technical capabilities, production requirements and commercial application of our lithium sulfur battery technology. We have continued to grow the internal capacity and external awareness of the Company and its technology with the goal of establishing partnerships with potential clients. Key events during the financial year include:

- developing our first 20-layer battery cells utilising our third-generation (GEN3) semi-solid state lithium sulfur technology.
- commencing construction of our Phase 3 production facility that will allow us to produce more battery cells for partners to undertake testing.
- entered into a MOU with the eAviation electric propulsion system pioneer, magniX USA to develop lithium sulfur and lithium metal batteries for electric aviation applications
- established a collaborative program to design and build a high-endurance solar UAV with two pioneering Australian companies, Halocell and V-TOL Aerospace, targeting dawn-til-dusk flight times.
- grew and enhanced the Company's research, marketing and executive capacity with the appointment of a number of new hires.
- continued to grow the brand awareness of Li-S Energy through an international outreach program including attendance at the 2023 Paris Air Show where the CEO was able to meet and establish relationships with key eAviation, drone and defence sector operators.

PARTNER DEVELOPMENT STRATEGY

During the reporting period, we also continued to develop and deepen our relationships with core partners. The company has made a conscious decision to focus on understanding the needs of current partners as a proxy for target sectors as we develop our battery specifications sheets and the capacity to manufacture test cells, plus opportunities in the domestic market. This has proved successful, with us both deepening relationships with existing partners such as Seattle-based magniX, and forming new partnerships with domestic drone companies such as VTOL. As we move through 2024 and on the back of our Phase 3 capabilities, we are expanding and deepening these existing and new partnerships.

PRODUCT DEVELOPMENT STRATEGY

During this financial year the Company has continued to execute its product development program in accordance with the strategy outlined in its Prospectus. The Company remains focused on four key areas:

1. Continued optimisation of Li-S technology.
2. Production of Li-S batteries in various formats for a range of different applications.
3. Build the production capacity to manufacture batteries in the necessary quantities to supply partners with enough batteries to undertake testing.
4. Develop and secure the intellectual property to facilitate the conversion of lithium-ion battery manufacturing plants so they can produce lithium-sulfur batteries.

Key product developments during the year include:

1. Optimisation of Li-S technology

We have continued to optimise Li-S Energy technologies in line with both the IPO Prospectus, and the strategy we outlined in our 2022 Annual Report.

In particular, we have undertaken extensive development of a new GEN3 semi-solid-state lithium sulfur cell chemistry that we expect will deliver a range of significant advantages compared to the traditional liquid-system lithium sulfur batteries (see Table 1). Our GEN3 batteries have volumetric energy densities comparable to lithium-ion cells and maintain our world class gravimetric energy density. Our semi-solid-state chemistry is also a pathway to safer, longer-lasting commercial cells through elimination of volatile liquid electrolytes.

In addition, we have continued to scale-up our multi-layer pouch cell fabrication capability to be able to produce and test 10- and 20-layer pouch cells with consistent performance, at a capacity appropriate for target commercial cells in production (5-12 Ah).

Lithium-sulfur cells

A major research and development focus in this financial year has been the transition from traditional liquid-system lithium sulfur to a new semi-solid-state lithium sulfur cell technology. Our research identified that a semi-solid-state lithium sulfur cell has a range of potential advantages that we expect will deliver enhanced acceptance in the commercial market.

Table 1: Expected advantages of the semi-solid-state cell technology compared to conventional lithium sulfur cell chemistries.

Benefit Type	Li-S Traditional System	Li-S Semi-solid-state technology
Increased gravimetric energy density	400Wh/kg	Currently achieving over 400Wh/kg – anticipating significantly higher with optimisation
Increased volumetric energy density	Requires highly porous cathode, making the cell a higher volume – typically achieving 350-400Wh per litre	Currently achieving over 540Wh per litre, anticipating significantly higher with optimisation
Improved safety	While the traditional system is safer than lithium-ion as it is less prone to thermal runaway, it still uses a flammable ether-based electrolyte, which can catch fire if exposed to an ignition source.	Intrinsically safer due to the use of a low flammability electrolyte, meaning its electrolyte is less likely to catch fire even if exposed to an ignition source.
More reliable integration into operational battery packs and systems	Very difficult to balance cells within the battery pack due to inconsistencies in performance between cells, leading to lower overall energy stored	Cells behave more predictably and are easier to match, leading to higher overall energy stored consistently in the battery pack.
Ability to store the cells fully charged	Liquid system Li-S cells cannot be stored fully charged for long periods without electrolyte breakdown and cell destruction.	Can be stored at 100% state of charge for most practical purposes.
Greater ability to mass manufacture	Cathode coating needs to be highly porous – making it difficult to achieve consistent quality control	Cathodes are far lower porosity, making them easier to produce at the required quality on roll-to-roll cathode coating and calendaring equipment designed for lithium-ion production
Reduced cost	Higher cost due to higher costs of materials and potentially more difficult cathode manufacturing processes.	Elimination of high-cost graphene in the cathode reduces overall cost of materials. Reduced porosity cathode results in less electrolyte being needed (which is an expensive part of the battery bill of materials) The low porosity cathode also has potential to reduce manufacturing costs.

The Company believes that these theoretical advantages are a compelling reason to make the move to the semi-solid-state chemistry early before scaling out to Phase 3 production. BNNT and Li-nanomesh still form a key component of the cell construction to enhance performance and cycle life.

During the reporting period, we scaled up our semi-solid-state cell fabrication from single-layer to 20-layer pouch cells. This increased the active material to dead mass ratio (e.g. tabs and pouch material), thereby increasing the gravimetric energy density to over 400 Wh/kg, and volumetric energy density 45% higher than our equivalent liquid-system cell, at 540Wh/l. Feedback from existing and potential partners has been very positive in relation to the relative advantages exhibited by the semi-solid-state cell technology.

In addition to increasing the number of electrode layers in each cell, the team has been scaling up the ability to produce cells in volume in advance of our Phase 3 facility coming on-line. In particular, we have scaled up by an order of magnitude the ability to produce pre-cursor materials for the lithium sulfur cathode. This included the development of manufacturing techniques to produce cathode powders, slurry mixes and roll-to-roll cathode coating at a rate to match our Phase 3 manufacturing rate requirements. Large ball mills, slurry mixers and analytical equipment have been installed to support this production throughput, at the necessary high-quality control for matching cells in final battery packs. Each slurry batch can coat over 300 metres of double-sided cathode on our roll-to-roll coaters.

We have engaged with a U.S. software company, Byterat, to implement and customise a data analytics package to capture all cell cycling and materials quality control data in a centralised database. As our technology matures, data handling and archiving could have become a bottleneck to our development, and a system like Byterat is the gold standard used in the industry. In addition, the system produces QR code labels to track our cell data and materials throughout their life cycle and enables us to quickly retrieve all detailed cell information and apply customisable data analysis tools. It also opens the door to the potential use of Artificial Intelligence in analysing this comprehensive cell database to predicting future cell performance.

Cell recycling and the circular economy are important long-term consideration for all cell chemistries. During the year, we commissioned a report from the University of Queensland on the potential options for recycling Li-S Energy lithium sulfur batteries. One of the key findings in the report was that our cells should be easier and cheaper to recycle than current lithium-ion batteries. This is an important finding which adds another long term advantage for the adoption of our lithium sulfur batteries into products across the globe.

Moving forward into FY2024 we expect to continue to improve the processing of cell materials, cell chemistry and cell fabrication in our Phase 2 facility while we bring our Phase 3 facility on-line. We will conduct a range of performance and safety tests on these cells using the cell testing facility we are currently building. The testing results will be incorporated into cell data sheets and shared with our partners before providing quantities of commercial-sized, performance-matched cells for partner tests and trials.

Lithium metal cells

Our ongoing research collaboration with Prof Maria Forsyth's Institute for Frontier Materials (IFM) team has yielded Lithium metal pouch cells with enhanced cyclability and rate capability while maintaining a very high level of safety. The combination of novel electrolyte systems with Li-S' patented Nanomesh technology has proved successful for these cells. The technical details of the research outputs include trade secrets and knowledge that forms the basis of ongoing patent applications.

Looking forward to FY24, we intend to expand this collaboration incorporating world leading Nuclear Magnetic Resonance (NMR) spectroscopy techniques to further advance our anode research by investigating the interface between Lithium metal and the Li-Nanomesh nanocomposite technology.

Solid State & Advanced Electrolytes

Advanced electrolytes have the potential to further extend the performance of our lithium sulfur and lithium metal cells, so are an important area of our ongoing research and development. We have been advancing our development of higher performance, low-flammability liquid, gel and solid-state electrolytes for both lithium sulfur and lithium metal cell chemistries. We are pursuing these developments through:

- directly contracted projects with Deakin University's Institute of Frontier Materials (IFM)
- collaborative projects undertaken in part with the support of the Future Battery Industries CRC
- a co-funded research project with The SafeREnergy Hub

We expect the liquid and gel-based electrolyte development to be transitioned into both our Li-S and Li-metal cells as our development continues. 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.

Novel composite electrolyte materials have been developed and two new patent families based around this technology have been applied for. This work is ongoing with Professors Maria Forsyth and Patrick Howlett at the Institute of Frontier Materials (IFM) at Deakin University, led by our Li-S management team.

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

As foreshadowed in our 2022 Annual Report, we have focused our development and scale up on 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.

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

As we outlined in the Annual Report 2022, to accelerate development and commercialisation we re-designed the scale-up of our pilot production into three phases;

- Phase 1 – R&D cell construction
- Phase 2 – lab based cell production (micro-production line)
- Phase 3 – enhanced cell production

Phase 1 comprises the cell R&D facilities that were in-place prior to the commencement of the FY23 financial year. This was the equipment used to produce our single layer cells in 2021 and small multi-layer cells in 2022.

Phase 2 was completed and fully commissioned during the year. It comprises two roll-to-roll cathode coaters, cathode materials preparation equipment, automated cell stacking, welding and pouch filling equipment. It substantially improves both cell quality and cell production quantities compared to Phase 1 and is designed to enable a sharp focus on optimising cell materials and improving the quality and consistent performance of multi-layer cells that are built using this micro-production line.

Phase 3 has been designed and is now being constructed. It is designed to be capable of up to 2MWh of cell production. Its purpose is to:

- Increase the production rate for commercial sized pouch cells.
- Test the use of lithium-ion cell production equipment for lithium sulfur and lithium metal cell production.
- Design and build bespoke equipment for unique parts of the production process, and the protection of associated IP.
- Generate IP on the manufacturability, process and equipment adaptation, and rate performance of the production line to inform further scale up to GWh scale manufacturing.

Phase 3 comprises:

- **A 220 square metre dry room**, believed to be one of the largest in Australia. This will house the anode production, stacking and pouching equipment. As at 30 June, this was at an advanced state of construction, with completion expected in September 2023.
- **A clean room** to house the cathode materials preparation, cathode coating and cathode cutting equipment. This clean room has been designed, and construction is underway with an expected completion date of September 2023.
- **A full production line** of manufacturing equipment for Phase 3 – this has been ordered and is expected to be delivered in October 2023, with the equipment supplier's engineers on site for two months to commission the line.
- **Bespoke robotic equipment** for cell stacking and lithium foil anode handling has been commissioned and is currently being built by an Australian robotics company, due to be delivered by September 2023.
- **A large cell test facility**, comprising a container sized fire and blast proof enclosure, plus specifically designed cell testing equipment for performance and safety testing on commercially sized cells, including nail penetration, crush, vibration, drop, thermal, low pressure (high altitude) testing as well as advanced cell cyclers to simulate the performance requirements a cell would experience under various applications, such as during an electric aircraft or drone flight from launch to landing.
- **Engineers and Production staff** will be added across the coming year to operate and optimise the Phase 3 facility to deliver higher quality, higher performance cells, at an increased production rate.

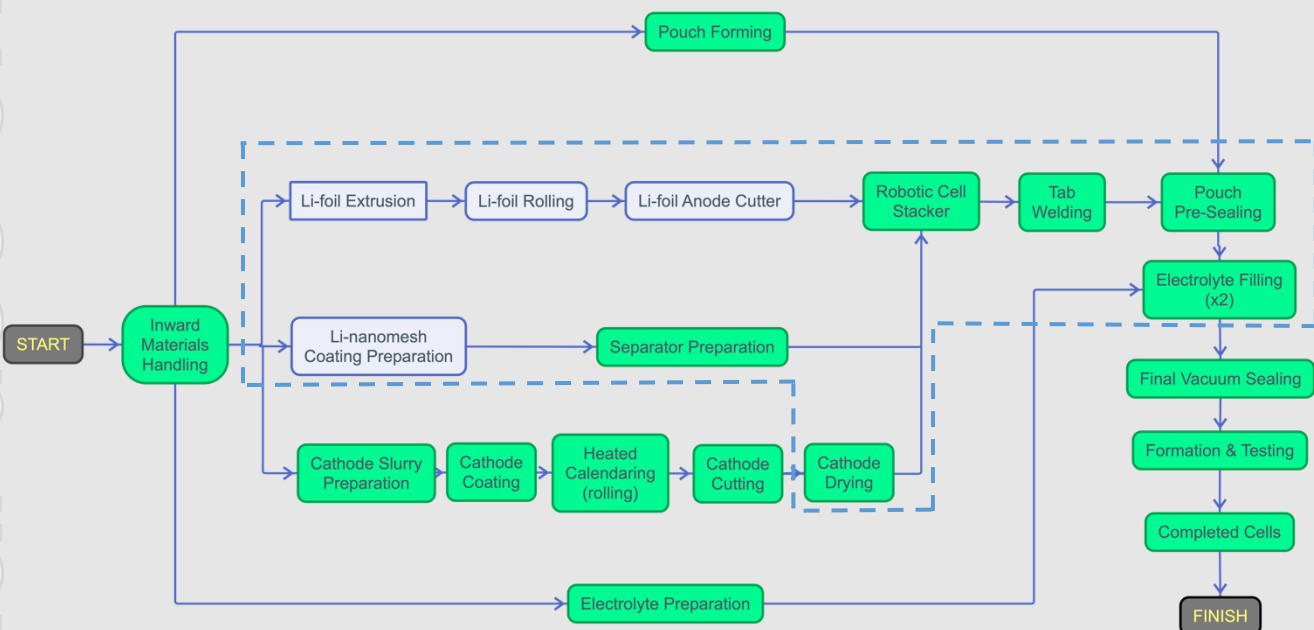
During the reporting period, we leased five new fully equipped and fitted out laboratories on the Deakin University Waurin Ponds campus to house our Phase 1 and Phase 2 facilities. This has proven to be a valuable investment, avoiding the cost and time required to fit-out new laboratories.

For our Phase 3 2MWh production facility we entered into a lease for a 350 square metre production bay in the newly constructed ManuFutures 2 building on the Deakin University Waurin Ponds campus, as well as retaining 2x 154 square metre bays in the adjoining ManuFutures 1 building. We are completing construction of the 220 square metre Dry Room in the ManuFutures 2 bay, while the clean room and testing facilities are being built in the two ManuFutures 1 bays.

We expect the dry room to be completed by September 2023, with the Phase 3 manufacturing equipment to commence on-site commissioning before the end of the calendar year.

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

A key rationale for scaling cell production to the 2MWh Phase 3 level is to test the use of lithium-ion manufacturing equipment to produce the cells. Based on detailed discussions with battery production equipment manufacturers we expect the majority of manufacturing steps to be similar to that required for lithium-ion pouch cells. Figure 1 shows the main production and assembly steps for the cells.



Steps shaded in green are expected to be able to be performed on conventional lithium-ion production equipment. Steps shaded in blue are more unique to lithium sulfur and lithium metal cells and relate to the cutting and handling of lithium foil anodes. The diagram also identifies those production components that will be performed in the Dry Room (shown within the dotted lines) to enable the rapid handling of lithium metal foil processing.

INTELLECTUAL PROPERTY

During the reporting period, LIS has stepped up its focus on intellectual property management with the establishment of an IP Management Committee to review current and future IP and develop strategies for IP protection from patent filings to trade secrets.

Data retention and security is also important and we have been able to leverage the cybersecurity expertise of both Deakin University and PPK Group to protect our important data that exemplifies our novel and innovative IP.

Of our existing portfolio our flexible lithium sulfur patent has moved into national phase examination in key jurisdictions and other IP has moved into the PCT phase of protection. We have received positive International Preliminary Patentability Opinions on our anode and cathode protection inventions so will look to accelerate full examination of this valuable IP. We continue to review all new IP created and look to protect it where appropriate via the patenting process or as a trade secret.

REVIEW OF FINANCIAL CONDITION

Financial Performance

Li-S Energy had a net loss after tax of \$3,335,522 (2022: \$6,271,817 net loss after tax). Predominantly driven by:

- \$752,970 (2022: \$406,916) for employee salaries and related expenses.
- \$953,597 (2022: \$917,850) for professional fees, including:
 - \$199,563 in legal fees for patents, trademarks, and other general legal services
 - \$116,402 in audit, tax, and accounting fees
 - \$215,046 in company secretarial, investor relations, and share registry and listing fees; and
 - \$422,586 in strategic advice and other professional fees
- \$720,000 (2022: \$600,000) for management fees paid to PPK Aust. Pty Ltd (PPK Aust) for the provision of full shared services support, including finance, legal, risk, IT and cyber, and administration services under the Management Services Agreement.
- \$273,697 (2022: \$820,657) for share based payment expense (non-cash item) to recognise the cost of the service rights issued to the Non-Executive Directors, and for service and performance rights issued to Executives; and
- \$1,492,245 (2022: \$1,246,146) for administration expenses consisting primarily of insurance costs of \$926,196 (2022: \$890,963).

The Company has recognised an income tax benefit of Nil.

Financial Position

The Company finished the period in a strong financial position, with total assets of \$50,121,969 (2022: \$52,017,823), consisting of:

- \$33,450,982 (2022: \$43,853,377) of cash
- \$2,000,000 (2022: \$Nil) in loan receivables from a related party
- \$6,145,499 (2022: \$3,317,963) of intangible assets
- \$2,864,905 (2022: \$1,091,554) of property, plant and equipment
- \$2,607,843 (2022: \$2,509,798) being the fair value of its investment in Zeta Energy Corp.
- \$723,133 (2022: \$785,196) of deferred taxes

The Company has total liabilities of \$2,253,141 (2022: \$1,025,107) resulting in total net assets of \$47,868,828 (2022: \$50,992,716).

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 2023, 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.

Further information on the operations of the Company and its business strategies and prospects is set out in the review of operations from page 7 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the period.

DIVIDENDS

There were no dividends declared or paid during the period.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Supply chain issues and materials shortages are still ongoing, which may lead to equipment, parts, and materials manufactured and supplied by foreign markets to be restricted or delayed, impacting the Company's operations, project delivery timeframes and costs.

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 periods.

FUTURE DEVELOPMENTS

We have been progressing our business strategy in line with the broad strategy outlined in our IPO Prospectus and will continue to evolve it as the market and our technology matures.

In the future, we will continue to deepen our relationships with core partners and expand our collaborations in the high growth industries of EV, eAviation drones.

We will continue our discussions with battery manufacturers that are currently building or operating gigafactories in Europe and North America as our cell technology matures. We remain focused on monetising our IP through licensing, and the ongoing supply of nanomaterials for battery production, in particular, optimising Li-nanomesh use in lithium sulfur and lithium metal cells.

We also remain alert for complementary opportunities 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. A total of 1,440,000 Service Rights have vested under this plan since inception;
- 1,200,000 Service Rights under the Executive Rights Plan, of which 250,000 Service Rights vested during the period but were not exercised. A total of 700,000 Service Rights have vested under this plan since inception; and
- 557,953 Performance Rights under the Long Term Incentive Plan (LTIP), of which nil vested during the period.

See the Remuneration Report below for further information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This will be our first year releasing a separate ESG report which includes our broader goals and ESG direction for future years. As a young company, we see this report as a foundation piece and as our company continues to grow, so too will our targets around environmental, social and governance matters. At the core of our ESG commitment is the drive to deliver better batteries that will propel the world's shift to a net zero energy future.

REMUNERATION REPORT (audited)

The Directors of the Company present the Remuneration Report for the year ended 30 June 2023. This Report has been prepared in accordance with the requirements under the *Corporations Act 2001* and applicable Accounting Standards. This report forms part of the Directors' Report and, unless otherwise indicated, has been audited in accordance with section 300A of the *Corporations Act 2001*.

Key Management Personnel ("KMP"), as defined in AASB 124 *Related Part Disclosures*, are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

The table below outlines the KMP of the Company for the year ended 30 June 2023 and up to the date of this report:

Name	Position	Term as KMP
Directors		
Ben Spincer	Non-Executive Chair	Full financial year
Robin Levison	Non-Executive Director	Full financial year
Anthony McDonald	Non-Executive Director	Full financial year
Hedy Cray	Non-Executive Director	Full financial year
Other KMP		
Lee Finniear	Chief Executive Officer (CEO)	Full financial year
Steve Rowlands	Chief Technology Officer (CTO)	Full financial year
Glenn Molloy	Chief Strategic Advisor (CSA)	Full financial year
Sarah Price	Chief Financial Officer (CFO)	Appointed 23 May 2023
Ken Hostland	Chief Financial Officer	Ceased 23 May 2023

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 and 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)
Ben Spincer	120,000
Robin Levison	80,000
Tony McDonald	80,000
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 each NED sacrificed in return for a grant of Service Rights.

	Service Period	Fees Sacrificed (\$)	Tranche	Number of Service Rights
NEDs				
	2021/22	80,000	1	160,000
	2022/23	80,000	2	160,000
	2023/24	80,000	3	160,000
Chairman				
	2021/22	120,000	1	240,000
	2022/23	120,000	2	240,000
	2023/24	120,000	3	240,000

NEDs sacrificed 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 12 month period. 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 were 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 is 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 Tranches 1 and 2.

Service Rights may not be disposed of at any time except by force of law such as on death. Service Rights may not be exercised prior to vesting, but may be exercised at any time once they have vested.

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

	2023 \$	2022 \$	2021 \$
Profit/(loss) after income tax expense	(3,335,522)	(6,271,817)	(1,684,391)
Revenue	-	-	-
Share price at period end (\$/Share)	0.24	0.44	-
Basic earnings/(loss) per share (c/Share)	(0.52)	(0.99)	(0.29)
Diluted earnings/(loss) per share (c/Share)	(0.52)	(0.99)	(0.29)
Dividends declared (c/Share)	-	-	-

The two methods employed in achieving this 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 applying to the CEO and CTO are based on the following metrics:

Core Drivers	Targets	Weighting
Shareholder Value	Deliver cashflow outcome in line with or exceeding Prospectus	20%
Financial	Revenue and cashflow targets in line with or exceeding budget	30%
Operational	Meet agreed pilot plant timeframe and management recruitment needs, partnership development and cell construction and testing targets	30%
Research	Complete agreed research program and protect new IP	10%
ESG/OH&S/Risk	Develop and enhance ESG, OH&S and risk management frameworks	10%

No other members of the KMP are eligible to participate in the STI.

Participation in the STI is considered on an annual basis. Cash bonuses for the current year are assessed by the Board, taking into account the individual's performance against the above metrics, finalised after completion of the financial statements for that year and ordinarily paid in the last week of September.

Long Term Incentives

In the year ended 30 June 2023, LIS adopted a new Long Term Incentive Plan (LTIP). The new LTIP was approved by shareholders at the Annual General Meeting held on 10 November 2022. The Board of the Company may invite certain eligible persons, to apply for Performance Rights to be issued in accordance with, and subject to the rules of the LTIP and other conditions set by the Board.

On 22 March 2023, the Company granted 557,953 performance rights to specific executive officers and senior staff of the Company under the terms of the LTIP. The fair value of these performance rights was calculated on the grant date and will be recognised over the period to vesting in June 2025. The vesting of the performance rights granted is based on the achievement of specified internal and external vesting conditions. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

FY23 Performance rights **Award date 22 March 2023**

Vesting date	30-Jun-25
Expiry date	22-Mar-38
Number of performance rights granted	557,953
Share price at grant date	\$0.2400
Fair value at grant date	\$0.2125
Exercise price	\$Nil
Expected life	2.27 years
Volatility	75.0%
Risk free interest rate	3.002%
Dividend yield	Nil
Outperformance hurdle	50.0%

The measurements used for the FY23 Performance Rights grant are as follows:

<u>Nature</u>	<u>Weighting</u>
Strategic Goals	30%
Operational Goals	44%
ESG Goals	6%
aTSR	10%
rTSR	10%

The aTSR metric requires the Company to achieve a share price uplift of at least 50% over the Measurement Period by reference to the VWAP used to calculate the initial grant of FY23 rights.

The relative TSR (rTSR) metric requires the Company to outperform the TSR of the MSCI Global Alternative Energy Index by 25% over the Measurement Period.

A summary of the material terms of the LTIP is as follows:

Plan Structure	The LTIP is managed by a Trust, which was adopted in March 2023. The Board has appointed LIS Plans Pty Ltd (a subsidiary of LIS) as the Trustee.
Term	Each Right has a Term of 15 years and, if not exercised within that Term the Rights will lapse.
Eligibility	Participation is expected to be open to certain senior executives and management of the Company only. The number of performance rights granted are expected to reflect market standard percentages of fixed pay. Directors are not eligible to participate in the LTIP. Senior executives are not eligible to participate in the LTIP where they were issued rights under the Executive Rights Plan for the relevant period.
Performance Rights	Each vested Right can be exercised for one share in Li-S Energy Limited.
Measurement Period	The Measurement Period for the FY23 Performance Rights is a period of 3 years from 1 July 2022.

Vesting Conditions	The nature and weighting of the vesting conditions are broadly consistent for each Participant but are tailored for the role that each Participant performs. The Board will use their judgement to assess whether the vesting conditions have been met.
Gates	No Gates have been attached to these Tranches of Rights.
Vesting and Vesting Date	Rights will typically vest following the completion of the Measurement Period based on an assessment of the Vesting Conditions, however Rights may vest before the end of the Measurement Period in some limited circumstances.
Exercise Restrictions	No Exercise Restrictions have been attached to these Tranches of Rights.
Disposal Restrictions	<p>Rights may not be disposed of at any time but they may be exercised following vesting.</p> <p>No additional Restrictions have been attached to the Shares that may be acquired when vested Rights are exercised. Thus, the Disposal Restrictions that apply to the Shares will arise from the Company's Securities Trading Policy and the insider trading provisions of the Corporations Act.</p>
Exercise and Exercise Price	<p>The Exercise Price is nil (no amount needs to be paid by the Participant in order to exercise the Rights).</p> <p>Vested Rights may be exercised at any time after the Vesting Date and before the end of their Term. In order to exercise vested Rights, a Participant must validly submit an Exercise Notice.</p> <p>On exercise of Vested Rights, the Board will issue a Settlement Notice and ensure that there are a sufficient number of Shares available to satisfy the exercised Rights. The Board will not ordinarily settle the exercised Performance Rights in cash.</p>
Termination of Employment	<p>If a Participant's employment with the Company ceased during FY23, the FY23 Performance Rights would have been forfeited in the proportion that the remainder of the FY23 bears to the full FY23.</p> <p>Remaining unvested Rights will be retained by the Participant, subject to the Malus and Clawback provisions, with a view to testing for possible vesting having regard to performance during the Measurement Period up to the date of cessation of employment. The Board will be convened where required to consider any such off-cycle assessment of vesting conditions.</p> <p>Vested Rights held following a termination of employment may now continue to be held by the Participant unless the Board determines otherwise.</p>
Malus and Clawback	Rights may be forfeited at any time, including during and subsequent to a Participant's employment with the Company, should the Malus and Clawback provisions come into play.
No Hedging	Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares. This is a Corporations Act requirement.
Change of Control	<p>If a de-listing is imminent, vesting will automatically occur at the level derived from application of the following formula:</p> $\begin{array}{ccccccc} \text{Number} & & \text{of} & & \text{Unvested} & & \text{\% of First Year of} \\ \text{Performance Rights} & = & \text{Performance} & \times & \text{Rights in Tranche} & \times & \text{Measurement} \\ \text{in Tranche to Vest} & & & & & & \text{Period Elapsed} \end{array}$ <p>Additional vesting will occur to the extent, if any, determined by the Board and any remaining unvested Rights will lapse; and Restricted Shares will cease to be subject to Specified Disposal Restrictions, and any CHESS holding locks will be removed if applicable, unless otherwise determined by the Board.</p> <p>In other cases of a change of control the Rights will remain on foot, subject to possible modification of Vesting Conditions, for testing for vesting at the end of the Measurement Period.</p>

Pre IPO, LIS adopted a plan called the Executive Rights Plan (**Executive Rights Plan**) under which the Board of the Company invited 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. The Executive Rights Plan was superseded by the LTIP after approval at the Annual General Meeting held on 10 November 2022.

On 12 November 2020 the CEO 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 employment during the Measurement Periods. The Service Rights at the time that they were granted were 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 the CEO ceases 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. The CEO has met the vesting requirements for Tranches 1 and 2.

On 15 June 2022 the CTO was granted 200,000 Service Rights which vested on 30 June 2022. 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.

Each Service 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.

The Service Rights may not be disposed of at any time except by force of law such as on death. Service Rights may not be exercised prior to vesting, but may be exercised at any time once they have vested.

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.

Remuneration Details for the year ended 30 June 2023 for the KMP

Statutory remuneration disclosures are prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and include share-based payments expensed during the financial year, calculated in accordance with AASB 2 *Share-based payments*.

Non-Executive Director remuneration for the years ended 30 June 2023 and 30 June 2022:

	Year	Short-term benefits			Post-employment benefits	Share-based payments	Total	Performance related percentage
		Salary and fees	Cash Bonus	Non-monetary benefits	Superannuation benefits	Service Rights ²		
		\$	\$	\$	\$	\$	\$	%
B Spincer	2023	-	-	-	-	72,275	72,275	-
	2022	-	-	-	-	235,681	235,681	-
R Levison	2023	-	-	-	-	48,183	48,183	-
	2022	-	-	-	-	157,122	157,122	-
A McDonald	2023	-	-	-	-	48,183	48,183	-
	2022	-	-	-	-	157,122	157,122	-
H Cray ¹	2023	5,250	-	-	-	48,183	53,433	-
	2022	-	-	-	-	157,122	157,122	-
Total Directors	2023	5,250	-	-	-	216,824	222,074	-
	2022	-	-	-	-	707,047	707,047	-

¹ The fee compensation received by Ms Cray during the year relates to special exertion activities undertaken in her capacity as a Director, as approved by the Board in accordance with the constitution.

² The share-based payment is based on progressive recognition of each award grant over its expected vesting period, which results in an increased cost in the earlier years of the NED Equity Plan and a reduced cost in later years.

Executive KMP remuneration for the years ended 30 June 2023 and 30 June 2022:

	Year	Short-term benefits			Post-employment benefits	Share-based payments	Total	Performance related percentage
		Salary and fees	Cash Bonus ³	Non-monetary benefits		Service & Performance Rights ⁴		
		\$	\$	\$	\$	\$	\$	%
L Finniear	2023	289,082	85,638	-	29,240	12,150	416,110	21%
	2022	276,432	-	-	23,568	28,610	328,610	-
S Rowlands	2023	200,000	53,137	-	23,823	83,541	360,501	38%
	2022	201,659	-	-	6,261	85,000	292,920	-
G Molloy ¹	2023	70,000	-	-	-	-	70,000	-
	2022	196,000	-	-	-	-	196,000	-
S Price ²	2023	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-
K Hostland ²	2023	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-
Total Executive KMP	2023	559,082	138,775	-	53,063	95,691	846,611	26%
	2022	674,091	-	-	29,829	113,610	817,530	-

¹ Remunerated through a consulting agreement at an agreed hourly rate for work undertaken on behalf of the Company

² Remunerated by PPK Aust, pursuant to the management services agreement, under which \$720,000 (2022: \$600,000) was charged during the period, which included fees for KMP services.

³ Certain executives are eligible for short term incentives (STI), payable as a cash bonus. STI recognised in the above remuneration table relates to the FY22 performance period but was paid during FY23. STI for the FY23 performance period not approved as at the date of this report.

⁴ The share-based payment is based on progressive recognition of each award grant over its relevant service or performance period, which for multi-year grants results in an increased cost in the earlier years of both the Executive Rights Plan and LTIP, and a reduced cost in later years.

Employment Contracts with Key Management Personnel

Key management personnel are employed under terms and conditions that are standard for agreements of this nature, including confidentiality, restraint on competition, retention of intellectual property provisions, and termination clauses.

Dr Lee Finniear (Chief Executive Officer)

Term: Commenced 1 July 2021 with no fixed term.

Remuneration: Base remuneration of \$330,000 inclusive of superannuation, effective 1 January 2023. Dr Finniear participates in the Company's short term incentive (STI) plan, where he can receive up to \$100,000 for meeting key performance indicators (KPIs) set by the Directors. Furthermore, Dr Finniear was issued 1,000,000 service rights on 12 November 2020, vesting over a four year term in accordance with the relevant Executive Rights Plan.

Termination: The agreement may be terminated at any time by either party giving six months written notice.

Dr Steve Rowlands (Chief Technology Officer)

Term: Commenced 1 July 2021 with no fixed term.

Remuneration: Base remuneration of \$200,000 plus superannuation, effective 5 December 2021. Dr Rowlands participates in the Company's short term incentive (STI) plan, where he can receive up to 30% of his base salary for meeting KPIs set by the CEO and Directors. Dr Rowlands is also eligible to participate in the Company's LTIP, and was issued 393,099 performance rights for the current performance year.

Termination: The agreement may be terminated at any time by either party giving six months written notice.

Glenn Molloy (Chief Strategic Advisor)

Term: Commenced 12 July 2021 for an initial period of 24 months. Agreement has now transitioned to a rolling 12 month agreement.

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

Termination: The agreement may be terminated at any time by either party giving 3 months written notice.

Sarah Price (Chief Financial Officer)

Term: Commenced 23 May 2023. Agreement is per Management Services Agreement (MSA) with PPK Aust. Pty Limited, entered into on 9 July 2021 for an initial term of 3 years (see Note 28).

Remuneration: CFO is remunerated by PPK Group Limited, with cost of service incorporated in the monthly fee paid in accordance with the MSA. The total fee paid under the MSA in 2023 was \$720,000 (2022: \$600,000)

Termination: See Note 28 for the termination conditions allowed under the MSA.

Ken Hostland (Chief Financial Officer)

Term: Commenced 12 July 2019. Employment ended 23 May 2023. Agreement was per Management Services Agreement (MSA) with PPK Aust, entered into on 9 July 2021 for an initial term of 3 years (see Note 28).

Remuneration: CFO is remunerated by PPK Group Limited, with cost of service incorporated in the monthly fee paid in accordance with the MSA.

Termination: See Note 28 for the termination conditions allowed under the MSA.

Relevant interests in the Company's shares by KMP (including shares held directly, or controlled by a related party of the KMP)

NEDs

	Ordinary Shares						
	Year	Opening Balance	Acquired via exercise of rights	Acquired on market	Sold	Transferred / Other Mvmt	Closing Balance
		#	#	#	#	#	#
B Spincer	2023	200,000	-	-	-	-	200,000
	2022	200,000	-	-	-	-	200,000
R Levison ¹	2023	2,790,549	-	-	-	(250,000)	2,540,549
	2022	2,776,917	-	13,632	-	-	2,790,549
A McDonald	2023	866,961	-	-	-	-	866,961
	2022	866,961	-	-	-	-	866,961
H Cray	2023	167,951	-	3,000	-	-	170,951
	2022	27,201	-	140,750	-	-	167,951
Total NEDs	2023	4,025,461	-	3,000	-	(250,000)	3,778,461
	2022	3,871,079	-	154,382	-	-	4,025,461

¹ Off market transfer to family members

Executive KMP

	Ordinary Shares						
	Year	Opening Balance	Acquired via exercise of rights	Acquired on market	Sold	Transferred / Other Mvmt	Closing Balance
		#	#	#	#	#	#
L Finniear	2023	200,000	-	-	-	-	200,000
	2022	200,000	-	-	-	-	200,000
S Rowlands	2023	-	-	-	-	-	-
	2022	-	-	-	-	-	-
G Molloy ¹	2023	6,440,784	-	-	-	3,884,994	10,325,778
	2022	6,440,784	-	-	-	-	6,440,784
S Price	2023	-	-	-	-	-	-
	2022	-	-	-	-	-	-
K Hostland ²	2023	529,066	-	-	-	-	529,066
	2022	504,295	-	24,771	-	-	529,066
Total Executive KMP	2023	7,169,850	-	-	-	3,884,994	11,054,844
	2022	7,145,079	-	24,771	-	-	7,169,850

¹ Other movements relate to adjustments for appointment or retirement as Trustee of various entities that hold LIS shares.

² Final holding on date ceased as a KMP (23 May 2023).

As at the end of the financial year, the number of service rights and performance rights in LIS held by each KMP for the year ended 30 June 2023 is set out below:

Service Rights								
	Opening Balance	Granted as Remuneration	Exercised	Lapsed or Forfeited	Closing Balance	Vested and exercisable	Vested and unexercisable	Unvested
	#	#	#	#	#	#	#	#
B Spincer	720,000	-	-	-	720,000	480,000	-	240,000
R Levison	480,000	-	-	-	480,000	320,000	-	160,000
A McDonald	480,000	-	-	-	480,000	320,000	-	160,000
H Cray	480,000	-	-	-	480,000	320,000	-	160,000
Total NEDs	2,160,000	-	-	-	2,160,000	1,440,000	-	720,000
Executives								
L Finniear	1,000,000	-	-	-	1,000,000	500,000	-	500,000
S Rowlands	200,000	-	-	-	200,000	-	200,000	-
Total Executives	1,200,000	-	-	-	1,200,000	500,000	200,000	500,000
Total KMP	3,360,000	-	-	-	3,360,000	1,940,000	200,000	1,220,000

Performance Rights								
	Opening Balance	Granted as Remuneration	Exercised	Lapsed or Forfeited	Closing Balance	Vested and exercisable	Vested and unexercisable	Unvested
	#	#	#	#	#	#	#	#
L Finniear	-	-	-	-	-	-	-	-
S Rowlands	-	393,099	-	-	393,099	-	-	393,099
G Molloy	-	-	-	-	-	-	-	-
S Price	-	-	-	-	-	-	-	-
K Hostland	-	-	-	-	-	-	-	-
Total Executives	-	393,099	-	-	393,099	-	-	393,099

The relevant interest of each Director in shares and rights issued by the Company as at the date of this report are as follows:

	Ordinary shares	Service Rights	Total Securities
	#	#	#
B Spincer	200,000	720,000	920,000
R Levison	2,540,549	480,000	3,020,549
A McDonald	866,961	480,000	1,346,961
H Cray	170,951	480,000	650,951
Total NEDs	3,778,461	2,160,000	5,938,461

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	4	4
Anthony McDonald	12	12	4	4
Hedy Cray	12	12	4	4

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 2023 Corporate Governance Statement can be found in the corporate governance section of LIS's website at www.lis.energy.

RISK AND 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 RISK 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 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:

	2023	2022
	\$	\$
Independent Limited Assurance Report in relation to IPO	-	43,350
Taxation advice and other advisory services	12,500	28,500
Total remuneration	12,500	71,850

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 2023 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 2023



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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 2023, 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.

This declaration is in respect of Li-S Energy Limited and the entities it controlled during the financial year.

Ernst & Young

Brad Tozer
Partner
18 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
Revenue from contracts with customers		-	-
Finance income		1,282,671	42,374
Other income		-	47,924
Employee benefits expenses		(752,970)	(406,916)
IPO expenses		-	(2,382,161)
Professional fees		(953,597)	(917,850)
Management fees	28.2	(720,000)	(600,000)
Share based payments expense		(273,697)	(820,657)
Administration expenses		(1,492,245)	(1,246,146)
Depreciation and amortisation expense	16.1	(462,649)	(231,638)
Finance costs	4.1	(61,080)	(8,483)
Unrealised gain (loss) on investment at FVTPL	13	98,045	251,736
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		(3,335,522)	(6,271,817)
Income tax (expense) benefit	5(a)	-	-
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		(3,335,522)	(6,271,817)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX		(3,335,522)	(6,271,817)
Earnings (loss) per share (in cents)			
Basic	27	(0.52)	(0.99)
Diluted	27	(0.52)	(0.99)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
CURRENT ASSETS			
Cash	10	33,450,982	43,853,377
Trade and other receivables	11	188,626	156,877
Other current assets	12	90,310	84,234
TOTAL CURRENT ASSETS		33,729,918	44,094,488
NON-CURRENT ASSETS			
Investments	13	2,607,843	2,509,798
Loan receivables	14	2,000,000	-
Property, plant and equipment	15	2,864,905	1,091,554
Right-of-use assets	16	960,609	218,824
Other non-current assets	17	1,090,062	-
Intangible assets	18	6,145,499	3,317,963
Deferred tax assets	5(c)	723,133	785,196
TOTAL NON-CURRENT ASSETS		16,392,051	7,923,335
TOTAL ASSETS		50,121,969	52,017,823
CURRENT LIABILITIES			
Trade and other payables	19	1,114,382	743,492
Lease liabilities	20	222,315	101,309
Provisions	21	95,663	44,326
TOTAL CURRENT LIABILITIES		1,432,360	889,127
NON-CURRENT LIABILITIES			
Lease liabilities	20	780,781	95,980
Provisions	21	40,000	40,000
TOTAL NON-CURRENT LIABILITIES		820,781	135,980
TOTAL LIABILITIES		2,253,141	1,025,107
NET ASSETS		47,868,828	50,992,716
EQUITY			
Contributed equity	22	56,626,644	56,688,707
Reserves	23	2,569,062	2,295,365
Retained earnings (accumulated losses)		(11,326,878)	(7,991,356)
Capital and reserves attributable to owners of LIS		47,868,828	50,992,716
TOTAL EQUITY		47,868,828	50,992,716

The accompanying notes for part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,698,647)	(3,039,346)
Payments for IPO related costs		-	(2,382,161)
Management fees paid to parent entity	28.2	(720,000)	(680,000)
Receipts from BAS refunds		677,457	645,246
Receipts from rental income		-	47,924
Interest received		1,282,671	42,374
Interest paid	4.1	(61,080)	(8,483)
Net cash from (used in) operating activities	4.1	(2,519,599)	(5,374,446)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets	18.1	(2,913,172)	(2,045,979)
Payments for property, plant and equipment	15.1	(2,799,801)	(1,035,722)
Payments for loans to other entities	14	(3,400,000)	-
Repayment of loans to other entities	14	1,400,000	-
Net cash from (used in) investing activities		(7,712,973)	(3,081,701)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	22.1	-	34,000,001
Transaction costs on issue of shares	22.1	-	(169,597)
Payment of lease liabilities		(169,823)	(127,578)
Net cash from (used in) financing activities		(169,823)	33,702,826
Net increase (decrease) in cash held		(10,402,395)	25,246,679
Cash at the beginning of the period		43,853,377	18,606,698
Cash at the end of the period		33,450,982	43,853,377

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Notes	Contributed Equity \$	Share Premium Reserve (Note 23.2) \$	Share Rights Reserve (Note 23.1) \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2022		56,688,707	1,347,650	947,715	(7,991,356)	50,992,716
Profit (loss) for the period		-	-	-	(3,335,522)	(3,335,522)
Other comprehensive income (loss) for the period		-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	(3,335,522)	(3,335,522)
Issue of service rights for Non-Executive Directors		-	-	216,824	-	216,824
Issue of service or performance rights for Executives		-	-	56,873	-	56,873
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years	22.1	(62,063)	-	-	-	(62,063)
Balance as at 30 June 2023		56,626,644	1,347,650	1,221,412	(11,326,878)	47,868,828

for the year ended 30 June 2022

Balance as at 1 July 2021		22,994,841	1,347,650	127,058	(1,719,539)	22,750,010
Profit (loss) for the period		-	-	-	(6,271,817)	(6,271,817)
Other comprehensive income (loss) for the period		-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	(6,271,817)	(6,271,817)
Issue of ordinary shares on initial public offering	22.1	34,000,001	-	-	-	34,000,001
Issue of service rights for Non-Executive Directors		-	-	707,047	-	707,047
Issue of service rights for Executive		-	-	113,610	-	113,610
Transaction costs on issue of ordinary shares	22.1	(169,597)	-	-	-	(169,597)
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years	22.1	(136,538)	-	-	-	(136,538)
Balance as at 30 June 2022		56,688,707	1,347,650	947,715	(7,991,356)	50,992,716

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2023

1. CORPORATE INFORMATION

The consolidated financial statements of Li-S Energy Limited ("Li-S Energy" or "LIS" or the "Company" or the "Group") for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 18 August 2023 as required by the *Corporations Act 2001*.

Li-S Energy is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX Code: LIS). Li-S Energy is registered in Queensland and has its head office at Level 27, 10 Eagle Street, Brisbane, Queensland, 4000.

The principal activity of LIS is to develop and commercialise a new type of battery based on Lithium Sulfur (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.

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 statements have been prepared on an accruals basis and are based on historical costs, except for investments measured at fair value.

The financial statements provide comparative information in respect of the previous period. The accounting policies have been consistently applied unless otherwise stated.

The financial statements are presented in Australian dollars, and all values are in whole dollars (\$), 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 2023 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. See below for list of Standards that are effective for the period ended 30 June 2023.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to AASB 137

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment did not have a material impact on the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference to the Conceptual Framework – Amendments to AASB 3

The amendments replace a reference to a previous version of the AASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of AASB 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets or Interpretation 21 Levies, if incurred separately. The exception requires entities to apply the criteria in AASB 137 or Interpretation 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to AASB 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to AASB 116

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 whilst bringing that asset to the 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. In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

AASB 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for AASB 139 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

2.3 Foreign currency translation

The financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Company.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Revenue and revenue recognition

To determine whether to recognise revenue, the Company follows a 5-step process:

- Identify the contract with a customer;
- Identify the performance obligation;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognise revenue when/as performance obligations are satisfied.

Revenue is recognised, based on the transaction price allocated to the performance obligation, after consideration of the terms of the contract and customary business practices. The transaction price is the amount of the consideration that the Company expects to be entitled to receive in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties (ie sales taxes and duties). The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as it accrues using the effective interest rate method. The effective interest rate method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Government grants

Income from government grants is recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. When the grant relates to an income item, it is recognised in the profit and loss when the Company will comply with all attached conditions. When the grant relates to an expense item, it is recognised in the profit and loss as other operating income on a systematic basis over the periods in which the Company recognises as expense the related costs for which the grants are intended to compensate. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

2.5 Operating expenses

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

2.6 Share-based payments

The Company operates equity-settled share right-based incentive plans for its directors and employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where directors and employees are rewarded using share right-based payments, the cost of directors' and employees' services is determined by the fair value at the date when the grant is made using an appropriate valuation model and revalued when modified. Market performance conditions and non-vesting conditions are reflected within the grant date fair value.

All share-based remuneration is ultimately recognised in employee benefits expense with a corresponding credit to 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 employee. 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.

2.7 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.

2.8 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 that have a maturity of no more than three months, net of bank overdrafts as they are considered an integral part of the Group's cash management.

2.9 Trade receivables

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies a simplified approach to calculating ECLs. The Company recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. 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.

2.10 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% – 50%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Intangible assets

Research and Development

Research costs are 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. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset.

2.12 Financial instruments

2.12.1 Financial assets

Initial recognition and measurement

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 as disclosed in Note 2.9.

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 Corp is at fair value through profit and loss and is measured as a Level 3 financial instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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.

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 through 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.12.2 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)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.12.3 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.

2.13 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.

2.14 Employee benefit provisions

Salary, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled are recognised in other liabilities or provision for employee benefits in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

Long service leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measure as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and period of service. Expected future payments are discounted using high quality corporate bond rates at the end of the reporting period with terms to maturity that match as close as possible, the estimated future cash outflows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit obligations

The Group contributes to defined contribution superannuation funds for employees. All funds are accumulation plans where the Group contributed various percentages of employee gross incomes, the majority of which were as determined by the superannuation guarantee legislation. Benefits provided are based on accumulated contributions and earnings for each employee. There is no legally enforceable obligation on the Group to contribute to the superannuation plans other than requirements under the superannuation guarantee legislation. Contributions are recognised as expenses as they become payable.

2.15 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 rate method.

2.16 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.

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.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 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.

2.18 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.

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. Refer to Note 20 for payments made in relation to short-term or low-value leases during the financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Company as a lessor

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Variable lease payments are recognised as revenue in the period in which they are earned.

2.19 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.

2.20 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.

2.21 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets not yet ready for use require an annual impairment test. Management has applied 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 ("CGU") and both the estimated future discounted cash flows from the CGU and the 30 June 2023 share price implied a value for the Company and its assets well in excess of the carrying value of the net assets, which approximates 31% 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 assets

A 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. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on taxes are disclosed in Note 5.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has a number of lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

2.22 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 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 2023, 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. The Directors have identified and considered:

- during the whole period, and at all times subsequent, the Company has been able to meet its obligations as and when they fall due;
- the Company has \$33,450,982 of cash in the bank, a current loan receivable of \$2,000,000 and no fixed debt;
- the Company maintains a strong balance sheet, with net assets of \$47,868,828, which includes net working capital of \$32,297,558;
- the Company has project plans and budgets approved by the Directors, consistent with disclosure in the Prospectus, and its cash flow forecasts indicate it has sufficient cash to be able to complete the projects over the next year.

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

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 2023 is the development and commercialisation of the Li-S Energy Battery segment.

4. CASH FLOW INFORMATION

4.1. Reconciliation of cash flows from operating activities

	Notes	30 June 2023 \$	30 June 2022 \$
Profit (loss) after income tax		(3,335,522)	(6,271,817)
Cash flows in operating activities but not attributable to operating result:			
Non-cash flows in operating profit:			
Unrealised (gain)/loss on financial assets at fair value through profit or loss	13	(98,045)	(251,736)
Share based payments expense		273,697	820,657
Depreciation and amortisation expense	16.1	462,649	231,638
Finance costs		61,080	8,483
Income tax expense (benefit)	5(b)	-	-
Net changes in working capital:			
(Increase) decrease in trade and other receivables		(31,749)	69,267
(Increase) decrease in prepayments		(55,949)	(36,753)
Increase (decrease) in trade and other payables		152,903	11,489
Increase (decrease) in provisions		51,337	44,326
Net cash (used in) provided by operating activities		(2,519,599)	(5,374,446)

4.2. Non-cash financing and investing activities

During the period, the Company had no non-cash adjustments other than new leases, as disclosed in Notes 16 and 20.

5 INCOME TAX EXPENSE

	Notes	30 June 2023 \$	30 June 2022 \$
(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		(3,335,522)	(6,271,817)
Prima facie tax payable (benefit) at 25.0% (2022: 25.0%)		(833,880)	(1,567,954)
(Non-assessable income) non-deductible expenses			
Losses for which no deferred tax asset was recognised		1,220,345	1,494,721
Adjustments related to temporary differences for which no deferred tax asset was recognised		(243,481)	243,481
Transaction costs on issue of ordinary shares recognised in profit or loss		-	(209,697)
Transaction costs on issue of ordinary shares recognised in equity		(62,063)	(136,538)
Adjustment for change in statutory tax rate		-	13,341
Other (non-assessable income) non-deductible expenses		(80,921)	162,646
Income tax expense (benefit)		-	-
The applicable weighted average effective tax rate is as follows:		-	-
(b) The components of tax expense comprise:			
Current tax		-	-
Deferred tax		-	-
Income tax expense (benefit)		-	-

5 INCOME TAX EXPENSE (continued)

	Notes	30 June 2023 \$	30 June 2022 \$
(c) Deferred tax assets			
The balance comprises temporary differences attributable to:			
Tax losses		3,172,582	1,720,788
Lease liabilities		260,774	4,616
Investments		-	280
Black hole expenditure deductible in future years		628,191	879,108
Other expenses deductible in future years		67,801	44,842
Share based payments		305,353	236,929
Total deferred tax assets		4,434,701	2,886,563
Set-off of deferred tax liabilities pursuant to set-off provisions	5(d)	(1,018,823)	(385,486)
Deferred tax assets not recognised	5(f)	(2,692,745)	(1,715,881)
Net deferred tax assets	5(e)	723,133	785,196
(d) Deferred tax liabilities			
The balance comprises temporary differences attributable to:			
Property, plant and equipment		(96,886)	(29,299)
Right of use assets		(240,152)	-
Intangibles		(657,553)	(356,187)
Investments		(24,232)	-
Total deferred tax liabilities		(1,018,823)	(385,486)
Set-off of deferred tax liabilities pursuant to set-off provisions	5(c)	1,018,823	385,486
Net deferred tax liabilities		-	-
Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. While the deferred tax assets and liabilities above are disclosed gross for completeness, the Company entitled to offset the net positive and negative timing differences as they all occurred within the same tax jurisdiction.			
(e) Recognised in the Statement of Financial Position			
Recognised deferred tax assets			
Tax losses		479,837	355,849
Temporary differences resulting in deferred tax assets		1,262,119	814,833
Temporary differences resulting in deferred tax liabilities		(1,018,823)	(385,486)
Total	5(c)	723,133	785,196
(f) Not recognised in the Statement of Financial Position			
Unrecognised deferred tax assets:			
Tax losses		2,692,745	1,472,400
Temporary differences		-	243,481
Total	5(c)	2,692,745	1,715,881

The benefit of unrecognised tax losses and temporary differences will only be available in future periods if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- continued compliance with the requirements of relevant legislation to carry the losses forward, including the continuity of ownership and business continuity tests; and
- the conditions for deductibility imposed by tax legislation continue to be complied with.

6 SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant changes in the state of affairs during the period.

7 AUDITOR'S REMUNERATION

	Notes	30 June 2023 \$	30 June 2022 \$
Remuneration of the auditor of the Company for:			
- fees for auditing the statutory financial report of the company		101,622	78,050
- 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			
- Independent Limited Assurance Report in relation to IPO		-	43,350
- fees for other services			
- Tax compliance and other tax related matters		12,500	28,500
Total fees to Ernst & Young (Australia)		114,122	149,900

8 KEY MANAGEMENT PERSONNEL REMUNERATION

8.1 Key management personnel ("KMP") compensation

The table below outlines the KMP of the Company for the year ended 30 June 2023 and up to the date of this report:

Name	Position	Term as KMP
Directors		
Ben Spincer	Non-Executive Chair	Full financial year
Robin Levison	Non-Executive Director	Full financial year
Anthony McDonald	Non-Executive Director	Full financial year
Hedy Cray	Non-Executive Director	Full financial year
Other KMP		
Lee Finniear	Chief Executive Officer	Full financial year
Steve Rowlands	Chief Technology Officer	Full financial year
Glenn Molloy	Chief Strategic Advisor	Full financial year
Sarah Price	Chief Financial Officer	Appointed 23 May 2023
Ken Hostland	Chief Financial Officer	Ceased 23 May 2023

The aggregate compensation made to the KMP of the Company is as follows:

	Notes	30 June 2023 \$	30 June 2022 \$
Short-term benefits		703,107	674,091
Share-based payments	2.6	312,515	820,657
Post-employment benefits		53,063	29,829
		1,068,685	1,524,577

Detailed remuneration disclosures are provided in the remuneration report included in the Directors' Report. Furthermore, PPK Aust. Pty Limited (PPK Aust) is paid a fee for providing management services including the provision of finance, legal, risk, IT, cyber and administration services, pursuant to the management services agreement (MSA), under which \$720,000 (2022: \$600,000) was charged during the period, which included fees for KMP services. Refer to Note 28.2 for details of the MSA.

8 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

8.2 Share based payments

The Company operates three share based payment plans, the Non-Executive Director Equity Plan, the Executive Share Plan, and the Long Term Incentive Plan ("LTIP"). Details of the plans are outlined below.

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.

	Service Period	Fees Sacrifice (\$)	Tranche	Number of Service Rights
NEDs				
	2021/22	80,000	1	160,000
	2022/23	80,000	2	160,000
	2023/24	80,000	3	160,000
Chairman				
	2021/22	120,000	1	240,000
	2022/23	120,000	2	240,000
	2023/24	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 12 month period. 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.

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 Tranches 1 and 2.

Service Rights may not be disposed of at any time except by force of law such as on death. 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.

8 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Other Key Management Personnel

In the year ended 30 June 2023, LIS adopted a new LTIP. The new LTIP was approved by shareholders at the Annual General Meeting held on 10 November 2022. The Board of the Company may invite certain eligible persons, to apply for Performance Rights to be issued in accordance with, and subject to the rules of the LTIP and other conditions set by the Board.

On 22 March 2023, the Company granted 557,953 performance rights to specific executive officers and senior staff of the Company under the terms of the LTIP. The fair value of these performance rights was calculated on the grant date and will be recognised over the period to vesting in June 2025. The vesting of the performance rights granted is based on the achievement of specified internal and external vesting conditions. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

FY23 Performance rights	
Award date 22 March 2023	
Vesting date	30-Jun-25
Expiry date	22-Mar-38
Number of performance rights granted	557,953
Share price at grant date	\$0.2400
Fair value at grant date	\$0.2125
Exercise price	\$Nil
Expected life	2.27 years
Volatility	75.0%
Risk free interest rate	3.002%
Dividend yield	Nil
Outperformance hurdle	50.0%

The measurements used for the FY23 Performance Rights grant are as follows:

<u>Nature</u>	<u>Weighting</u>
Strategic Goals	30%
Operational Goals	44%
ESG Goals	6%
aTSR	10%
rTSR	10%

The aTSR metric requires the Company to achieve a share price uplift of at least 50% over the Measurement Period by reference to the VWAP used to calculate the initial grant of FY23 rights.

The relative TSR (rTSR) metric requires the Company to outperform the TSR of the MSCI Global Alternative Energy Index by 25% over the Measurement Period.

A summary of the material terms of the LTIP is as follows:

Plan Structure	The LTIP is managed by a Trust, which was adopted in March 2023. The Board has appointed LIS Plans Pty Ltd (a subsidiary of LIS) as the Trustee.
Term	Each Right has a Term of 15 years and, if not exercised within that Term the Rights will lapse.
Eligibility	Participation is expected to be open to certain senior executives and management of the Company only. The number of performance rights granted are expected to reflect market standard percentages of fixed pay. Directors are not eligible to participate in the LTIP. Senior executives are not eligible to participate in the LTIP where they were issued rights under the Executive Rights Plan for the relevant period.
Performance Rights	Each vested Right can be exercised for one share in Li-S Energy Limited.
Measurement Period	The Measurement Period for the FY23 Performance Rights is a period of 3 years from 1 July 2022.

8 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Vesting Conditions	The nature and weighting of the vesting conditions are broadly consistent for each Participant but are tailored for the role that each Participant performs. The Board will use their judgement to assess whether the vesting conditions have been met.
Gates	No Gates have been attached to these Tranches of Rights.
Vesting and Vesting Date	Rights will typically vest following the completion of the Measurement Period based on an assessment of the Vesting Conditions, however Rights may vest before the end of the Measurement Period in some limited circumstances.
Exercise Restrictions	No Exercise Restrictions have been attached to these Tranches of Rights.
Disposal Restrictions	<p>Rights may not be disposed of at any time but they may be exercised following vesting.</p> <p>No additional Restrictions have been attached to the Shares that may be acquired when vested Rights are exercised. Thus, the Disposal Restrictions that apply to the Shares will arise from the Company's Securities Trading Policy and the insider trading provisions of the Corporations Act.</p>
Exercise and Exercise Price	<p>The Exercise Price is nil (no amount needs to be paid by the Participant in order to exercise the Rights).</p> <p>Vested Rights may be exercised at any time after the Vesting Date and before the end of their Term. In order to exercise vested Rights, a Participant must validly submit an Exercise Notice.</p> <p>On exercise of Vested Rights, the Board will issue a Settlement Notice and ensure that there are a sufficient number of Shares available to satisfy the exercised Rights. The Board will not ordinarily settle the exercised Performance Rights in cash.</p>
Termination of Employment	<p>If a Participant's employment with the Company ceased during FY23, the FY23 Performance Rights would have been forfeited in the proportion that the remainder of the FY23 bears to the full FY23.</p> <p>Remaining unvested Rights will be retained by the Participant, subject to the Malus and Clawback provisions, with a view to testing for possible vesting having regard to performance during the Measurement Period up to the date of cessation of employment. The Board will be convened where required to consider any such off-cycle assessment of vesting conditions.</p> <p>Vested Rights held following a termination of employment may now continue to be held by the Participant unless the Board determines otherwise.</p>
Malus and Clawback	Rights may be forfeited at any time, including during and subsequent to a Participant's employment with the Company, should the Malus and Clawback provisions come into play.
No Hedging	Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares. This is a Corporations Act requirement.
Change of Control	<p>If a de-listing is imminent, vesting will automatically occur at the level derived from application of the following formula:</p> $\begin{array}{rcl} \text{Number of} & & \text{Unvested} \\ \text{Performance Rights} & = & \text{Performance} \\ \text{in Tranche to Vest} & & \text{Rights in Tranche} \end{array} \quad \times \quad \begin{array}{l} \text{\% of First Year of} \\ \text{Measurement} \\ \text{Period Elapsed} \end{array}$ <p>Additional vesting will occur to the extent, if any, determined by the Board and any remaining unvested Rights will lapse; and Restricted Shares will cease to be subject to Specified Disposal Restrictions, and any CHES holding locks will be removed if applicable, unless otherwise determined by the Board.</p> <p>In other cases of a change of control the Rights will remain on foot, subject to possible modification of Vesting Conditions, for testing for vesting at the end of the Measurement Period.</p>

8 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Pre IPO, LIS adopted a plan called the Executive Rights Plan (**Executive Rights Plan**) under which the Board of the Company invited 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. The Executive Rights Plan was superseded by the LTIP after approval at the Annual General Meeting held on 10 November 2022.

On 12 November 2020 the CEO 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 employment during the Measurement Periods. The Service Rights at the time that they were granted were 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 the CEO ceases 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. The CEO has met the vesting requirements for Tranches 1 and 2.

On 15 June 2022 the CTO was granted 200,000 Service Rights which vested on 30 June 2022. 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.

Each Service 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.

The Service Rights may not be disposed of at any time except by force of law such as on death. Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested.

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.

9 DIVIDENDS

	Notes	30 June 2023 \$	30 June 2022 \$
(a) Dividends paid			
2023 No interim dividend was declared or paid (2022: nil)		-	-
(b) Dividends declared after balance date			
The directors have not declared a final dividend for the 2023 financial year (2022: nil)	2.17	-	-
(c) Franked dividends			
Franking credits available for subsequent financial years based on a tax rate of 25.0% (2022: 25%)		-	-

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.

10 CASH AND CASH EQUIVALENTS

	Notes	30 June 2023 \$	30 June 2022 \$
Cash at bank and on hand	2.8	33,450,982	43,853,377

11 TRADE AND OTHER RECEIVABLES

GST receivable	2.22	188,626	156,877
Other receivables	2.9	-	-
		188,626	156,877

12 OTHER CURRENT ASSETS

Prepaid expenses		90,310	62,661
Deposits		-	21,573
		90,310	84,234

Prepaid expenses consist of insurance premiums of \$33,463, and other time-based subscriptions of \$56,847.

13 INVESTMENTS – NON-CURRENT

Investment in Zeta Energy Corp.		2,607,843	2,509,798
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LIS has 1,729,000 Class B common shares in Zeta Energy valued at USD\$1.00 per share at 30 June 2023. The number of shares and their value, based on the most recent capital raise, has been confirmed by Zeta Energy and the investment at USD\$1,729,000 equates to AUD\$2,607,843 at the prevailing exchange rate on 30 June 2023 of \$0.6630 with the movement of \$98,045 (2022: \$251,736) recognised as a gain on investment at FVTPL.

14 LOAN RECEIVABLES

Loan receivables		2,000,000	-
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On 19 April 2023, the Company entered into a loan agreement with PPK Group Limited (PPK Group) to loan up to \$2,000,000, on a fully secured basis, for a period of up to 24 months and at an interest rate of 10.0%. At 30 June 2023, PPK Group had fully drawn down the \$2,000,000 loan facility. Refer to Note 28 for additional information.

On 14 July 2022, the Company loaned \$1,400,000 to PPK Mining Equipment Group Limited for a period of 12 months at 8.0% interest. The loan was secured against a property in Mt. Thorley, NSW which was independently valued at \$2,000,000. This loan was repaid in full on 21 June 2023.

15 PROPERTY, PLANT AND EQUIPMENT – NON-CURRENT

	Notes	30 June 2023 \$	30 June 2022 \$
Software – at cost		-	15,538
Less: Accumulated amortisation and impairment		-	(15,538)
		-	-
Plant and Equipment - at cost		3,149,342	1,154,844
Less: Accumulated depreciation and impairment		(284,437)	(63,290)
		2,864,905	1,091,554
Total property, plant and equipment		2,864,905	1,091,554

Reconciliations

	Software \$	Plant & Equipment \$	Total \$
30 June 2023			
Opening balance	-	1,091,554	1,091,554
Additions ¹	-	1,994,498	1,994,498
Disposals	-	-	-
Transfers	-	-	-
Depreciation and amortisation	-	(221,147)	(221,147)
Closing balance	-	2,864,905	2,864,905

30 June 2022

Opening balance	6,870	113,903	120,773
Additions	8,668	1,027,808	1,036,476
Disposals	-	-	-
Transfers	-	-	-
Depreciation and amortisation	(15,538)	(50,157)	(65,695)
Closing balance	-	1,091,554	1,091,554

¹ Included in additions for plant and equipment in the year to 30 June 2023 are \$270,345 of employee costs capitalised in relation to the installation of the pilot plant production facilities in the Waurin Pond campus.

15.1 A reconciliation of additions for property, plant and equipment to the statement of cash flows follows:

	Notes	30 June 2023 \$	30 June 2022 \$
Additions		1,994,498	1,036,476
Equipment deposits	17	1,040,190	-
Additions recognised but payable as at balance date		(234,887)	(754)
		2,799,801	1,035,722

16 RIGHT-OF-USE ASSETS – NON-CURRENT

	Notes	30 June 2023 \$	30 June 2022 \$
Right-of-use assets – Property – at cost		1,326,583	343,295
Less: Accumulated amortisation and impairment		(365,974)	(124,471)
		960,609	218,824
Opening balance		218,824	-
Additions		983,287	343,295
Disposals		-	-
Transfers		-	-
Depreciation and amortisation		(241,502)	(124,471)
Closing balance		960,609	218,824

16.1 Reconciliation of depreciation and amortisation to the statement of profit or loss:

Short term lease expense		-	41,472
Property, plant and equipment	15	221,147	65,695
Right-of-use assets	16	241,502	124,471
		462,649	231,638

17 OTHER NON-CURRENT ASSETS

Equipment deposits	15.1	1,040,190	-
Security deposits		49,872	-
		1,090,062	-

Equipment deposits relate to upfront payments for equipment that has been ordered but where equipment has not been delivered, and title has not yet transferred. This equipment will be transferred to Plant & Equipment once commissioned.

18 INTANGIBLE ASSETS - NON-CURRENT

Development costs		6,145,499	3,317,963
Less: Accumulated amortisation and impairment		-	-
Total intangible assets		6,145,499	3,317,963

Reconciliations	Lithium Metal Battery \$	Li- Nanomesh \$	Lithium Sulfur Battery \$	Total \$
30 June 2023				
Opening balance	-	508,300	2,809,663	3,317,963
Additions	233,316	567,070	2,027,150	2,827,536
Disposals	-	-	-	-
Transfers	40,289	-	(40,289)	-
Depreciation and amortisation	-	-	-	-
Closing balance	273,605	1,075,370	4,796,524	6,145,499
30 June 2022				
Opening balance	-	-	991,863	991,863
Additions	-	508,300	1,817,800	2,326,100
Disposals	-	-	-	-
Transfers	-	-	-	-
Depreciation and amortisation	-	-	-	-
Closing balance	-	508,300	2,809,663	3,317,963

18 INTANGIBLE ASSETS - NON-CURRENT (continued)

The intangible asset is for the development of the Li-S Battery project undertaken by Deakin University under the Research Framework Agreement.

18.1 Reconciliation of the additions for intangibles to the statement of cash flows:

	Notes	30 June 2023 \$	30 June 2022 \$
Additions		2,827,536	2,326,100
Movement in trade payables		85,636	(280,121)
		2,913,172	2,045,979

19 TRADE AND OTHER PAYABLES - CURRENT

Trade payables – unsecured	516,661	374,024
Sundry payables and accruals - unsecured	597,721	369,468
	1,114,382	743,492

20 LEASE LIABILITIES

Current	222,315	101,309
Non-current	780,781	95,980
	1,003,096	197,289

20.1 Maturity analysis of contracted undiscounted cashflows

Not later than 1 year	295,888	115,193
Later than 1 year and not later than 3 years	385,824	87,950
Later than 3 years	605,616	-
Total undiscounted lease payments	1,287,328	203,143
Less: Present value adjustment	(284,232)	(5,854)
Present value of future lease payments	1,003,096	197,289

20.2 Reconciliation of movement in Lease Liabilities

Opening balance	197,289	-
New leases entered into	966,806	303,295
Modifications	8,824	
Payments	(230,903)	(114,489)
Interest expense	61,080	8,483
Closing lease liability	1,003,096	197,289

The leases recognised are at commercial rates, and vary in term from 12 months to 3 years plus options. Refer to Note 2.18 for the accounting policy applied by the Company.

20.3 Total amounts recognised in the profit or loss under AASB 16:

Amortisation of right of use assets	241,502	124,471
Interest expense on lease liabilities	61,080	8,483
Expenses related to short-term leases	23,232	41,472
	325,814	174,426

21 PROVISIONS

	Notes	30 June 2023 \$	30 June 2022 \$
Current			
Annual leave	2.14	95,663	44,326
Total current		95,663	44,326
Non-Current			
Make good on property leases	2.20	40,000	40,000
Total Non-current		40,000	40,000

22 CONTRIBUTED EQUITY

22.1 Issued capital

640,200,230 (30 June 2022: 640,200,230) ordinary shares fully paid		56,626,644	56,688,707
Movement in ordinary share capital			
Balance at the beginning of the financial period		56,688,707	22,994,841
New 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		(62,063)	(136,538)
		56,626,644	56,688,707

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.

22.2 Share movements

	30 June 2023 No. of Shares	30 June 2022 No. of Shares
Number of ordinary shares on issue	640,200,230	640,200,230
Movement in ordinary shares on issue		
Balance at the beginning of the financial period	640,200,230	600,200,230
New shares issued ¹	-	40,000,000
	640,200,230	640,200,230

¹ On 16 September 2021, the Company issued 40,000,000 shares for cash at \$0.85 per share.

23 RESERVES

		30 June 2023 \$	30 June 2022 \$
Share rights reserve	23.1	1,221,412	947,715
Share premium reserve	23.2	1,347,650	1,347,650
		2,569,062	2,295,365

23 RESERVES (continued)

23.1 Share rights reserve movement reconciliation

	Notes	30 June 2023 \$	30 June 2022 \$
Opening balance		947,715	127,058
Rights expense attributable to Non-Executive Directors		216,824	707,047
Rights expense attributable to Executives		56,873	113,610
Closing balance		1,221,412	947,715

The share rights 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 eligible employees under the Executive Rights Plan and LTIP as part of their remuneration (see Note 8).

23.2 Share premium reserve movement reconciliation

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 of \$2,010,916 at the date of the investment and the 1,020,409 shares issued to Zeta Energy Corp. at \$0.65 per share at the same time (see Note 13).

23.3 Capital Risk Management

The Company considers its capital to comprise its ordinary share capital, reserves and retained earnings. The Company's primary objective is to maximise shareholder value. In order to achieve this objective, the Company seeks to maintain sufficient funding 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.

24 FINANCIAL INSTRUMENTS

The accounting classifications of each category of financial instruments are defined in Note 2 Summary of Significant Accounting Policies. The carrying amounts are set out below.

Financial Assets

Cash at bank	10	33,450,982	43,853,377
<i>Financial assets at fair value through profit or loss</i>			
Investments	13	2,607,843	2,509,798
<i>Debt instruments at amortised cost</i>			
Trade and other receivables ¹	11	-	-
Loan receivables	14	2,000,000	-
Total financial assets		38,058,825	46,363,175

Financial Liabilities

<i>Interest-bearing loans and borrowings</i>			
Lease liabilities – current	20	222,315	101,309
Lease liabilities – non-current	20	780,781	95,980
<i>Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings</i>			
Trade and other payables	19	1,114,382	743,492
Total financial liabilities		2,117,478	940,781

¹ Trade and other receivables are a GST receivable at the reporting date, and as such not a financial instrument.

24 FINANCIAL INSTRUMENTS (continued)

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 designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material. The Directors receive monthly reports, which it reviews and regularly discuss the effectiveness of the processes put in place and the appropriateness of the objectives and policies to support the delivery of the Company's financial targets while protecting future financial security. The Company does not use derivatives.

24.1 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 entities.

Loans to related parties and other entities entered into during the period were at fixed rates. The Company's primary exposure to interest rate risk was on its cash holdings. A sensitivity analysis shows that a 1.0% movement in interest rates would result in a change in profit before tax of approximately +/- \$334,000.

(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 the valuation of its investment in Zeta Energy Corp if and when Zeta Energy Corp 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 sensitivity analysis shows that a 10.0% movement in equity value would cause a movement in the investment of approximately \$260,000 (2022: \$250,000).

(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 both its investment in Zeta Energy Corp, a company domiciled in USA, and its procurement of equipment denominated in United States Dollars (USD). 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. A sensitivity analysis shows that a 1.0% movement in exchange rates would cause a movement in the investment value in Australian dollars of approximately \$26,000 (2022: \$25,000).

24 FINANCIAL INSTRUMENTS (continued)

24.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables), investing activities (loan receivables), and financing activities (cash held with banks). The Company's maximum exposure to credit risk arising from financial assets of the Company (comprising cash, trade receivables, and loan receivables) is the carrying amount as disclosed in the Statement of Financial Position and the associated notes.

The Company's credit risk on cash at bank is limited as the counter parties are Tier 1 Australian banks with favourable credit ratings assigned by international credit rating agencies. The credit risk on the Company's trade and other receivables is also limited, as the balance consists of GST receivable from the Australian Taxation Office. Refer to Note 28 for details of security taken in relation to the loan receivables.

24.3 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 continuously monitoring forecast cash flows and ensuring that adequate facilities or financing options are maintained. At balance date, the Company has cash of \$33,450,982, and current liabilities of \$1,432,360. The payables of \$1,114,382 share a contractual maturity of approximately 15-45 days.

Financial liabilities maturity analysis

The below table provides a contractual maturity profile of the Company's financial liabilities at balance date. The amounts disclosed in the table are gross contractual undiscounted cash flows (principal and interest) required to settle the respective liabilities, and as such may not reconcile directly to the balance sheet. The interest rate is based on the rate applicable at the end of the financial period. Refer to Note 20 for maturity profile of lease liabilities.

	Average Interest Rate	Less than 6 months	6-12 months	1-3 years	3+ years	Total
30 June 2023	%	\$	\$	\$	\$	\$
<i>Financial Liabilities</i>						
Trade and other payables	-	1,114,382	-	-	-	1,114,382
Total financial liabilities		1,114,382	-	-	-	1,114,382

	Average Interest Rate	Less than 6 months	6-12 months	1-3 years	3+ years	Total
30 June 2022	%	\$	\$	\$	\$	\$
<i>Financial Liabilities</i>						
Trade and other payables	-	743,492				743,492
Total financial liabilities		743,492	-	-	-	743,492

25 FAIR VALUE MEASUREMENT

The carrying values of financial assets and liabilities held at amortised cost, listed in Note 24 above, 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.

25 FAIR VALUE MEASUREMENT (continued)

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Group according to the hierarchy stipulated in AASB 13 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).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2023				
Non-current assets				
Unlisted equity securities	-	-	2,607,843	2,607,843
	-	-	2,607,843	2,607,843
30 June 2022				
Non-current assets				
Unlisted equity securities	-	-	2,509,798	2,509,798
	-	-	2,509,798	2,509,798

For assets and liabilities that are recognised on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels during the period.

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The level 3 fair value assessment of unlisted equity securities has been based on advice provided by Zeta Energy Corp. The amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of \$0.6630 at 30 June 2023 (see Note 13).

26 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Notes	30 June 2023 \$	30 June 2022 \$
Plant and equipment ¹		2,348,252	76,301
Intangible assets – commitments to Deakin University ²		640,612	2,963,272
Intangible assets – Other ³		463,225	210,000
		3,452,089	3,249,573

¹ LIS has entered into contracts for plant and equipment that is to be delivered after the reporting date. Deposits of \$1,040,190 have been paid to date on these contracts (see Note 15).

² LIS has outstanding commitments to Deakin University of \$640,612, relating to projects contracted under the Research Framework Agreement. These projects range in duration from 6 months to 2 years (see Note 28).

³ Other commitments relates to non-Deakin University contractual commitments under various research collaboration and consulting agreements.

There are no contingent assets or contingent liabilities.

27 EARNINGS / (LOSS) PER SHARE

	30 June 2023 \$	30 June 2022 \$
Profit/(loss) after tax	(3,335,522)	(6,271,817)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding used in calculating basic earnings per share ¹	640,200,230	631,652,285
Weighted average number of ordinary shares outstanding used in calculating diluted earnings per share ^{1, 2}	640,200,230	631,652,285
Basic earnings (loss) per share (cents)	(0.52)	(0.99)
Diluted earnings (loss) per share (cents)	(0.52)	(0.99)

¹ The weighted average number of ordinary shares outstanding used in calculating basic and diluted earnings per share for the comparative period included the 40,000,000 of shares issued on 16 September 2021 for the capital raise of \$34,000,001.

² The weighted average number of ordinary shares outstanding used in calculating diluted earnings per share for the current and comparative periods have not been adjusted for the Service Rights or Performance Rights issued under the various Rights Plans (Note 8) as they are anti-dilutive.

28 RELATED PARTY TRANSACTIONS

28.1 Transactions with Directors and Key Management Personnel

Remuneration and retirement benefits

Information on the remuneration of key individual management personnel has been disclosed in Note 8.1.

Other transactions of Directors and Director-related entities

The immediate parent of the Company is PPK Aust, a wholly owned subsidiary of PPK Group, the ultimate parent entity. There were no other transactions with Directors and their related entities during the period.

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

	Notes	30 June 2023 \$	30 June 2022 \$
Interest income received from PPK Group		33,151	-
Management fees paid to PPK Group		720,000	600,000
Transactions with BNNT Technology Pty Ltd ("BNNTTL")		125,883	54,682
Research and development payments to Deakin		2,347,825	1,941,678
Lease payments to Deakin		238,264	133,448
Lease payments received from White Graphene Limited		-	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.

28 RELATED PARTY TRANSACTIONS (continued)

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-sulfur batteries. The key material terms of the distribution agreement are as follows:

- LIS 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-sulfur 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-sulfur 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
 - (c) 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.

Loan agreement with PPK Group

On 19 April 2023, the Company entered into a loan agreement with PPK Group to loan up to \$2,000,000, on a fully secured basis, for a period of up to 24 months and at a fixed interest rate of 10.0% per annum. At 30 June 2023, PPK Group had fully drawn down the \$2,000,000 loan facility. The security interest taken is against a specific investment held by PPK Group, with a fair value approximating \$2,860,000.

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.

28 RELATED PARTY TRANSACTIONS (continued)

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 18); 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

The Company has in place four separate lease agreements with Deakin University, representing four separate spaces at their Waurin Ponds campus in Victoria. The leases have been negotiated at market rates, with lease expiries (including options) ranging from December 2023 to September 2031.

28.3 Related party balances owing to its shareholders at the reporting date

The Company had the following related party balances receivable from, or payable to, its related parties at the reporting date:

	Notes	30 June 2023 \$	30 June 2022 \$
Related party balances receivable			
PPK Group Limited		2,000,000	-
Deakin University		-	-
BNNTTL		-	-
WGL		-	-
Related party balances payable			
PPK Group Limited		-	-
Deakin University		230,791	302,084
BNNTTL		-	-
WGL		-	-

See Notes 20 and 26 for additional related party information.

29 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Supply chain issues and materials shortages are still ongoing, which may lead to equipment, parts, and materials manufactured and supplied by foreign markets to be restricted or delayed, impacting the Company's operations, project delivery timeframes and costs.

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 periods.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2023

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 its financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards 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.
 - c) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1; and
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*:



BEN SPINCER
Chairman



ROBIN LEVISON
Non-Executive Director

Brisbane, 18 August 2023

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) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated 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 Group 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.

Capitalisation and carrying amount of development costs

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2023, the carrying amount of the capitalised development costs totalled \$6,145,499. As set out in Note 18 to the financial statements the Group capitalises costs related to the development of battery products. Product development is core to the Group's operations and requires judgement as to whether expenditure incurred meets the capitalisation criteria of AASB 138 Intangible Assets.</p> <p>The capitalisation of battery development costs was a key audit matter due to the significant management judgements, including:</p> <ul style="list-style-type: none"> ▶ 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; and ▶ The assessment of future economic benefits and impairment testing of the capitalised battery development costs. 	<p>We performed the following procedures in respect of the development costs capitalised:</p> <ul style="list-style-type: none"> ▶ Assessed the Group'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; ▶ For a sample of capitalised development costs, we tested whether: <ul style="list-style-type: none"> ▶ Additions relating to capitalised labour costs were appropriately supported by approved payroll records including employee time records or third-party documentation; and ▶ The nature of the expenditure met the capitalisation criteria under AASB 138 <i>Intangible Assets</i>. ▶ Considered whether any assets have become available for use during the reporting period and should commence amortisation. ▶ Evaluated the Company's impairment analysis for its capitalised development costs not yet available for use including assessing whether the recoverable amount of the assets exceeded their carrying amounts; and ▶ 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 2023 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 Group'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 Group 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 Group'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 Group'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 Group 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

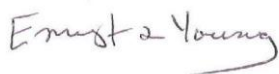
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

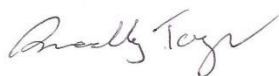
In our opinion, the Remuneration Report of Li-S Energy Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

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



Brad Tozer
Partner
Brisbane
18 August 2023

SHAREHOLDER INFORMATION

As at 8 August 2023

Fully paid ordinary shares:

- (a) Total shares issued: 640,200,230
- (b) Percentage held by 20 largest shareholders: 78.55%
- (c) Total number of LIS shareholders: 10,586
- (d) Shareholders with less than marketable parcel of shares: 4,771
- (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	3,918	1,842,334	0.29%
1,001 - 5,000	3,854	10,525,362	1.64%
5,001 - 10,000	1,140	8,860,809	1.38%
10,001 - 100,000	1,422	43,656,351	6.82%
100,001 Over	252	575,315,374	89.86%
Total	10,586	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 Pty 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	Ironfury Pty Ltd <The David Dunn Family A/C>	7,191,978	1.12%
9	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	7,000,000	1.09%
10	Citicorp Nominees Pty Limited	6,912,219	1.08%
11	Wavet Fund No 2 Pty Ltd	5,789,014	0.90%
12	Equipment Company of Australia Pty Limited	3,759,413	0.59%
13	Blue Stamp Company Pty Ltd	3,750,000	0.59%
14	Howarth Commercial Pty Ltd	3,505,294	0.55%
15	Ye Fan	3,166,667	0.49%
16	NewEconomy Com Au Nominees Pty Limited <900 Account>	2,298,447	0.36%
17	Minoan Corporation Limited	2,180,000	0.34%
18	Onmell Pty Ltd <Onm BPSF A/C>	2,038,460	0.32%
19	All-States Finance Pty Ltd	2,000,000	0.31%
20	National Nominees Limited	1,870,002	0.29%
Total Top 20 holders of Ordinary Fully Paid Shares		501,143,896	78.28%
Total Remaining Holders Balance		139,056,334	21.72%

(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. 1,440,000 Service Rights have vested as at the date of this report.
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. 500,000 Service Rights have vested as at the date of this report.
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 but cannot be exercised prior to 30 June 2024.
Performance Rights	4	557,953	Each Performance Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Performance Rights will be assessed against the vesting conditions on 30 June 2025.

(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 Registry

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