



FULL YEAR REPORT

**Directors' Report
Auditor's Independence Declaration
Financial Report
Auditor's Report**

30 June 2024



ASX Code: LEL

Lithium Energy Limited
A.B.N. 94 647 135 108

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CONTENTS

Directors' Report	2
Remuneration Report	19
Auditor's Independence Declaration	28
Consolidated Statement of Profit or Loss and Comprehensive Income	29
Consolidated Statement of Financial Position	30
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	32
Notes to Consolidated Financial Statements	33
Consolidated Entity Disclosure Statement	52
Directors' Declaration	53
Independent Auditor's Report	54
Securities Information	58

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BOARD

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Peter C. Smith	Executive Director
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COMPANY SECRETARY

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ASX CODE

LEL

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DIRECTORS' REPORT

The Directors present their report on Lithium Energy Limited ABN 94 647 135 108 (ASX Code: LEL) (**Company** or **LEL**) and its controlled entities (the **Consolidated Entity** or **Lithium Energy**) for the financial year from 1 July 2023 to 30 June 2024 (**balance date**) (**financial year**).

LEL is a company limited by shares that was incorporated in Western Australia on 14 January 2021 as a wholly-owned subsidiary of Strike Resources Limited (ASX:SRK) (**Strike** or **SRK**). Lithium Energy (holding battery minerals assets) was spun-out of Strike following the successful completion of LEL's \$9 million initial public offering (**IPO**) under a Prospectus (dated 30 March 2021).

The Company was admitted to the Official List of the Australian Securities Exchange (**ASX**) on 17 May 2021 and commenced quotation/trading on ASX on 19 May 2021.

Lithium Energy has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

PRINCIPAL ACTIVITIES

Lithium Energy Limited is an ASX listed resource company which holds the Solaroz Lithium Brine Project (LEL:90%) in Argentina and the Burke and Corella Graphite Projects (LEL:100%) in Queensland, Australia.

Lithium Energy's principal activities during the financial year were:

- Advancing the development of its Solaroz Lithium-Brine Project in Argentina (**Solaroz Project**);
- Advancing the development of its Burke Graphite Project in Queensland (**Burke Project**); and
- Advancing the development of its Corella Graphite Project in Queensland (**Corella Project**).

On 3 April 2024¹, LEL and NOVONIX Limited (ASX:NVX) (**NOVONIX** or **NVX**) announced the merger of their adjoining Burke and Mt Dromedary Queensland Natural Graphite Projects into LEL subsidiary, Axon Graphite Limited (proposed ASX Code: AXG) (**Axon Graphite**), which will undertake a \$15M to \$25M IPO and seek admission to ASX as a dedicated vertically-integrated mine to Battery Anode Material (**BAM**) product manufacturing company.

On 30 April 2024², LEL announced the sale of its interest in the Solaroz Project to a subsidiary of CNGR Advanced Materials Co Ltd (Shenzhen Stock Exchange Code: 300919) (**CNGR**) for US\$63 Million (~A\$97 Million³) cash (the Solaroz Sale); completion is subject to the satisfaction (or waiver, as applicable) of a number of conditions precedent, including receipt of Lithium Energy shareholder approval of the sale (which was attained at a LEL General Meeting held on 8 August 2024⁴), receipt of regulatory approvals (in China and Argentina, as required) and receipt of environmental and concession related approvals relating to the Solaroz Project.

Pending completion of the sale of the Solaroz Project, Lithium Energy is focussed on advancing the Axon Graphite IPO and operations at the Solaroz Project, including securing the relevant approvals required to satisfy applicable conditions precedent to the sale.

1 Refer LEL ASX Announcement dated 3 April 2024: Merger of Lithium Energy and NOVONIX Natural Graphite Assets and Proposed Axon Graphite Limited Spin-Out and IPO and NVX ASX Announcement dated 3 April 2024: NOVONIX Limited and Lithium Energy Limited to Combine Natural Graphite Interests with Intention to Take Combined Business Public

2 Refer LEL ASX Announcement dated 30 April 2024: Sale of Solaroz Lithium Project for A\$97 Million

3 Based on an exchange rate of A\$1.00 : US\$0.65

4 Refer LEL ASX Announcement dated 8 August 2024: Results of General Meeting and LEL Notice of General Meeting, Explanatory Statement and Proxy Form dated and released on ASX on 3 July 2024

DIRECTORS' REPORT

OPERATING RESULTS

	June 2024	June 2023
Consolidated	\$	\$
Total revenue and income	174,871	514,731
Total expenses	(4,998,425)	(12,581,582)
Loss before tax	(4,823,554)	(12,066,851)
Income tax expense	-	-
Loss after tax	(4,823,554)	(12,066,851)

CASH FLOWS

	June 2024	June 2023
Consolidated	\$	\$
	(4,613,530)	
Net cash flow from operating activities		(3,894,165)
Net cash flow from investing activities	(2,393,679)	(13,584,925)
	1,190,929	
Net cash flow from financing activities		19,917,636
Net change in cash held	(5,816,280)	2,438,546
Effect of exchange rate changes on cash held	(104,771)	325,128
Cash held at period end	3,515,174	9,436,225

FINANCIAL POSITION

	June 2024	June 2023
Consolidated	\$	\$
Cash	3,515,174	9,436,225
Exploration and evaluation expenditure	3,806,312	21,251,803
Receivables	224,852	484,628
Other assets	41,478	2,147,532
Liabilities	(3,101,927)	(1,196,495)
	4,485,889	32,123,693
Assets classified as held for sale	24,959,954	-
Liabilities directly associated with assets classified as held for sale	(125,995)	-
Net assets	29,319,848	32,123,693
Issued capital	36,827,877	34,574,590
Reserves	12,434,767	13,049,681
Accumulated losses	(20,081,557)	(15,050,839)
Parent interest	29,181,087	32,573,432
Non-controlling interest	138,761	(449,739)
Total equity	29,319,848	32,123,693

DIVIDENDS

No dividends have been paid or declared during the financial year.

DIRECTORS' REPORT

CAPITAL MANAGEMENT

Securities on Issue

The following securities were on issue as at Balance Date and currently:

Class of Security	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	112,001,569	-	112,001,569
Executive Options (\$1.39, 29 Nov 2024) ⁵	-	3,500,000	3,500,000
Securities Incentive Plan (SIP) Options (\$1.595, 15 February 2025) ⁶	-	100,000	100,000
Broker Options (\$1.50, 20 September 2025) ⁷	-	750,000	750,000
Executive Options (\$1.06, 4 October 2025) ⁸	-	17,500,000	17,500,000
SIP Options (\$1.32, 30 November 2025) ⁹	-	400,000	400,000
Executive Options (\$0.935, 10 August 2026) ¹⁰	-	250,000	250,000
TOTAL	112,001,569	22,500,000	134,501,569

Issue of Options

The following options were issued during the financial year:

Class of Unlisted Options	Issue Date	Exercise Price	Expiry Date	Number of Options
SIP Options (\$0.935, 10 August 2026) ¹⁰	14 August 2023	\$0.935	10 August 2026	250,000

5 Refer LEL Announcement dated 2 December 2021: Notification regarding unquoted securities – LEL and Annexure B (Terms and Conditions of New Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 18 October 2021 and released on ASX on 28 October 2021

6 Refer LEL Announcement dated 18 February 2022: Notification regarding unquoted securities – LEL

7 Refer LEL Announcement dated 21 September 2022: Notification regarding unquoted securities – LEL

8 Refer LEL Announcement dated 5 October 2022: Notification regarding unquoted securities – LEL and Annexure B (Terms and Conditions of Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 22 August 2022 and released on ASX on 2 September 2022

9 Refer LEL Announcement dated 5 December 2022: Notification regarding unquoted securities – LEL

10 Refer LEL Announcement dated 16 August 2023: Notification regarding unquoted securities – LEL

DIRECTORS' REPORT

Exercise of Options

During the financial year, 8,991,569 new shares were issued by the Company on the exercise of a total of 14 million unlisted options:

Class of Unlisted Options	Exercise Price	Expiry Date	Exercise Date	No. Options Exercised	No. Shares Issued on Exercise of Options
Executive Options (\$0.30, 18 Mar 2024) ¹¹	\$0.30	18 March 2024	18 March 2024	10,000,000	4,991,569 ¹²
Broker Options (\$0.30, 4 May 2024) ¹³	\$0.30	4 May 2024	8 April 2024	4,000,000	4,000,000 ¹⁴

The Company received \$1,200,000 on the exercise of the 4,000,000 Broker Options (\$0.30, 4 May 2024).

Securities Incentive Plan

The Company has adopted a Securities Incentive Plan (**Plan** or **SIP**) pursuant to which the Board may offer to eligible persons the opportunity to subscribe for securities in the Company on such terms and conditions as the Board may decide and otherwise pursuant to the rules of the Plan. The purpose of the Plan is to:

- (a) assist in the reward, retention, and motivation of 'Eligible Participants' (which includes directors¹⁵, employees and contractors);
- (b) link the reward of Eligible Participants to shareholder value creation; and
- (c) align the interests of Eligible Participants with shareholders of the Company by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of securities (which includes a share, a right to a share, an option over an issued or unissued security and a convertible security).

The Company's original Plan¹⁶ was adopted in March 2021 (prior to the Company's admission to ASX). The Company has reviewed and updated the Plan in light of changes to the Corporations Act, which was adopted by shareholders at the Company's 2023 AGM¹⁷.

11 Refer Section 16.3 (Rights Attaching to Executive Options) of the Company's Prospectus (dated 30 March 2021) for terms and conditions of the Executive Options

12 Shares were issued utilising the Option Exercise Facility pursuant to clause 8.3 of the option terms and conditions; refer also LEL ASX Announcement dated 19 March 2024: Application for quotation of securities - LEL

13 Refer Section 16.2 (Rights Attaching to Broker's Options) of the Company's Prospectus (dated 30 March 2021) for terms and conditions of the Broker Options

14 Refer LEL ASX Announcement dated 9 April 2024: Application for quotation of securities - LEL

15 The issue of securities to Directors and Key Management Personnel will require prior shareholder approval, as required under the ASX Listing Rules and/or Corporations Act, as applicable.

16 Refer LEL Announcement dated 17 May 2021: Securities Incentive Plan Terms; a summary of the Plan was also in Section 16.4 (Securities Incentive Plan) of the Lithium Energy Prospectus (dated 30 March 2021).

17 Refer LEL Notice of Annual General Meeting and Explanatory Statement dated 12 September 2023; summary of the Plan is also in Annexure A to the Explanatory Statement.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Solaroz Lithium Brine Project (Argentina)

(90%)

Lithium Energy holds a 90% interest in the Solaroz Lithium Brine Project, comprising 8 mineral concessions totalling approximately 12,000 hectares located on the Salar de Olaroz basin (**Olaroz Salar**) within South America's 'Lithium Triangle' in North-West Argentina (**Solaroz Project**).

Sale of Solaroz Project for US\$63 Million / ~A\$97 Million

Lithium Energy announced on 30 April 2024 that it had entered into a Share Sale Agreement (**Solaroz SSA**) with CNGR Netherlands New Energy Technology B.V. (**CNNET**), a subsidiary of CNGR Advanced Material Co. Ltd. (Shenzhen Stock Exchange Code: 300919) (**CNCR**), in respect of the sale of Lithium Energy's 90% interest in Argentinian company, Solaroz S.A. (**Solaroz**) (which owns the Solaroz Project) for consideration totalling US\$63 million (~A\$97 million¹⁸) cash, which includes the assignment of a loan owed by Solaroz to Lithium Energy (**Solaroz Sale**).¹⁹

In connection with the Solaroz Sale, Lithium Energy has received a US\$1.8 million (~A\$2.8 million) deposit, with the balance of the US\$61.2 million (~A\$94.1 million) consideration payable by CNNET as follows:

- (i) US\$53.7 million (~A\$82.6 million), payable at completion;
- (ii) US\$3 million (~A\$4.6 million) to be transferred to a joint escrow account held for the benefit of both Lithium Energy and CNNET for a period of 2 years following the date of completion, to serve as security for Lithium Energy's performance under the Solaroz SSA, after which it will be released to Lithium Energy; and
- (iii) US\$4.5 million (~A\$6.9 million) deferred consideration payable by CNNET if the Benchmark Lithium Carbonate Price exceeds US\$23,000/tonne (averaged over any 4-month period in the 12 months following completion).

Completion of the Solaroz Sale will occur after the satisfaction (or waiver, as applicable) of a number of conditions precedent under the Solaroz SSA (**Conditions**), including:

- (i) receipt of Lithium Energy shareholder approval of the sale for the purposes of ASX Listing Rule 11.2 – which was approved by shareholders at a General Meeting held on 8 August 2024²⁰;
- (ii) receipt of certain regulatory approvals (in China and Argentina, as required) – in May 2024, CNNET and CNGR received all necessary Chinese overseas direct investment and foreign exchange control regulatory approvals in relation to the Solaroz Sale²¹; CNNET's registration as a foreign company in Argentina (required to receive transfer of shares in Solaroz S.A.) is pending approval; the parties are not aware of any other regulatory approvals required to be satisfied under this Condition; and
- (iii) receipt of environmental and concession related approvals relating to the Solaroz Project – these principally relate to securing approvals of updated Environmental Impact Assessment (**EIA**) applications to undertake the next phases of exploration and evaluation (including drilling, installation of water bores and pump test wells) on the Solaroz Project concessions; Solaroz has filed EIA applications earlier in the year in this regard, which are pending approval.

The Conditions are required to be satisfied on or before 6 months after the date of the Solaroz SSA (i.e. by 25 October 2024) and may be extended by 60 days by either party under the Solaroz SSA.

¹⁸ Based on an exchange rate of A\$1.00 : US\$0.65

¹⁹ Refer to LEL ASX Announcement dated 30 April 2024: Sale of Solaroz Lithium Project for A\$97 Million

²⁰ Refer LEL ASX Announcement dated 8 August 2024: Results of General Meeting and Lithium Energy's Notice of General Meeting, Explanatory Statement and Proxy Form dated and released on ASX on 3 July 2024

²¹ Refer LEL ASX Announcement dated 3 June 2024: Chinese Regulatory Approvals Secured by CNGR to Acquire Solaroz Lithium Project

DIRECTORS' REPORT

Further details in relation to the Solaroz Sale are in the following Lithium Energy's announcements:

- 8 August 2024: Shareholders Approve Sale of Interests in Solaroz Lithium Brine Project
- 8 August 2024: Results of General Meeting
- 3 July 2024: Notice of General Meeting and Explanatory Statement, which contain details of:
 - (a) Rationale for the Proposed Solaroz Sale;
 - (b) Overview of CNNET/CNGR;
 - (c) Financial effects of Solaroz Sale;
 - (d) Advantages and disadvantages of the Solaroz Sale;
 - (e) Company intentions post-completion:
 - (i) Use of proceeds received from the Solaroz Sale;
 - (ii) Future activities and business model;
 - (iii) Corporate group structure; and
 - (iv) Board and management; and
 - (f) The consequences and implications of the passing or failure to pass the resolution approving the Solaroz Sale.
- 3 June 2024: Chinese Regulatory Approvals secured by CNGR to Acquire Solaroz Lithium Project
- 30 April 2024: Sale of Solaroz Lithium Project for A\$97 Million

Application of the ASX Listing Rules to the Solaroz Sale

ASX Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders for a disposal of its main undertaking. ASX Listing Rule 11.2 applies to the Solaroz Sale. ASX has advised that:

- (a) in accordance with paragraph 4.7 of Guidance Note 12 (Significant Changes to Activities), the Company will be afforded a period of 6 months from the date of the Solaroz SSA (being 26 April 2024) to demonstrate to the ASX that it is compliant with Listing Rule 12.1; and
- (b) it will suspend trading in the Company's securities if the Company has not demonstrated compliance with Listing Rule 12.1 to ASX's satisfaction at the end of the 6-month period (i.e. by 25 October 2024).

The Company's interest in the Solaroz Project constitutes its main undertaking for the purpose of Listing Rule 11.2; Listing Rule 11.1.3 is likely to apply to any future acquisition by Lithium Energy, which may require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules (which will involve, amongst other matters, the issue of a prospectus and making a fresh application for admission to ASX).

If completion of the Solaroz Sale is not likely to occur by 25 October 2024, the Company will apply to ASX to extend this 6-month period until the Solaroz Sale is complete or the Solaroz SSA is terminated by mutual agreement of the parties due to the failure to satisfy all Conditions (to the extent not waived, where applicable).

It is likely that the Company's shares will be immediately suspended from trading on ASX after completion, with the Company being required to re-comply with Chapters 1 and 2 of the ASX Listing Rules to be reinstated to quotation on ASX, unless Lithium Energy has satisfied ASX (pursuant to Listing Rule 12.1) that it has a sufficient level of operations to justify the continued quotation of its shares.

If Lithium Energy is unable to satisfy ASX in relation to Listing Rule 12.1, ASX will suspend trading in the Company's shares (from 28 October 2024, or, subject to ASX agreeing to grant an extension, the date of completion of the Solaroz Sale). Lithium Energy will remain suspended from ASX until it undertakes an acquisition(s) and re-complies with Chapters 1 and 2 of the Listing Rules.

DIRECTORS' REPORT

Development Activities

An overview of material exploration, evaluation and development activities in relation to the Solaroz Project during the financial year (and to the date of this report) are as follows:

- (1) Completed the initial resource definition drilling programme, which targeted areas identified as having thick sequences of brine in the electromagnetic geophysics, comprising 8 diamond drill holes (SOZDD001 to SOZDD008) and one rotary hole (SOZDD04R, which was a twin of diamond hole SOZDD004), for a total of ~5,087 metres including the twin hole (522 metres).²²
- (2) Achieved a significant upgrade to the maiden JORC Inferred Mineral Resource²³ to a JORC Indicated and Inferred Resource category.²⁴
- (3) Completed a Scoping Study encompassing alternative configurations for the processing and upgrading of lithium brines and production of battery grade lithium carbonate²⁵:
 - (a) A conventional brine solar evaporation pond process design - as implemented by Solaroz Project neighbours in the Olaroz Salar, the Olaroz Lithium Facility of Arcadium Lithium plc's (ASX:LTM and the Cauchari-Olaroz Project of Lithium Argentina Corporation (TSX:LAAC), and other lithium brine projects in South America; and
 - (b) A Direct Lithium Extraction (DLE) option, which replaces the use of evaporation ponds - DLE consists of several chemical processes that can bypass the need for large evaporation ponds for the production of lithium from brines.
- (4) Norlab S.R.L (Argentina) completed an evaporation testwork programme on representative samples of lithium rich brines from Solaroz to determine the optimal process conditions required to extract lithium and produce battery grade lithium carbonate, with positive results producing the first sample of battery grade lithium carbonate from Solaroz brines.²⁶
- (5) Undertaking site-based evaporation pond testwork to gather field data on daily evaporation rates, brine chemistry and other site-based environmental information.²⁶
- (6) Assessing the applicability of DLE technology via a laboratory testwork programme²⁷, building upon previous bench-scale testing²⁸.

ASX Announcements

For further details, refer also to the following Lithium Energy announcements released on the Solaroz Project during the financial year (and to the date of this report):

- 21 February 2024: Lanshen Resin (DLE) Testwork Recovers 92% of Lithium from Solaroz Brine
- 15 January 2024: Battery Grade Lithium Carbonate Successfully Produced from Solaroz Brine
- 4 December 2023: 10,000L Lithium Brine Sample from Solaroz sent to Lanshen for DLE Plant Design Specification and Test Works

22 Refer LEL ASX Announcements dated 31 October 2023: Quarterly Activities and Cash Flow Reports - 30 September 2023, 29 August 2023: Lithium Mineralisation Encountered in Northern Solaroz Concession and 27 July 2023: Highest Lithium Concentrations Encountered at Solaroz Lithium Project in Hole 6

23 Refer LEL ASX Announcement dated 29 June 2023: Significant Maiden JORC Lithium Resource of 3.3Mt LCE at Solaroz Project in Argentina

24 Refer LEL ASX Announcement dated 26 October 2023: Significant Solaroz Milestone Achieved with Upgrade to 2.4Mt LCE JORC Indicated Resource

25 Refer LEL ASX Announcement dated 31 October 2023: Scoping Study Highlights Solaroz Potential as a Large Scale, Long Life, High Margin Lithium Project

26 Refer LEL ASX Announcements dated 15 January 2024: Battery Grade Lithium Carbonate Successfully Produced from Solaroz Brine and 9 October 2023: Evaporation and Direct Lithium Extraction (DLE) Metallurgical Testwork Programmes Advancing at Solaroz Lithium Project

27 Refer LEL ASX Announcement dated 21 February 2024: Lanshen Resin (DLE) Testwork Recovers 92% of Lithium from Solaroz Brine

28 Refer LEL ASX Announcement dated 4 December 2023: 10,000 Lithium Brine Sample from Solaroz Sent to Lanshen for DLE Plant Design and Specification and Test Works

DIRECTORS' REPORT

- 31 October 2023: Scoping Study Presentation – Solaroz Lithium Project
- 31 October 2023: Scoping Study Highlights Solaroz Potential As a Large Scale, Long Life, High Margin Lithium Project
- 26 October 2023: Significant Solaroz Milestone Achieved with Upgrade to 2.4Mt LCE JORC Indicated Resource
- 9 October 2023: Evaporation and Direct Lithium Extraction (DLE) Metallurgical Testwork Programmes Advancing at Solaroz Lithium Project
- 20 September 2023: Drillhole 7 Yields Highest Grade Lithium to Date in Upper Aquifer
- 5 September 2023: Conventional Solar Evaporation Option for Solaroz Lithium Project as Multiple EV Battery Parties Seek Partnership
- 29 August 2023: Lithium Mineralisation encountered in Northern Solaroz Concession
- 1 August 2023: Experienced Lithium Operations Executive Appointed General Manager Solaroz in Argentina
- 27 July 2023: Highest Lithium Concentrations Encountered at Solaroz Lithium Project in Hole 6
- 13 July 2023: Drilling Commences at Hole 7 and Hole 6 Intersects Lithium-Rich Brines at Solaroz Lithium Project

Burke and Corella Graphite Projects (Queensland, Australia)

(100%)

Lithium Energy's (100% owned) graphite projects are located in the Cloncurry region in North Central Queensland:

- The Burke Graphite Project comprises EPM 25443 (the **Burke Tenement** or **Burke**) (of ~6.47km²), located ~130km by road north of Cloncurry, adjacent to the Burke Development Road; and
- The Corella Graphite Project comprises EPM 25696 (the **Corella Tenement** or **Corella**) (of ~19.41km²), located ~40km by road west of Cloncurry and ~170km by road south of Burke, adjacent to the Barkly Highway that links Mount Isa to Cloncurry.

The projects have access to well-developed transport infrastructure, including airports at Cloncurry and Mount Isa (located ~250km by road from Burke) and a Port in Townsville (located ~783km by road or rail from Cloncurry).

Proposed Merger with NOVONIX's Mt Dromedary Graphite Project (Queensland)

On 3 April 2024, Lithium Energy entered into a Share Sale and Purchase Agreement (**Mt Dromedary SPA**) with NOVONIX Limited (ASX:NVX) (**NOVONIX**) to acquire its high-grade Mt Dromedary Graphite Project (**Mt Dromedary**), which is located directly adjacent to Burke.²⁹

Lithium Energy and NOVONIX will spin-out their consolidated high-grade graphite assets via an Initial Public Offering (**IPO**) by Axon Graphite Limited (proposed ASX Code : AXG) (**Axon Graphite**) (currently a subsidiary of Lithium Energy) to form a distinct vertically integrated Battery Anode Material (**BAM**) business in Queensland.

The merger will be effected through Axon Graphite acquiring NOVONIX's wholly-owned subsidiary, MD South Tenements Pty Ltd (**MDSTPL**), which in turn holds the tenement interests comprising the Mt Dromedary Graphite Project.

²⁹ Refer LEL ASX Announcement dated 3 April 2024: Merger of Lithium Energy and NOVONIX Natural Graphite Assets and Proposed Axon Graphite Limited Spin-Out and IPO

DIRECTORS' REPORT

The Mt Dromedary SPA is conditional upon the following matters:

- Completion of due diligence to the satisfaction of both parties and the issue of notices to proceed with the Mt Dromedary SPA, which was confirmed as announced on 16 May 2024³⁰;
- The receipt of all necessary regulatory consents and approvals under the *Mineral Resources Act 1989* (Queensland) relating to the transfer and assignment of the relevant mining interests held by NOVONIX to Axon Graphite (as applicable) – the parties do not believe that any such regulatory consents and approvals are required; and
- Completion of the Axon Graphite IPO and receipt of a decision from the ASX confirming (subject to the conditions therein) the admission of the company to the official list of the ASX and the quotation of the company's securities on ASX within 9 months of the date of the Agreement (i.e. by on or about 2 January 2025).

Lithium Energy and NOVONIX have also entered into an IPO Funding Deed to jointly fund the costs of the Axon Graphite IPO and the ASX admission processes, to be repaid by Axon Graphite from the IPO proceeds.

On 26 July 2024, Lithium Energy announced the finalisation of the composition of the Axon Graphite Board of Directors and its proposed Chief Executive Officer (CEO)³¹:

- Mr Peter Turnbull AM (LLB and BCom (*Melbourne*), FGIA (Life), FAICD, FCG) has been appointed as independent Non-Executive Chair.
- Mr Anthony Bellas (B.Econ, DipEd, MBA, FAICD, FCPA, FGS) has been appointed an Executive Director – Mr Bellas is the Deputy Non-Executive Chair of NOVONIX.
- Mr Farooq Khan (Bjuris, LLB (*Western Australia*)) has been appointed an Executive Director – Mr Khan is an Executive Director of Lithium Energy.
- Dr J. Christopher Burns (BSc., MSc., PhD) has been appointed Non-Executive Director – Dr Burns is the CEO of NOVONIX.
- Mr William Johnson (BA, MA (*Oxon*), MBA, MAICD) has been appointed Non-Executive Director – Mr Johnson is Executive Chair of Lithium Energy.
- Mr Graham Fyfe (BSc (Chemical Engineering) (*Kwazulu Natal*), AusIMM) has been appointed CEO – Mr Fyfe is currently the General Manager, Projects, of Lithium Energy and will transition to become CEO of Axon Graphite on its ASX listing.
- Mr Victor Ho (BCom, LLB (*Western Australia*), CTA) has been appointed Company Secretary – Mr Ho is the Company Secretary of Lithium Energy.

Proposed Axon Graphite Limited Spin-Out and IPO

The key terms of the proposed IPO of Axon Graphite are as follows:

- Axon Graphite plans to raise a minimum subscription of \$15 Million and a maximum subscription of \$25 Million at an issue price of \$0.20 per share.
- Australian institutional stockbroking firm, Petra Capital has been appointed Lead Manager of the IPO.
- Eligible Lithium Energy and NOVONIX shareholders will be entitled to participate in a (pro-rata) Priority Offer under the IPO Prospectus. Any shortfall in applications lodged by eligible Lithium Energy and NOVONIX shareholders under the Priority Offers will form a pool of shares available to the general public under the Public Offer.

30 Refer LEL ASX Announcement dated 16 May 2024: Update on Merger of Graphite Assets and Axon Graphite Limited IPO

31 Refer LEL ASX Announcement dated 26 July 2024: Update on Axon Graphite IPO – Details of Board and CEO

DIRECTORS' REPORT

- Lithium Energy and NOVONIX will each hold a 22.2% to 28.6% cornerstone equity holding in Axon Graphite with such shareholdings likely to be subject to a 2 year escrow period as required under ASX Listing Rules.

The Prospectus for the IPO of Axon Graphite is currently being finalised in preparation for lodgement with ASIC.

Further details in relation to the Mt Dromedary acquisition and Axon Graphite IPO are in the following Lithium Energy's announcements:

- 10 September 2024: Axon Graphite Limited Update – Mt Dromedary Graphite Mineral Resources Review
- 26 July 2024: Update on Axon Graphite IPO – Details of Board and CEO
- 16 May 2024: Update on Merger of Graphite Assets and Axon Graphite Limited IPO
- 22 April 2024: Update on Merger of Graphite Assets
- 3 April 2024: Merger of Lithium Energy and NOVONIX Natural Graphite Assets and Proposed Axon Graphite Spin-Out and IPO

Development Activities

A summary of material exploration, evaluation and development in relation to Burke and Corella during the financial year (and to the date of this report) are as follows:

- (1) The Beijing General Research Institute for Mining and Metallurgy Technology Group (**BGRIMM**) in China completed the concentrator process flowsheet optimisation testwork required to produce graphite flake concentrate suitable as feedstock for a proposed BAM Facility. BGRIMM's in-house Pilot Plant produced ~65kg of 95% total graphitic carbon (**TGC**) bulk flake concentrate from Burke Graphite samples to conduct the next phase BAM testwork.³²
- (2) ProGraphite GmbH in Germany used a ~15kg sample of Burke Graphite flake concentrate (produced by the BGRIMM Pilot Plant) as test feedstock material to complete a comprehensive testwork programme to define and optimise the metallurgical and process conditions to produce BAM suitable for use in lithium-ion battery anodes. Spheronised products (of alternate product sizes) were produced to assess the effectiveness and impact of the mechanical shaping process on the Burke Graphite concentrate. Purification processes were conducted on the spheronised Burke Graphite. Electrochemical battery testing showed uncoated Burke spheronised purified graphite (**SPG**) to be suitable as anode material for use in Li-ion batteries.³³

ASX Announcements

For further details, refer also to the following Lithium Energy announcements released on the Burke and Corella Graphite Projects during the financial year (and to the date of this report):

- 11 March 2024: Exceptional Battery Testing Results Achieved with Burke Spherical Purified Graphite
- 27 November 2023: Testwork Results Highlight Exceptional Potential of Burke Graphite as Battery Anode Material
- 28 July 2023: Burke and Corella Graphite Projects Testwork Update

³² Refer LEL ASX Announcements dated 28 July 2023: Burke and Corella Graphite Projects Testwork Update and 23 May 2023: Excellent Metallurgical Testwork Results at Burke Graphite Project Pave Way for Commencement of PFS

³³ Refer LEL ASX Announcements dated 11 March 2024: Exceptional Battery Testing Results Achieved with Burke Spherical Purified Graphite and 27 November 2023: Testwork Results Highlight Exceptional Potential of Burke Graphite as Battery Anode Material

DIRECTORS' REPORT

Quarterly Reports

Further information on Lithium Energy's activities and operations during the financial year are also contained in Lithium Energy's Quarterly Activities and Cash Flow Reports lodged on ASX dated:

- 30 July 2024: Quarterly Report – 30 June 2024
- 1 May 2024: Quarterly Report – 31 March 2024
- 31 January 2024: Quarterly Report – 31 December 2023; and
- 31 October 2023: Quarterly Report – 30 September 2023.

Material Business Risks

Lithium Energy's exploration and development operations will be subject to the normal risks of mineral exploration and development, and any revenues will be subject to factors beyond Lithium Energy's control. The material business risks that may affect Lithium Energy are summarised below:

Exploration Risk: Lithium Energy's resource projects are at various stages of exploration. There is no assurance that future exploration will result in the discovery of an economic resource or reserve or that it can be economically exploited. Future exploration activities may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns or adverse weather conditions, unanticipated operational and technical difficulties, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs/recovery rates, industrial and environmental accidents, industrial disputes, unexpected shortages and increases in the costs of consumables, spare parts, plant, equipment and personnel, local communities/indigenous and existing land/lease holder stakeholder engagements, changing government regulations and many other factors beyond the control of Lithium Energy. Exploration and evaluation costs are based on certain assumptions in relation to the nature, method and timing of these activities, which are subject to significant uncertainties and, accordingly, the actual costs may materially differ. Cost estimates and the underlying assumptions may not be realised in practice, which may materially and adversely affect Lithium Energy's financial performance and or position.

Resource Estimation Risk: Resource estimates are expressions of judgement based on knowledge, experience and industry practice. These estimates were appropriate when made but may change significantly when new information becomes available. Resource estimates which depend on interpretations may require adjustment. Adjustments to resource estimates could affect Lithium Energy's future plans and ultimately its financial performance. Mineral and commodity price fluctuations, as well as increased production costs or reduced throughput and/or recovery rates, may render resources containing relatively lower grades uneconomic and may materially affect resource estimations.

Feasibility and Development Risks: There is risk associated with the successful commercial exploitation of

resource discoveries. Such exploitation would involve securing necessary approvals from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied or in a timely manner. Advancing exploitation may involve the participation of other parties/stakeholders whose interests and objectives may differ from Lithium Energy's. There is a complex, multidisciplinary process involved to evaluate and assess development pathways and undertake feasibility-related studies to support a development proposal. Evaluations/assessments and studies and associated technical works may not achieve the results expected. Even if supported by a positive feasibility study, a project may not be successfully developed for a range of technical, commercial and or financial reasons.

Commodity Pricing and Technology Risk: The commercial prospects of Lithium Energy (if exploration success is achieved) is dependent principally upon the demand for lithium (in particular, lithium carbonate) and natural graphite (in particular, graphite related battery anode materials). This demand is mainly a function of the demand for lithium and graphite materials as a component of electrical batteries. Battery technology is a rapidly advancing field and there is a risk that the demand for these minerals/commodities may change as a result of technological changes in this sector. Such changes may reduce the demand and therefore the price of lithium/graphite materials as a component of batteries which in turn will have significant impact upon the commercial prospects of Lithium Energy.

Key Personnel: In formulating its exploration and evaluation programmes, feasibility-related studies and development strategies, Lithium Energy relies on the experience and expertise of its directors, senior executives and other senior management. There is a risk that key personnel may leave their employment, which may adversely affect the business, at least in the short term. Recruiting and retaining qualified, skilled and experienced key personnel in the minerals/commodities sectors and geography in which Lithium Energy operates

DIRECTORS' REPORT

may also be challenging in a strong and competitive resources sector.

Future Funding: Lithium Energy's ongoing exploration, evaluation and development activities will require substantial further funding in the future. Any additional equity capital may be dilutive to shareholders and may be undertaken at lower issue prices than the current market price. Debt financing, if available, may involve restrictive covenants which limit Lithium Energy's operations and business strategy. There is no assurance that appropriate funding, if and when needed, will be available on terms satisfactory to Lithium Energy or at all. The inability to obtain funding will adversely affect Lithium Energy and may result in some or all of its projects not proceeding or their scale and/or scope being altered or defaults in licences or permits or agreements occurring, which, if not remedied, could result in forfeiture of its tenements.

Foreign Jurisdiction: Lithium Energy holds its interest in the Solaroz Lithium Project in Argentina through its 90% shareholding in an Argentine registered company. This overseas company is subject to risks normally associated with the conduct of business in foreign countries. Risks pertaining to Argentina may include, among other things, political risk, uncertain economic environments (such as hyper-inflation, increasing interest rates and significant fluctuations in foreign exchange), disruptions to logistics, access to infrastructure and services (water, power and gas), labour disputes, corruption, civil disturbances and crime, arbitrary changes in law or policies, opposition to mining from environmental or other non-governmental organisations or changes in political attitudes towards mining activities and earthquakes and severe weather conditions.

Foreign Exchange Risk: The expenditure of Lithium Energy is and will be in Australian, United States and Argentine currencies, exposing the Company to fluctuations and volatility of the rates of exchange between the Australian dollar, United States dollar and Argentine peso as determined in international markets. Lithium Energy does not currently undertake any hedging of foreign currency items, however as operations develop and expand, more sophisticated foreign exchange risk management strategies may be adopted.

Access Risk: There may be areas of Lithium Energy's projects over which indigenous rights exist or are claimed by indigenous owners. Similarly, Lithium Energy's tenements may encroach on existing land or lease holders. As such, Lithium Energy's ability to gain access to the tenements or to progress from the exploration phase to the development and mining phases of operations, may require reaching agreement with these stakeholders to facilitate access and development, which is not assured, on terms satisfactory to Lithium Energy, or at all. Negotiations with stakeholders may also result in a delay with the development of Lithium Energy's projects.

Regulatory Risk: Lithium Energy's operations are subject to various Federal, State/Provincial and local laws and regulations, including those relating to exploration, development and mining permit and licence requirements, industrial relations, environment, land use,

royalties, water, native title/indigenous and Aboriginal cultural heritage, mine safety and occupational work, health and safety. Approvals, licences and permits required to comply with such rules may be subject to the discretion of the applicable government officials/authorities. No assurance can be given that Lithium Energy will be successful in maintaining such authorisations in full force and effect without modification or revocation. To the extent such approvals are required and not retained or obtained in a timely manner or at all, Lithium Energy may be curtailed or prohibited from continuing or proceeding with exploration and production. Lithium Energy's business and results of operations could be adversely affected if applications lodged for relevant licences are not granted. Mineral tenements are also subject to periodic renewal, which may be subject to the discretion of the relevant government official/authority or renewal conditions (such as increased expenditure and work commitments and/or compulsory relinquishment of tenement areas). The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of Lithium Energy.

Environmental Risk: The operations and activities of Lithium Energy are subject to environmental laws and regulations. Lithium Energy is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase Lithium Energy's cost of doing business or affect its operations in any area. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige Lithium Energy to incur significant expenses and undertake significant investments which could have a material adverse effect on Lithium Energy's business, financial condition and performance.

Climate Change Risk: The operations and activities of Lithium Energy may be subject to local or international compliance regulations related to climate change mitigation efforts, specific taxation or penalties for carbon emissions or environmental damage, and other possible restraints on industry that may further impact Lithium Energy and its profitability. Climate change may also cause certain physical and environmental risks that cannot be predicted by Lithium Energy, including events such as increased severity of weather patterns, incidence of extreme weather events and longer-term physical risks such as shifting climate pattern.

Pandemic and other Public Health Risks: Future health pandemics (such as COVID-19) and other possible outbreaks of viruses/disease may have a significant adverse effect on Lithium Energy's business. The spread of such diseases amongst management, employees, contractors, suppliers and logistic networks, as well as any health related government imposed quarantine and isolation requirements, may reduce the ability to operate and have detrimental financial implications. More broadly, Lithium Energy may also be affected by the macroeconomic effects and likely ensuing financial volatility in the economies where the Company operates.

DIRECTORS' REPORT

The Company is also subject to contractual risks in relation to key agreements - the Solaroz SSA and Mt Dromedary SPA – which involve the sale of Solaroz and acquisition of Mt Dromedary, respectively. These agreements are pending completion as they are subject to the attainment (or waiver by a relevant party, where applicable) of a number of conditions. The satisfaction or waiver (where applicable) of some conditions are beyond the control of the Company and completion of each agreement is therefore not assured. Completion will also depend on the continued performance by the counterparty(s) of their contractual obligations under each agreement. The default by a counterparty or other failure may require the Company to take legal action to protect its interests. The termination or failure to complete an agreement will also mean that the Company will not realise the benefits arising from the sale of Solaroz (under the Solaroz SSA) and acquisition of Mt Dromedary (under the Mt Dromedary SPA), which may also have an adverse effect on the financial position and/or performance of the Company.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of Lithium Energy save as otherwise disclosed in this Directors' Report or the financial statements and notes thereto, including:

- (a) The sale of Lithium Energy's 90% interest in the Solaroz Project, currently pending completion; and
- (b) The proposed spin-out/IPO of Lithium Energy subsidiary, Axon Graphite, which holds Lithium Energy's 100% interest in the Burke and Corella Graphite Projects, currently pending the issue and successful completion of a prospectus and admission to ASX.

FUTURE DEVELOPMENTS

Lithium Energy's future activities will depend on:

- (a) whether the sale of the Solaroz Project is completed;
- (b) whether the Axon Graphite IPO is successful; and
- (c) the application of the ASX Listing Rules in relation to the Company's ongoing operations (in the context of (a) and/or (b) above).

Scenarios	Sale of Solaroz Project Completes	Sale of Solaroz Project Does Not Complete
Axon Graphite IPO is Successful	<p>Lithium Energy will consider the acquisition of battery mineral projects building upon the expertise developed in this sector by the Company, with a particular focus on lithium (brines and hard rock), copper, cobalt, vanadium, manganese and rare earth elements (REE). The Company will investigate the full spectrum of potential opportunities from grass roots exploration projects to advanced production or near production assets that present significant value accretive upside. If deemed suitable, the Company will also look to invest in related mineral commodities if they meet similar acceptable project metrics. The Company will prioritise projects located in Australia and North and South America.</p> <p>In this scenario, the Company considers that ASX will require Lithium Energy to re-comply with Chapters 1 and 2 of the ASX Listing Rules, which will involve, amongst other matters, the issue of a prospectus and making a fresh application for admission to ASX. Accordingly, any material acquisition(s) will be subject to the Company's re-compliance with the ASX Listing Rules.</p>	<p>Lithium Energy will continue to:</p> <ul style="list-style-type: none"> (a) advance the exploration, evaluation and development of its Solaroz Lithium-Brine Project in Argentina; and (b) investigate and pursue other prospective projects in the battery minerals sector, <p>subject to raising sufficient funds including share capital raisings.</p> <p>The Company will retain a 50 million cornerstone equity shareholding in Axon Graphite (comprising between 22.2% to 28.6% of Axon Graphite, depending on the final quantum of funds raised under the IPO) with such shareholding likely to be subject to a 2 year escrow period as required under ASX Listing Rules.</p>

DIRECTORS' REPORT

Scenarios	Sale of Solaroz Project Completes	Sale of Solaroz Project Does Not Complete
	The Company will also consider returning part of the (net after-tax) sale proceeds from the sale of the Solaroz Project to shareholders, subject to an assessment of the taxation consequences (to Lithium Energy and the Company's shareholders) and the quantum of funds required to secure and develop the Company's new mineral projects.	
Axon Graphite IPO is Not Successful	<p>Lithium Energy will apply part of the net sale proceeds from the sale of the Solaroz Project to advance the development of its own Burke and Corella Graphite Projects in Queensland to create a vertically-integrated mine to BAM manufacturing facility in Queensland, as was originally contemplated prior to entering into the agreement with NOVONIX to proceed with the Axon Graphite IPO.</p> <p>In this scenario, the Company considers that the advancement of the Axon Graphite projects will provide a sufficient level of operations to justify the continued quotation of its securities (pursuant to ASX Listing Rule 12.1), without the Company having to re-comply with Chapters 1 and 2 of the ASX Listing Rules.</p> <p>The Company will also consider returning part of the (net after-tax) sale proceeds from the sale of the Solaroz Project to shareholders, subject to an assessment of the taxation consequences (to Lithium Energy and the Company's shareholders) and the quantum of funds required to secure and develop the Company's new mineral projects.</p>	<p>Lithium Energy will continue to:</p> <ul style="list-style-type: none"> (a) advance the exploration, evaluation and development of its Solaroz Lithium-Brine Project in Argentina; (b) advance the exploration, evaluation and development of its Burke and Corella Graphite Projects and the development of a vertically integrated BAM manufacturing facility in Queensland, Australia; and (c) investigate and pursue other prospective projects in the battery minerals sector, <p>subject to raising sufficient funds including share capital raisings.</p>

Pending the completion of the Solaroz Sale and Axon Graphite IPO, Lithium Energy will:

- (a) Focus on securing the relevant approvals required to satisfy applicable Conditions under the Solaroz SSA;
- (b) Focus on advancing the Axon Graphite IPO;
- (c) Investigate and potentially undertake (where appropriate) investment opportunities principally in the battery mineral projects sector in Australia and overseas – the Board has considerable experience in the exploitation of resource projects and Lithium Energy will pursue investments in battery minerals/commodities the Board feels is appropriate for mineral exploration, evaluation and development. As noted above, it is likely that any future acquisitions (depending on the nature and scale) by Lithium Energy will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Lithium Energy notes that the likely outcomes of the activities (under the above scenarios) depend on a range of technical and economic factors and also industry, geographic and other strategy specific issues. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the results of these activities, the future course of markets or the forecast of the likely results of Lithium Energy's activities.

ENVIRONMENTAL REGULATION

Lithium Energy holds mineral tenement/concession licences issued by the relevant mining and environmental protection authorities of the countries in which it operates (from time to time). In the course of its mineral exploration, evaluation and development activities, Lithium Energy adheres to licence conditions and environmental regulations imposed upon it by various authorities (as applicable). Lithium Energy has complied with all licence conditions and environmental requirements (as applicable) during the financial year and up to the date of this report. There have been no known material breaches of Lithium Energy's licence conditions and environmental regulations during the financial year and up to the date of this report.

DIRECTORS' REPORT

BOARD OF DIRECTORS

William M. Johnson

Executive Chairman

Appointed 14 January 2021

Qualifications MA (Oxon), MBA, MAICD

Experience William Johnson holds a Masters Degree in Engineering Science from Oxford University, England and an MBA from Victoria University, New Zealand. His 40-year business career spans multiple industries and countries, with executive/CEO experience in mineral exploration and investment (Australia, Argentina, Peru, Chile, Saudi Arabia, Oman, North Africa and Indonesia), telecommunications infrastructure investment (New Zealand, India, Thailand and Malaysia) and information technology and internet ventures (New Zealand, Philippines and Australia). Mr Johnson is a highly experienced public company director and has considerable depth of experience in corporate governance, business strategy and operations, investment analysis, finance and execution.

Special responsibilities None (other than as Chairman of the Board of Directors)

*Relevant interest in securities*³⁴ 1,532,621 shares
1,000,000 Executive Options (\$1.39, 29 November 2024)
5,000,000 Executive Options (\$1.06, 4 October 2025)

Current directorships in listed entities Executive Director of Strike Resources Limited (ASX:SRK) (Director since 14 July 2006; Managing Director from 25 March 2013 to 8 March 2024)
Executive Director of Bentley Capital Limited (ASX:BEL) (since 1 January 2016; Director since March 2009)

Former directorships in other listed entities in past 3 years -

Peter C. Smith

Executive Director

Appointed 18 March 2021

Qualifications BSc (Geophysics) (Sydney), AIG, ASEG, AAusIMM

Experience Peter Smith has 37 years' experience in mineral exploration having worked for Normandy, Pasminco, BHP-Billiton and Cliffs Natural Resources. Mr Smith has held exploration management positions in ASX-listed NGM Resources Limited (ASX:NGM) and NYSE-listed Cliffs Natural Resources (as Regional Exploration Manager for Australia and Oceania) and has been a Director of Volta Mining Limited (ASX:VTM) and Castillo Copper Limited (ASX:CCZ). Mr Smith brings a broad range of skills and experience in mineral exploration.

Special responsibilities None

*Relevant interest in securities*³⁵ 1,173,706 shares
500,000 Executive Options (\$1.39, 29 November 2024)
2,500,000 Executive Options (\$1.06, 4 October 2025)

Other current directorships in listed entities None

Former directorships in other listed entities in past 3 years -

³⁴ Refer LEL ASX Announcement released on 19 March 2024: Change of Director's Interest Notice - William Johnson

³⁵ Refer LEL ASX Announcement released on 19 March 2024: Change of Director's Interest Notice - Peter Smith

DIRECTORS' REPORT

Farooq Khan

Executive Director

Appointed 14 January 2021

Qualifications BJuris, LLB (*Western Australia*)

Experience Farooq Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the mining, investment and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.

Special responsibilities None

*Relevant interest in securities*³⁶ 1,447,621 shares
1,000,000 Executive Options (\$1.39, 29 November 2024)
5,000,000 Executive Options (\$1.06, 4 October 2025)

Other current directorships in listed entities Executive Chairman of:

- Strike Resources Limited (ASX:SRK) (since 18 December 2015; Director since 1 October 2015)
- Orion Equities Limited (ASX:OEQ) (since 23 October 2006)
- Bentley Capital Limited (ASX:BEL) (since 2 December 2003)

Executive Chairman and Managing Director of:

- Queste Communications Ltd (ASX:QUE) (since 10 March 1998)

Former directorships in other listed entities in past 3 years -

36 Refer LEL ASX Announcement released on 19 March 2024: Change of Director's Interest Notice - Farooq Khan

DIRECTORS' REPORT

COMPANY SECRETARY

Victor P.H. Ho

Company Secretary

Appointed 14 January 2021

Qualifications BCom, LLB (Western Australia), CTA

Experience Victor Ho has been in Executive roles with a number of ASX-listed companies across the investments, resources and technology sectors over the past 24+ years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office (ATO) and in a specialist tax law firm.

Mr Ho has been actively involved in the executive management of listed resources companies, the investment management of listed investment companies (as an Executive Director and/or a member of the Investment Committee), the structuring and execution of a number of corporate, M&A and international joint venture (in South America (Peru, Chile and Argentina), Indonesia and the Middle East (Saudi Arabia and Oman)) transactions, capital raisings, resources project (debt) financing, spin-outs/demergers and IPO's/re-listings on ASX and capital management initiatives and has extensive experience in public company administration, corporations law, ASIC/ASX compliance and investor/shareholder relations.

Relevant interest in 1,422,621 shares

securities 1,000,000 Executive Options (\$1.39, 29 November 2024)

5,000,000 Executive Options (\$1.06, 4 October 2025)

Other positions held in listed Executive Director and Company Secretary of:

- entities*
- Strike Resources Limited (ASX:SRK) (Director since 17 January 2014; Secretary since 30 September 2015)
 - Orion Equities Limited (ASX:OEQ) (Secretary since 2 August 2000; Director since 4 July 2003)
 - Queste Communications Ltd (ASX:QUE) (Secretary since 30 August 2000; Director since 3 April 2013)

Company Secretary of Bentley Capital Limited (ASX:BEL) (since 5 February 2004)

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

Name of Director	No. Meetings Attended	Max. Possible Meetings
William Johnson	13	13
Farooq Khan	13	13
Peter Smith	13	13

Board Committees

During the financial year and as at the date of this Directors' Report, the Company did not have separate designated Audit, Remuneration or Nomination Committees. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special Board sub-committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate corporate governance and ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit, remuneration or nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing separate audit, remuneration or nomination committees.

REMUNERATION REPORT

This Remuneration Report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior manager) (**Key Management Personnel** or **KMP**) of the Company.³⁷

The information provided under headings (1) to (8) below has been audited for compliance with section 300A of the *Corporations Act 2001 (Cth)* as required under section 308(3C).

(1) Key Management Personnel disclosed in this report

Name	Position	Tenure
William Johnson	Executive Chairman	Since 14 January 2021 (on incorporation of the Company)
Farooq Khan	Executive Director	Since 14 January 2021 (on incorporation of the Company)
Peter Smith	Executive Director	Since 18 March 2021
Victor Ho	Company Secretary	Since 14 January 2021 (on incorporation of the Company)

(2) Remuneration Policy

The Board determines the remuneration structure of all Key Management Personnel having regard to Lithium Energy's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice (including available data concerning remuneration paid by other listed companies in particular companies of comparable size and nature within the resources sector in which Lithium Energy operates), the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

Non-Executive Directors: The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. Payments to the Non-Executive Directors are reviewed annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders and is currently set at \$250,000 per annum in aggregate. Fees for Non-Executive Directors are not linked to the performance of the Company. Non-Executive Directors are entitled to receive incentive equity-based benefits (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves. The Company has adopted a Securities Incentive Plan (Plan), which the Directors are eligible to participate in, however, any securities proposed to be issued to a Director under the Plan or otherwise will require prior shareholder approval under the ASX Listing Rules and Corporations Act. There are currently no Non-Executive Directors appointed to the Board though the Company will consider appointing such directors in the future should the size and scale of the operations of the Company warrant such appointment(s).

Senior Executives: The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. The remuneration of Senior Executives, including a Managing Director (if appointed) and Executive Directors (including the Executive Chairman), may be fixed by the Board and may be by way of salary or commission or participation in profits or by all or any of those modes, but may not be by a commission on or percentage of operating revenue. A salary may be provided wholly in cash unless the Directors, with the agreement of the Executive Director/Chairman concerned, determine that the whole or part of a salary is to be satisfied in the form of non-cash benefits, including the issue or purchase of shares in the Company or the grant of options or rights to subscribe for such shares (subject to the Corporations Act and ASX Listing Rules).

³⁷ KMP is as defined under the ASX Listing Rules, which adopts the meaning in Accounting Standard AASB 124 (Related Party Disclosure), being "those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity"

REMUNERATION REPORT

In addition to the foregoing, the longer-term remuneration of Senior Executives may include participation in any equity incentive scheme, as approved by shareholders. By remunerating Senior Executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders.

Fixed Cash Short-Term Employment Benefits: The Board has determined the following fixed cash remuneration for current Key Management Personnel as follows (as at 30 June 2024):

- (a) Mr William Johnson (Executive Chairman) - a base salary fee of \$300,000 per annum plus employer superannuation contributions;
- (b) Mr Peter Smith (Executive Director) - a base salary fee of \$250,000 per annum plus employer superannuation contributions;
- (c) Mr Farooq Khan (Executive Director) - a base salary fee of \$100,000 per annum plus employer superannuation contributions;
- (d) Mr Victor Ho (Company Secretary) - a base salary fee of \$100,000 per annum plus employer superannuation contributions.

Special Exertions and Reimbursements: Pursuant to the Company's Constitution, each Director is also entitled to receive:

- (a) Payment for reimbursement of all reasonable travelling, accommodation and other expenses incurred by a Director when travelling to or from meetings of the Directors or when otherwise engaged on the business of the Company; and
- (b) In respect of Non-Executive Directors, payment for the performance of extra services or the making of special exertions for the benefit of the Company (at the request of and with the concurrence of the Board).

Short-Term Benefits: The Company does not have any short-term incentive (STI) cash bonus schemes (or equivalent) in place for Key Management Personnel. The Company reserves the right to implement STI remuneration measures for Key Management Personnel if appropriate in the future.

Long Term Benefits: The Company does not have any long-term incentive (LTI) cash bonus schemes (or equivalent) in place for Key Management Personnel. The Company reserves the right to implement LTI remuneration measures for Key Management Personnel if appropriate in the future.

Securities Incentive Plan: The Company has adopted a Securities Incentive Plan (**Plan** or **SIP**)³⁸ pursuant to which the Board may offer to eligible persons (including Key Management Personnel) the opportunity to subscribe for securities (i.e. a share, option, performance right or other convertible security) in the Company on such terms and conditions as the Board may decide and otherwise pursuant to the rules of the Plan. The purpose of the Plan is to (a) assist in the reward, retention, and motivation of personnel; (b) link the reward of personnel to shareholder value creation; and (c) align the interests of personnel with shareholders of the Company by providing an opportunity to personnel to receive an equity interest in the Company. The Company's original Plan³⁹ was adopted in March 2021 (prior to the Company's admission to ASX). The Company has reviewed and updated the Plan in light of changes to the Corporations Act, which was adopted by shareholders at the Company's 2023 AGM⁴⁰.

38 Refer LEL Announcement dated 17 May 2021: Securities Incentive Plan Terms; a summary of the Plan is also in Section 16.4 (Securities Incentive Plan) of the Lithium Energy Prospectus (dated 30 March 2021).

39 Refer LEL Announcement dated 17 May 2021: Securities Incentive Plan Terms; a summary of the Plan was also in Section 16.4 (Securities Incentive Plan) of the Lithium Energy Prospectus (dated 30 March 2021).

40 Refer LEL Notice of Annual General Meeting and Explanatory Statement dated 12 September 2023; summary of the Plan is also in Annexure A to the Explanatory Statement.

REMUNERATION REPORT

Equity-Based Benefits: During the financial year, the Company issued a total of 4,991,569 new shares⁴¹ on the exercise of a total of 10 million unlisted Executive Options (\$0.30, 18 March 2024)⁴² to Key Management Personnel (being the Executive Directors and the Company Secretary). The Company may propose the issue of securities to Key Management Personnel in the future (as an equity-based incentive benefit), which will be put to shareholders for approval at that time (as required under the ASX Listing Rules and/or Corporations Act).

During the financial year, Axon Graphite Limited (being a subsidiary of the Company), issued a total of 7 million unlisted Personnel Options (\$0.30, 22 June 2028) (each with an exercise price of \$0.30 and an exercise term expiring on 22 June 2028) to the Directors, Company Secretary and Chief Executive Officer-designate of Axon Graphite as part of their remuneration and pursuant to Axon Graphite's Employee Awards Plan. 50% of these Personnel Options will vest on commencement of quotation of Axon Graphite's shares on the ASX (**Quotation Date**), 25% on the first anniversary of the Quotation Date and the 25% on the second anniversary of the Quotation Date. Further details are in Section (4) (Equity Based Benefits) below. Subsequent to balance date (in August 2024), a further 1 million Personnel Options (\$0.30, 22 June 2028) (within the same class as the existing Personnel Options on issue) were issued to a nominee of the Chair of Axon Graphite.

During the financial year, the Company granted 250,000 SIP Options (\$0.935, 10 August 2026) to two employees (not a Key Management Personnel), as part of their remuneration and pursuant to the SIP.⁴³

Post-Employment Benefits: The Company does not presently provide retirement benefits to Key Management Personnel. The Company notes that shareholder approval is required where a Company proposes to make a "termination payment" (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year's "base salary" (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

Performance-Related Benefits and Financial Performance of Company: Save for any applicable STI(s), LTI(s) or equity-based benefits that may be provided to Key Management Personnel from time to time, the remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance. The Company reserves the right to implement remuneration measures that are performance related or linked to the Company's performance if appropriate in the future (subject to prior shareholder approval where applicable).

In considering the Company's performance and its effects on shareholder wealth, Directors have had regard to the data set out below for the latest financial year, previous 2023 and 2022 financial years and the financial period to 30 June 2021 (the Company does not have a full year financial dataset as it was only incorporated on 14 January 2021):

	2024	2023	2022	2021
Loss Before Income Tax (\$)	4,823,554	12,066,851	2,305,366	1,128,361
Basic Loss per share (cents)	4.78	12.67	2.88	4.08
Dividends Paid (total) (\$)	-	-	-	-
VWAP Share Price on ASX for financial year/period (\$)	0.59	0.94	0.90	0.42
Closing Bid Share Price on ASX at 30 June (\$)	0.37	0.86	0.63	0.37

41 Refer LEL ASX Announcement dated 19 March 2024: Application for quotation of securities - LEL

42 Refer Section 16.3 (Rights Attaching to Executive Options) of the Company's Prospectus (dated 30 March 2021) for terms and conditions of the Executive Options

43 Refer LEL Announcement dated 16 August 2023: Notification regarding unquoted securities - LEL

REMUNERATION REPORT

Company Constitution: The Company's Constitution⁴⁴ also contains provisions in relation to the remuneration of the Managing Director, Executive Director and Non-Executive Directors. A summary of these provisions are in Section 13.4 (Remuneration of Directors) of the Lithium Energy Prospectus (dated 30 March 2021).

Corporate Governance Principles: The Company's Corporate Governance Statement (CGS) also addresses matters pertaining to the Board, Senior Management and Remuneration. The latest (2023) version of the Company's CGS was released on ASX on 8 September 2023. This CGS will be updated (and released on ASX) when finalising the Company's upcoming 2024 Annual Report. The latest version of the CGS may also be downloaded from the Company's website: <https://lithiumenergy.com.au/who-we-are/corporate-governance/>

(3) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each Key Management Personnel paid or payable by the Company during the financial year are as follows:

2024		Short-term Benefits		Post-Employment Benefits	Other Long-term Benefits	Equity-Based Benefits	
KMP	Performance - related %	Cash salary and fees \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Shares & options \$	Total \$
Directors:							
William Johnson	-	300,000	-	33,000	-	-	333,000
Peter Smith	-	250,000	-	27,500	-	-	277,500
Farooq Khan	-	100,000	-	11,000	-	-	111,000
Company Secretary:							
Victor Ho	-	100,000	-	11,000	-	-	111,000

2023		Short-term Benefits		Post-Employment Benefits	Other Long-term Benefits	Equity-Based Benefits	
KMP	Performance - related %	Cash salary and fees \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Shares & options ^(b) \$	Total \$
Directors:							
William Johnson	-	83,333	-	8,750	-	2,837,723	2,929,806
Peter Smith	-	208,333	-	21,875	-	1,418,862	1,649,070
Farooq Khan	-	83,333	-	8,750	-	2,837,723	2,929,806
Company Secretary:							
Victor Ho	-	78,733	-	8,267	-	2,837,723	2,924,723

Note:

- (a) Equity-based benefits comprise the issue of a total of 17.5 million Executive Options (\$1.06, 5 October 2025) after receipt of shareholder approval.⁴⁵

⁴⁴ Refer LEL ASX Announcement released on 17 May 2021: Constitution

⁴⁵ Refer LEL Announcements dated 5 October 2022: Notification regarding unquoted securities – LEL, 5 October 2022: Results of 2022 Annual General Meeting and LEL's Notice of Annual General Meeting and Explanatory Statement dated 22 August 2022 and released on ASX on 2 September 2022

REMUNERATION REPORT

(4) Equity-Based Benefits

The Company has not granted any equity-based benefits to Key Management Personnel during the financial year.

During the financial year, Axon Graphite Limited (being a subsidiary of the Company), issued a total of 7 million unlisted Personnel Options (\$0.30, 22 June 2028) (each with an exercise price of \$0.30 and an exercise term expiring on 22 June 2028) to officers of Axon Graphite (who are considered to be Key Management Personnel) as part of their remuneration and pursuant to Axon Graphite's Employee Awards Plan.

Axon Graphite Officer and KMP	Axon Graphite Position	Nº of Options	Issue Date	Exercise Price	Expiry Date	Vesting Conditions
Farooq Khan	Executive Director	1,000,000	24 June 2024	\$0.30	22 June 2028	50% will vest on Quotation Date, 25% on the first anniversary of the Quotation Date and 25% on the second anniversary of the Quotation Date
William M. Johnson	Non-Executive Director	1,000,000	24 June 2024	\$0.30	22 June 2028	
Victor P.H. Ho	Company Secretary	1,000,000	24 June 2024	\$0.30	22 June 2028	

The fair value of these Personnel Options (being \$0.11105 per option) is calculated using an options valuation model, which assumes an underlying share price of \$0.20 (based on Axon Graphite's IPO issue price), a risk-free rate of 4.026% per annum (based on the 4 year Australian bond yield rate as at 24 June 2024) and a volatility rate of 85% for the underlying shares. The fair value of these options will be recognised as a Personnel expense over their vesting period; no expense has been recognised for the financial year ended 30 June 2024 as the options had not vested and the likelihood of their vesting (relating to the successful completion of Axon Graphite's IPO, its admission to the official list of the ASX and the quotation of its shares on ASX) is not assured, as at balance date. Further details are in Note 16 (Shared Based Payments) of the notes to the financial statements.

(5) Terms of Appointment

The Company does not presently have formal service or employment agreements with any Key Management Personnel but may enter into such agreements in the future.

The Company has issued letters of appointment (acknowledged by each Director) to confirm the terms of each Director's appointment as an Executive Director (Executive Chairman in the case of William Johnson), which include matters pertaining to their remuneration, their role, duties and accountabilities, their tenure (as a Director and as an executive), review of their performance, conflicts of interest, confidentiality, rights of access to corporate information, Director's indemnity and insurance, the disclosure of interests in securities, right to seek independent professional advice and professional development.

All Directors have entered into a Director's Disclosure Agreement with the Company pursuant to which the Director is obliged to provide the necessary information to the Company in a timely manner to enable the Company to comply with its disclosure obligations to ASX in relation to Directors' interests in securities and in contracts relevant to securities.

All Directors have entered into a Director's Access, Indemnity and Insurance Deed with the Company to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company (or wholly owned subsidiaries).

The Company has not entered into a formal agreement with the Company Secretary, but his terms of employment were resolved by the Board. The Company Secretary has entered into an Officer's Indemnity and Insurance Deed with the Company on terms similar to the Directors' Deeds.

REMUNERATION REPORT

(6) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

(7) Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the period. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Directors only are responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel. Furthermore, the Company has a policy that remuneration advice provided by remuneration consultants be quarantined from Management (who are not Directors) where applicable.

(8) Securities held by Key Management Personnel

The number of securities in the Company held by Key Management Personnel is set below:

Shares

Key Management Personnel	Balance at 30 June 2023	Received as part of remuneration	Net Other Change	Balance at 30 June 2024
William Johnson	110,000	-	1,422,621 ⁴⁶	1,532,621
Peter Smith	450,000	-	723,706 ⁴⁷	1,173,706
Farooq Khan	25,000	-	1,422,621 ⁴⁸	1,447,621
Victor Ho	96,154	-	1,422,621	1,518,775

Executive Options (\$0.30, 18 March 2024)

Key Management Personnel	Balance at 30 June 2023	Received as part of remuneration	Net Other Change	Balance at 30 June 2024
William Johnson	2,850,000	-	(2,850,000)	-
Peter Smith	1,450,000	-	(1,450,000)	-
Farooq Khan	2,850,000	-	(2,850,000)	-
Victor Ho	2,850,000	-	(2,850,000)	-

Executive Options (\$1.39, 29 November 2024)

Key Management Personnel	Balance at 30 June 2023	Received as part of remuneration	Net Other Change	Balance at 30 June 2024
William Johnson	1,000,000	-	-	1,000,000
Peter Smith	500,000	-	-	500,000
Farooq Khan	1,000,000	-	-	1,000,000
Victor Ho	1,000,000	-	-	1,000,000

⁴⁶ Refer LEL ASX Announcement released on 19 March 2024: Change of Director's Interest Notice - William Johnson

⁴⁷ Refer LEL ASX Announcement released on 19 March 2024: Change of Director's Interest Notice - Peter Smith

⁴⁸ Refer LEL ASX Announcement released on 19 March 2024: Change of Director's Interest Notice - Farooq Khan

REMUNERATION REPORT

Executive Options (\$1.06, 5 October 2025)

Key Management Personnel	Balance at 30 June 2023	Received as part of remuneration	Net Other Change	Balance at 30 June 2024
William Johnson	5,000,000	-	-	5,000,000
Peter Smith	2,500,000	-	-	2,500,000
Farooq Khan	5,000,000	-	-	5,000,000
Victor Ho	5,000,000	-	-	5,000,000

Notes to above tables:

- (A) The Executive Options (\$0.30, 18 March 2024) were granted on 19 March 2021, each with an exercise price of \$0.30 and an expiry date of 18 March 2024 and are subject to escrow until 19 May 2023. The terms and conditions of these Executive Options are in Section 16.3 (Rights Attached to Executive Options) of the Lithium Energy Prospectus (dated 30 March 2021). These Executive Options were exercised on 18 March 2024.⁴⁹
- (B) The Executive Options (\$1.39, 29 November 2024) were granted on 30 November 2021, each with an exercise price of \$1.39 and an expiry date of 29 November 2024. The terms and conditions of these Executive Options are in Annexure B (Terms and Conditions of New Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 18 October 2021 and released on ASX on 28 October 2021.
- (C) The Executive Options (\$1.06, 4 October 2025) were granted on 5 October 2025, each with an exercise price of \$1.06 and an expiry date of 4 October 2025. The terms and conditions of these Executive Options are in Annexure B (Terms and Conditions of New Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 22 August 2022 and released on ASX on 2 September 2022.
- (D) The disclosures of security holdings above are in accordance with the accounting standards which require disclosure of securities held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures).

The number of securities in Axon Graphite (being a subsidiary of the Company) held by officers of Axon Graphite (who are considered to be Key Management Personnel) as at balance date is set out below:

Axon Graphite Personnel Options (\$0.30, 22 June 2028)

Axon Graphite Officer and KMP	Axon Graphite Position	Balance at 30 June 2023	Received as part of remuneration	Net Other Change	Balance at 30 June 2024
Farooq Khan	Executive Director	-	1,000,000	-	1,000,000
William M. Johnson	Non-Executive Director	-	1,000,000	-	1,000,000
Victor P.H. Ho	Company Secretary	-	1,000,000	-	1,000,000

Note:

- (A) The Axon Graphite Personnel Options (\$0.30, 22 June 2028) were issued on 24 June 2024, each with an exercise price of \$0.30 and an exercise term expiring on 22 June 2028). 50% of these Personnel Options will vest on commencement of the Quotation Date, 25% on the first anniversary of the Quotation Date and the 25% on the second anniversary of the Quotation Date.

(9) Voting and Comments on the Remuneration Report at Last AGM

At the Company's most recent (2023) AGM, a resolution to adopt the prior year (2023) Remuneration Report was passed on a poll with 98.4% of votes in favour of adopting the Remuneration Report.⁵⁰ No comments were made on the Remuneration Report at the AGM.

This concludes the audited Remuneration Report.

49 Refer LEL ASX Announcement dated 19 March 2024: Application for quotation of securities - LEL

50 Refer LEL ASX Announcement dated 12 October 2023: Results of 2023 Annual General Meeting

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' INSURANCE

The Company insures Directors and Officers against liability they may incur in respect of any wrongful acts or omissions made by them in such capacity (to the extent permitted by the *Corporations Act 2001 (Cth)*) (**D&O Policy**). Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

DIRECTORS' AND OFFICERS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the *Corporations Act 2001 (Cth)*), the Company has also entered into an Access, Indemnity and Insurance Deed with each of the Directors and the Company Secretary (**Officer**) to regulate certain matters between the Company and each Officer, both during the time the Officer holds office and after the Officer ceases to be an officer of the Company, including the following matters:

- (a) The Company's obligation to indemnify an Officer for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the *Corporations Act 2001 (Cth)*); and
- (b) Subject to the terms of the deed and the *Corporations Act 2001 (Cth)*, the Company may advance monies to the Officer to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Officer.

A summary of the Access, Indemnity and Insurance Deed is in Section 13.7 (Directors' Deed) of the Lithium Energy Prospectus.

LEGAL PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of a court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of such proceedings. The Company was not a party to any such proceedings during and since the financial year.

AUDITOR

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the financial year are set out below:

Auditor	Audit & Review Fees \$	Non-Audit Services \$	Total \$
In.Corp Audit & Assurance Pty Ltd	37,700	-	37,700

On 15 January 2024, Rothsay Audit & Assurance Pty Ltd ABN 14 129 769 151 changed its name to In.Corp Audit & Assurance Pty Ltd.

In.Corp Audit & Assurance Pty Ltd continues in office in accordance with section 327C of the Corporations Act 2001 (Cth).

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 28. This relates to the Independent Auditor's Report, where the Auditors state that they have issued an independence declaration.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report or the financial statements or notes thereto (in particular Note 24, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board,



William Johnson
Executive Chairman

27 September 2024

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION
307C OF THE CORPORATIONS ACT 2001**

To the directors of Lithium Energy Limited:

As lead auditor of the audit of Lithium Energy Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lithium Energy Limited and the entities it controlled during the year.

In.Corp Audit & Assurance Pty Ltd



Daniel Dalla
Director

27 September 2024

In.Corp Audit & Assurance Pty Ltd
ABN 14 129 769 151

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2024

	Note	2024	2023
		\$	\$
REVENUE	2		
Interest revenue		174,871	324,086
Other			
Foreign exchange gain		-	190,645
TOTAL REVENUE AND INCOME		174,871	514,731
EXPENSES	3		
Personnel expenses		(2,572,126)	(1,182,901)
Share-based payments		(134,398)	(10,051,971)
Corporate expenses		(645,250)	(836,211)
Foreign exchange loss		(802,898)	-
Occupancy expenses		(86,318)	(38,103)
Exploration and evaluation expenses		(44,971)	(8,862)
Finance expenses		(79,349)	(2,910)
Spin-out expenses		(69,057)	-
Administration expenses		(564,058)	(460,624)
LOSS BEFORE INCOME TAX		(4,823,554)	(12,066,851)
Income tax expense		-	-
LOSS FOR THE YEAR		(4,823,554)	(12,066,851)
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income, Net of Tax			
Exchange differences on translation of foreign operations		698,127	134,484
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(4,125,427)	(11,932,367)
LOSS ATTRIBUTABLE TO:			
Owners of Lithium Energy Limited		(5,030,718)	(11,619,210)
Non-controlling interest		207,164	(447,641)
		(4,823,554)	(12,066,851)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:			
Owners of Lithium Energy Limited		(4,713,927)	(11,484,726)
Non-controlling interest		588,500	(447,641)
		(4,125,427)	(11,932,367)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted loss per share (cents)	6	(4.78)	(12.67)

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

	Note	2024 \$	2023 \$
CURRENT ASSETS			
Cash and cash equivalents	7	3,515,174	9,436,225
Receivables	9	224,852	484,628
Other current assets		26,017	143,705
		3,766,043	10,064,558
Assets classified as held for sale	10	24,959,954	-
TOTAL CURRENT ASSETS		28,725,997	10,064,558
NON-CURRENT ASSETS			
Receivables	9	-	1,789,202
Exploration and evaluation expenditure	11	3,806,312	21,251,803
Property, plant and equipment		15,461	214,625
TOTAL NON-CURRENT ASSETS		3,821,773	23,255,630
TOTAL ASSETS		32,547,770	33,320,188
CURRENT LIABILITIES			
Payables	12	2,974,584	1,143,819
Provisions		127,343	52,676
		3,101,927	1,196,495
Liabilities directly associated with assets classified as held for sale	10	125,995	-
TOTAL CURRENT LIABILITIES		3,227,922	1,196,495
TOTAL LIABILITIES		3,227,922	1,196,495
NET ASSETS		29,319,848	32,123,693
EQUITY			
Issued capital	13	36,827,877	34,574,590
Reserves	15	12,434,767	13,049,681
Accumulated losses		(20,081,557)	(15,050,839)
Parent Interest		29,181,087	32,573,432
Non-controlling interest	16	138,761	(449,739)
TOTAL EQUITY		29,319,848	32,123,693

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

	Note	Issued capital \$	Foreign Currency Translation reserve \$	Share- based payments reserve \$	Non- controlling interest \$	Accumulated losses \$	Total \$
BALANCE AT 1 JULY 2022		15,006,458	79,618	2,434,104	(2,098)	(3,431,629)	14,086,453
Loss for the year		-	-	-	(447,641)	(11,619,210)	(12,066,851)
Other comprehensive income		-	134,484	-	-	-	134,484
Total comprehensive income for the year		-	134,484	-	(447,641)	(11,619,210)	(11,932,367)
Transactions with owners in their capacity as owners:							
Issue of shares		19,568,132	-	-	-	-	19,568,132
Issue of options	17	-	-	10,401,475	-	-	10,401,475
BALANCE AT 30 JUNE 2023		34,574,590	214,102	12,835,579	(449,739)	(15,050,839)	32,123,693
BALANCE AT 1 JULY 2023		34,574,590	214,102	12,835,579	(449,739)	(15,050,839)	32,123,693
Loss for the year		-	-	-	207,164	(5,030,718)	(4,823,554)
Other comprehensive income		-	316,790	-	381,336	-	698,126
Total comprehensive income for the year		-	316,790	-	588,500	(5,030,718)	(4,125,428)
Transactions with owners in their capacity as owners:							
Issue of shares	13	2,253,287	-	(1,066,103)	-	-	1,187,184
Acquisition of subsidiary	15	-	-	-	-	-	-
Issue of options	17	-	-	134,399	-	-	134,399
BALANCE AT 30 JUNE 2024		36,827,877	530,892	11,903,875	138,761	(20,081,557)	29,319,848

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2024

	2024	2023
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(4,568,560)	(3,885,303)
Payments for exploration and evaluation	(44,970)	(8,862)
NET CASH USED IN OPERATING ACTIVITIES	7(a) (4,613,530)	(3,894,165)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	196,654	302,302
Payment for acquisition of tenements	(10,000)	(5,993,622)
Payments for exploration and evaluation	(5,303,046)	(7,721,371)
Payment for purchases of plant and equipment	9,647	(172,234)
Deposit received under agreement for sale of interest in Solaroz Lithium Project	2,713,066	-
NET CASH USED IN INVESTING ACTIVITIES	(2,393,679)	(13,584,925)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	1,200,000	21,400,000
Cost of issuing shares	(12,815)	(1,482,364)
Proceeds from borrowings	51,000	-
Axon Graphite IPO costs	(47,256)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,190,929	19,917,636
NET DECREASE IN CASH HELD	(5,816,280)	2,438,546
Cash and cash equivalents at beginning of the year	9,436,225	6,672,551
Effect of exchange rate changes on cash held	(104,771)	325,128
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7 3,515,174	9,436,225

The accompanying notes form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

1. ABOUT THIS FINANCIAL REPORT

1.1 Background

Lithium Energy Limited ABN 94 647 135 108 is a company limited by shares incorporated in Australia on 14 January 2021 (the **Company** or **LEL**) as a wholly-owned subsidiary of Strike Resources Limited ABN 94 088 488 724 (ASX:SRK) (**Strike**).

Strike's 100% shareholding in the Company was diluted on the completion of a \$9 million initial public offering (**IPO**) pursuant to a Prospectus (dated 30 March 2021) (**Prospectus**) with the issue of 45,000,000 shares (at \$0.20 per share) on 7 May 2021.

The Company was admitted to the Official List of the Australian Securities Exchange (**ASX**) on 17 May 2021 and commenced quotation/trading on ASX on 19 May 2021.

The controlled entities of the Company during the financial year are:

- (a) Axon Graphite Limited (formerly Axon Graphite Pty Ltd, Burke Graphite Pty Ltd, LE Australian Operations Pty Ltd) ABN 73 119 438 265 (incorporated in Australia) (**Axon Graphite**), being a wholly-owned subsidiary of the Company;
- (b) Burke Minerals Pty Ltd ABN 52 166 886 826 (**BMPL**), being a wholly-owned subsidiary of Axon Graphite;
- (c) LE Operations Pty Ltd ABN 12 102 978 370 (incorporated in Australia) (**LEOPL**), being a wholly-owned subsidiary of the Company; and
- (d) Solaroz S.A. (formerly Hananta S.A.) (registered in Argentina) (**Solaroz**), in which LEOPL has a 90% shareholding.

This financial report covers the consolidated financial statement of the consolidated entity consisting of the Company and its controlled entities (the **Consolidated Entity** or **Lithium Energy**). The financial report is presented in the Australian currency.

These financial statements have been prepared on a streamlined basis where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Consolidated Entity.

Information is considered material and relevant if, for example:

- (a) the amount in question is significant because of its size or nature;
- (b) it is important for understanding the results of the Consolidated Entity;
- (c) it helps to explain the impact of significant changes in the Consolidated Entity's business; or
- (d) it relates to an aspect of the Consolidated Entity's operations that may be important to its future performance.

The notes to the financial statements are organised into the following sections:

- (a) **Key Performance:** Provides a breakdown of the key individual line items in profit or loss that is most relevant to understanding performance and shareholder returns for the period:

Notes	
2	Revenue
3	Expenses
4	Segment information
5	Tax
6	Loss per share

- (b) **Financial Risk Management:** Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

Notes	
7	Cash and cash equivalents
8	Financial risk management

- (c) **Other Assets and Liabilities:** Provides information on other balance sheet assets and liabilities that materially affect performance or give rise to material financial risk:

Notes	
9	Receivables
10	Assets and Liabilities Classified as Held for Sale
11	Exploration and evaluation expenditure
12	Payables

- (d) **Capital Structure:** This section outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

Notes	
13	Issued capital
14	Capital risk management
15	Reserves
16	Non-controlling interest
17	Share-based payments

- (e) **Consolidated Entity Structure:** Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the period. Disclosure on related parties is also provided in the section:

Notes	
18	Parent entity information
19	Investment in controlled entities
20	Related party transactions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

(f) **Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

Notes

- 21 Auditors' remuneration
- 22 Commitments
- 23 Contingencies
- 24 Events occurring after the reporting period

Significant and other accounting policies that summarise the measurement basis used and presentation policies and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

1.2 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001 (Cth)*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Consolidated Entity comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting Basis and Financial Statement Presentation

The financial report has been prepared on a going concern and accrual basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied throughout the period presented, unless otherwise stated.

1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2024 and the results of its subsidiaries for the period then ended. The Company and its subsidiaries are referred to in this financial report as Lithium Energy or the Consolidated Entity.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1.4 Comparative Figures

Certain comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1.5 New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not mandatory have not been early adopted. These are not expected to have a material impact on the Consolidated Entity's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

2. REVENUE

The Consolidated Entity's operating loss before income tax includes the following items of revenue:

	2024	2023
Revenue	\$	\$
Interest revenue	174,871	324,086
Other		
Foreign exchange gain	-	190,645
	174,871	514,731

3. EXPENSES

The Consolidated Entity's operating loss before income tax includes the following items of expenses:

Personnel expenses		
Salaries, fees and employee benefits	2,426,784	1,100,068
Superannuation	145,342	82,833
Share-based payments - Executive and SIP Options	134,398	10,051,971
Corporate expenses		
Professional fees	196,624	449,109
Auditor fees	37,700	23,000
ASX and CHESS fees	67,390	68,054
Share registry	20,851	29,475
ASIC fees	9,155	9,337
Accounting, taxation and related administration	156,420	80,818
Investor relations	151,992	168,487
Other corporate expenses	5,118	7,931
Foreign exchange loss	802,898	-
Occupancy expenses	86,318	38,103
Exploration and evaluation expenses	44,971	8,862
Finance expenses	79,349	2,910
Spin-out expenses	69,057	-
Administration expenses		
Travel, accommodation and incidentals	210,380	165,695
Insurance	49,377	22,544
Depreciation	15,296	11,217
Other administration expenses	289,005	261,168
	4,998,425	12,581,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

4. SEGMENT INFORMATION

	Argentina \$	Australia \$	Total \$
2024			
Revenue	34,963	139,908	174,871
Total segment revenues	34,963	139,908	174,871
Personnel expenses	1,008,155	1,698,369	2,706,524
Corporate expenses	66,190	579,060	645,250
Occupancy expenses	19,690	66,628	86,318
Exploration and evaluation expenses	39,468	5,503	44,971
Finance expenses	75,217	4,132	79,349
Spin-out expenses	-	69,057	69,057
Depreciation expense	-	15,296	15,296
Other expenses	937,349	414,311	1,351,660
Total segment profit/(loss)	(2,111,106)	(2,712,448)	(4,823,554)
Adjusted EBITDA	(2,037,926)	(2,697,152)	(4,735,078)
Total segment assets	24,925,166	7,622,604	32,547,770
Total segment liabilities	125,995	3,101,927	3,227,922
2023			
Revenue	61,201	262,885	324,086
Other	358,008	(167,363)	190,645
Total segment revenues	419,209	95,522	514,731
Personnel expenses	265,678	10,969,194	11,234,872
Corporate expenses	1,038,704	(202,493)	836,211
Occupancy expenses	-	38,103	38,103
Exploration and evaluation expenses	-	8,862	8,862
Finance expenses	1,186	1,724	2,910
Depreciation expense	-	11,217	11,217
Other expenses	117,568	331,839	449,407
Total segment loss	(1,003,927)	(11,062,924)	(12,066,851)
Adjusted EBITDA	(1,003,927)	(11,051,707)	(12,055,634)
Total segment assets	20,784,988	12,535,200	33,320,188
Total segment liabilities	54,257	1,142,238	1,196,495

Accounting policy

The operating segments are reported in a manner consistent with the internal reporting provided to the Executive Chairman. The Executive Chairman is responsible for allocating resources and assessing performance of the operating segments and has considered the business and geographical perspectives of the operating results and determined that the Consolidated Entity operates only in Australia and Argentina.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

5. TAX

	2024	2023
	\$	\$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) The prima facie tax on operating loss before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on operating loss before income tax at 25% (2023:25%)	(1,205,889)	(3,016,713)
Adjust tax effect of:		
Non-deductible expenses	122,720	2,566,133
Current year tax losses not recognised	1,083,169	450,580
Income tax attributable to entity	-	-
(c) Unrecognised deferred tax balances		
Unrecognised deferred tax asset - revenue losses	2,128,816	2,534,557

Critical accounting judgement and estimate

Deferred tax assets have not been recognised as, in the Directors' opinion, it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. The utilisation of revenue and capital tax losses are subject to compliance with taxation legislation.

6. LOSS PER SHARE

	2024	2023
	cents	cents
Basic and diluted loss per share	(4.78)	(12.67)
The following represents the loss and weighted average number of shares used in the loss per share calculations:		
Net loss after income tax (\$)	(5,030,718)	(11,619,210)
	Shares	Shares
Weighted average number of ordinary shares	105,335,473	91,683,973

7. CASH AND CASH EQUIVALENTS

	2024	2023
	\$	\$
Cash at bank	3,515,174	8,436,225
Term deposits	-	1,000,000
	3,515,174	9,436,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

7. CASH AND CASH EQUIVALENTS (continued)

(a) Reconciliation of operating loss after income tax to net cash used in operating activities	2024	2023
	\$	\$
Loss after income tax	(4,823,554)	(12,066,851)
Interest revenue generated as part of investment activity	(174,871)	(324,086)
Add non-cash items:		
Share-based payments	134,398	10,051,971
Depreciation	15,296	11,217
Adjustment for movement in foreign exchange	802,895	(190,645)
Changes in assets and liabilities:		
Receivables	-	(1,747,266)
Other current assets	117,688	(25,000)
Payables	(772,757)	362,064
Provisions	87,375	34,431
	(4,613,530)	(3,894,165)

8. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist of deposits with banks, receivables and payables. The Consolidated Entity's financial instruments are subject to market (which includes interest rate and foreign exchange risk), credit and liquidity risks.

The Board is responsible for the overall internal control framework (which includes risk management) but no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably qualified management personnel. The effectiveness of the system is continually reviewed by management and at least annually by the Board.

The financial receivables and payables of the Consolidated Entity in the table below are due or payable within 30 days. The Consolidated Entity holds the following financial assets and liabilities:

		2024	2023
	Note	\$	\$
Cash and cash equivalents	7	3,515,174	9,436,225
Receivables	9	224,852	484,628
		3,740,026	9,920,853
Payables	12	(2,974,584)	(1,143,819)
Net financial assets		765,442	8,777,034

(a) Market risk

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises of price risk from fluctuations in the fair value of equities, foreign exchange risk from fluctuations in foreign currencies and interest rate risk from fluctuations in market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

8. FINANCIAL RISK MANAGEMENT (continued)

(i) Foreign exchange risk

The Consolidated Entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars (**USD**) and Argentinian Pesos (**ARS**).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Consolidated Entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity has a policy of not hedging foreign exchange risk and therefore has not entered into any hedging against movements in foreign currencies against the Australian dollar, including forward exchange contracts, as at the reporting date and is currently fully exposed to foreign exchange risk.

The Consolidated Entity's exposure to foreign exchange risk expressed in Argentinian pesos at the reporting date are as follows:

	2024 ARS	2023 ARS
Cash and cash equivalents	126,257,768	23,087,230
Receivables	781,687,196	306,023,675
Payables	(64,535,284)	(1,824,996)
Net financial assets/(liabilities)	843,409,680	327,285,909

The Consolidated Entity has performed a sensitivity analysis on its exposure to exchange risk. The management assessment is based upon an analysis of current and future market position. The analysis demonstrates the effect on the current period results and equity when the Australian dollar strengthened or weakened by 10% against the foreign currencies detailed above.

	Impact on post-tax profit		Impact on equity	
	2024	2023	2024	2023
	\$	\$	\$	\$
Increase 10%	1,529,642	160,217	1,529,642	160,217
Decrease 10%	(1,529,642)	(160,217)	(1,529,642)	160,217

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The weighted average interest rate of the cash at bank for the period for the table below is 4.19% (2023: 4.42%).

	2024 \$	2023 \$
Cash at bank	3,515,174	8,436,225
Term deposit	-	1,000,000
	3,515,174	9,436,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

8. FINANCIAL RISK MANAGEMENT (continued)

(ii) Interest rate risk (continued)

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates based on observation of current market conditions. The calculations are based on a change in the average market interest rate and the financial instruments that are sensitive to changes in interest rates.

	Impact on post-tax profit		Impact on equity	
	2024	2023	2024	2023
	\$	\$	\$	\$
Increase by 25bps	8,788	23,591	8,788	23,591
Decrease by 25bps	(8,788)	(23,591)	8,788	(23,591)

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has no borrowings. The financial liabilities disclosed in the above table have a maturity obligation of not more than 30 days.

(c) Credit risk

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the Consolidated Entity. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables and committed transactions. Concentrations of credit risk are minimised primarily by the management carrying out all market transactions through recognised and creditworthy banks and brokers and the monitoring of receivable balances. The Consolidated Entity's business activities do not necessitate the requirement for collateral as a means of mitigating the risk of financial loss from defaults.

The credit quality of the financial assets are neither past due nor impaired and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below:

	2024	2023
	\$	\$
Cash and cash equivalents		
AA-	3,306,257	8,925,452
No external credit rating available	208,917	510,773
	3,515,174	9,436,225
Receivables (due within 30 days)		
No external credit rating available	224,852	484,628

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

9. RECEIVABLES

	2024	2023
	\$	\$
Current		
Deposits and bonds	68,000	68,000
Receivables	65,211	55,888
Other receivables	91,641	360,740
	<u>224,852</u>	<u>484,628</u>
Non-current		
VAT receivable by subsidiary, Solaroz S.A.	1,288,494	1,789,202
Classification as assets held for sale (refer to Note 10)	<u>(1,288,494)</u>	<u>-</u>
	<u>-</u>	<u>1,789,202</u>

Risk exposure

The Consolidated Entity's exposure to credit and interest rate risks is discussed in Note 8.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

	2024	2023
	\$	\$
Assets classified as held for sale		
Exploration and evaluation (Note 11)	23,497,239	-
Non-current receivable (Note 9)	1,288,494	-
Property, plant and equipment	174,221	-
	<u>24,959,954</u>	<u>-</u>
Liabilities directly associated with assets classified as held for sale		
Payables	113,287	-
Provisions	12,708	-
	<u>125,995</u>	<u>-</u>

Refer Note 23(d) for further details.

11. EXPLORATION AND EVALUATION EXPENDITURE

	2024	2023
	\$	\$
Opening balance	21,251,803	7,306,914
Exploration and evaluation costs	6,041,748	7,951,267
Acquisition of tenements	10,000	5,993,622
	<u>27,303,551</u>	<u>21,251,803</u>
Classification as assets held for sale (refer to Note 10)	<u>(23,497,239)</u>	<u>-</u>
Closing balance	<u>3,806,312</u>	<u>21,251,803</u>

Critical accounting estimates and judgements

The Consolidated Entity has assessed the carrying amount of the exploration and evaluation in accordance with AASB 6 (Exploration for and Evaluation of Mineral Resources). The ultimate recoverability of deferred exploration and evaluation expenditure is dependent on the successful development or sale of the relevant area of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

11. EXPLORATION AND EVALUATION EXPENDITURE (continued)

Accounting policy

Exploration and evaluation expenditure incurred is initially capitalised in respect of each identifiable area of interest where the Consolidated Entity has right of tenure. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically-recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Under AASB 6 (Exploration for and Evaluation of Mineral Resources), if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Consolidated Entity must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 (Impairment of Assets). Any impairment loss is to be recognised as an expense. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

12. PAYABLES

	2024	2023
	\$	\$
Trade payables	121,371	992,481
Financial assistance provided under IPO Funding Deed	51,000	-
Deposit received under agreement for sale of interest in Solaroz Lithium Project	2,713,066	-
Other creditors and accruals	89,147	151,338
	2,974,584	1,143,819

Deposit Received

Refer Note 23(d) for further details.

Financial Assistance provided under IPO Funding Deed

Refer Note 23(f) for further details.

13. ISSUED CAPITAL

	2024	2023
	\$	\$
112,001,569 fully paid ordinary shares (2023: 103,010,000 shares)	36,827,877	34,574,590

Movement in fully paid ordinary shares	Date of issue	Number of shares	\$
At 1 July 2022		80,010,000	15,006,458
Issue of shares at \$1.00 each	21 Sep 22	15,000,000	15,000,000
Issue of shares at \$0.80 each	29 Jun 23	8,000,000	6,400,000
Cost of share issue		-	(1,831,868)
At 30 June 2023		103,010,000	34,574,590
Conversion of options to shares (Note 17)	19 Mar 24	4,991,569	761,502
Conversion of options to shares (Note 17)	9 Apr 24	4,000,000	1,504,600
Cost of share issue		-	(12,815)
At 30 June 2024		112,001,569	36,827,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

13. ISSUED CAPITAL (continued)

On 19 March 2024, 4,991,569 shares were issued on the exercise of 10 million Executive Options (\$0.30, 18 March 2024), pursuant to clause 8.3 (Cashless Options Exercise Facility) of the option terms and conditions.

On 9 April 2024, 4 million shares were issued on the exercise of 4 million Broker Options (\$0.30, 4 May 2024); the Company received \$1.2 million cash proceeds from the exercise of these options.

14. CAPITAL RISK MANAGEMENT

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, share buy-backs, capital reductions and selling assets to reduce debt.

The Consolidated Entity has no external borrowings.

15. RESERVES

	2024	2023
	\$	\$
Share-based payments reserve (refer also to Note 17)	11,903,875	12,835,579
Foreign currency translation reserve	530,892	214,102
	12,434,767	13,049,681

(a) Share-based payments reserve

The Share-based payments reserve records the consideration (net of expenses) received by the Company on the issue of options. In relation to the Executive and Securities Incentive Plan (SIP) Options issued for nil consideration, the fair value of these options (refer Note 17) are included in the Share-based payments reserve.

(b) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the Foreign currency translation reserve as described in the accounting policy note below and accumulate in a separate reserve within equity. The cumulative amount is reclassified to Profit or Loss when the investment is disposed of.

16. NON-CONTROLLING INTEREST

	2024	2023
	\$	\$
Issued capital	21,877	29,550
Other reserve	359,460	(29,550)
Accumulated losses	(242,576)	(449,739)
	138,761	(449,739)

The non-controlling interest is a 10% (2023: 10%) equity holding in Solaroz S.A. (not held by the Company).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

16. NON-CONTROLLING INTEREST (continued)

Accounting policy

The Consolidated Entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Consolidated Entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve (refer to Note 15) within equity attributable to owners of Lithium Energy Limited.

17. SHARE BASED PAYMENTS

The Company had share based payments, as follows:

		Fair value	During the period						Vested and
Grant date	Expiry date	at grant date (\$)	Exercise price (\$)	Opening balance	Granted/ Issued	Exercised	Cancelled	Closing balance	exercisable at period end
For the year ended 30 June 2024									
19-Mar-21	18-Mar-24	0.076	0.300	10,000,000	-	(10,000,000)	-	-	-
05-May-21	04-May-24	0.076	0.300	4,000,000	-	(4,000,000)	-	-	-
30-Nov-21	29-Nov-24	0.384	1.390	3,500,000	-	-	-	3,500,000	3,500,000
16-Feb-22	15-Feb-25	0.460	1.595	100,000	-	-	-	100,000	100,000
21-Sep-22	20-Sep-25	0.466	1.500	750,000	-	-	-	750,000	750,000
05-Oct-22	04-Oct-25	0.568	1.060	17,500,000	-	-	-	17,500,000	17,500,000
01-Dec-22	30-Nov-25	0.440	1.320	400,000	-	-	-	400,000	400,000
11-Aug-23	10-Aug-26	0.338	0.940	-	250,000	-	-	250,000	-
				36,250,000	250,000	(14,000,000)	-	22,500,000	22,250,000
Weighted average exercise price (\$)				0.696	-	-	-	1.121	1.134
For the year ended 30 June 2023									
19-Mar-21	18-Mar-24	0.076	0.300	10,000,000	-	-	-	10,000,000	10,000,000
05-May-21	04-May-24	0.076	0.300	4,000,000	-	-	-	4,000,000	4,000,000
30-Nov-21	29-Nov-24	0.384	1.390	3,500,000	-	-	-	3,500,000	3,500,000
16-Feb-22	15-Feb-25	0.460	1.595	100,000	-	-	-	100,000	66,667
21-Sep-22	20-Sep-25	0.466	1.500	-	750,000	-	-	750,000	750,000
05-Oct-22	04-Oct-25	0.568	1.060	-	17,500,000	-	-	17,500,000	17,500,000
01-Dec-22	30-Nov-25	0.440	1.320	-	400,000	-	-	400,000	-
				17,600,000	18,650,000	-	-	36,250,000	35,816,667
Weighted average exercise price (\$)				0.521	1.055	-	-	0.796	0.805

The following shares were issued on the exercise of options during the financial year:

- 4,991,569 shares were issued on 19 March 2024 on the exercise of 10,000,000 Executive Options (granted on 19 March 2021, each with an exercise price of \$0.30 and an exercise term expiring on 18 March 2024), pursuant to clause 8.3 (Cashless Options Exercise Facility) of the option terms and conditions.
- 4,000,000 shares were issued on 9 April 2024 on the exercise of 4,000,000 Broker Options (granted on 5 May 2021, each with an exercise price of \$0.30 and an exercise term expiring on 4 May 2024); the Company received \$1.2 million cash proceeds from the exercise of these options.

The following options were issued during the financial year:

- 250,000 Securities Incentive Plan (SIP) Options were granted on 11 August 2023, each with an exercise price of \$0.94 and an exercise term expiring on 10 August 2026. Half of these options vested on 10 August 2024 and half will vest on 10 August 2025. The fair value of these options will be expensed over their vesting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

17. SHARE BASED PAYMENTS (continued)

The fair value of options issued were calculated using an options valuation model which assumes (as at the date of grant) an underlying Company share price of \$0.68, a risk-free rate of 3.9% per annum (based on the 3 year Australian bond yield rate) and a volatility rate of 86% for the underlying shares in the Company.

The subsidiary, Axon Graphite Limited (**AXG**) had share based payments, as follows:

		Fair value		During the period				Vested and	
Grant date	Expiry date	at grant date (\$)	Exercise price (\$)	Opening balance	Granted/ Issued	Exercised	Cancelled	Closing balance	exercisable at period end
For the year ended 30 June 2024									
24-Jun-24	24-Jun-28	0.111	0.300	-	7,000,000	-	-	7,000,000	-
Weighted average exercise price (\$)				-	0.200	-	-	0.200	-

The following options were issued by AXG during the financial year:

- (a) 7,000,000 Personnel Options were issued on 24 June 2024, each with an exercise price of \$0.30 and an exercise term expiring on 22 June 2028. 50% of these options will vest on commencement of quotation of AXG's shares on the ASX (**Quotation Date**), 25% on the first anniversary of the Quotation Date and the 25% on the 2nd anniversary of the Quotation Date.

The fair value of these options (\$0.11105 per option) is calculated using an options valuation model, which assumes an underlying share price of \$0.20 (based on AXG's proposed initial public offering (IPO) issue price), a risk-free rate of 4.026% per annum (based on the 4 year Australian bond yield rate as at 24 June 2024) and a volatility rate of 85% for the underlying shares. The fair value of these options will be recognised as a Personnel expense over their vesting period; no expense has been recognised for the financial year as the options had not vested and the likelihood of their vesting (relating to the successful completion of AXG's IPO, admission of AXG to the official list of the ASX and the quotation of AXG's shares on ASX) is not assured, as at balance date.

Accounting policy

Shared-based compensation benefits provided to personnel are accounted in accordance with AASB 2 (Share-based Payment).

The fair value of options granted are recognised as an employee benefits expense with a corresponding increase in equity. The total amount expensed are determined by reference to the fair value of the options granted, which takes into account market performance conditions and the impact of non-vesting conditions (if any) but excludes the impact of any service or non-market performance vesting conditions (if any).

Non-market vesting conditions (if any) are included in assumptions about the number of options that are expected to vest. Total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Consolidated Entity will revise its estimates of the number of options that are expected to vest based on applicable non-market vesting conditions. The Consolidated Entity will also recognise the impact of any revisions to the original estimates in profit or loss with a corresponding adjustment to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

18. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Lithium Energy Limited, as at 30 June 2024.

	2024	2023
	\$	\$
Statement of profit or loss and other comprehensive income		
Loss for the year	(2,623,116)	(11,734,481)
Other comprehensive income	-	-
Total comprehensive income for the year	(2,623,116)	(11,734,481)
Statement of financial position		
Current assets		
Cash and cash equivalents	917,604	8,843,926
Other	166,784	343,745
Non current assets	30,071,824	23,370,243
Total assets	31,156,212	32,557,914
Current liabilities	253,395	353,564
Total liabilities	253,395	353,564
Net assets	30,902,817	32,204,350
Issued capital	36,827,877	34,574,590
Reserves	11,903,875	12,835,579
Accumulated losses	(17,828,935)	(15,205,819)
Equity	30,902,817	32,204,350

Refer to Note 23 for the parent entity's contingent liabilities.

19. INVESTMENT IN CONTROLLED ENTITIES

Investment in controlled entities	Incorporated	Ownership interest	
		2024	2023
Axon Graphite Limited (formerly Burke Graphite Pty Ltd)	Australia	100%	100%
LE Operations Pty Ltd	Australia	100%	100%
Burke Minerals Pty Ltd	Australia	100%	100%
Scarborough Resources Pty Ltd (acquired on 13 May 24)	Australia	100%	-
LE Pakistan Operations Pty Ltd (incorporated 5 Oct 23)	Australia	100%	-
LEL Mining (SMC-Private) Limited (incorporated 31 Oct 23)	Pakistan	100%	-
Solaroz S.A. (formerly Hananta S.A.)	Argentina	90%	90%

Accounting policy

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

19. INVESTMENT IN CONTROLLED ENTITIES (continued)

Accounting policy (continued)

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

20. RELATED PARTY TRANSACTIONS

Transactions with key management personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the financial year. The total remuneration paid to KMP by the Consolidated Entity during the financial period are as follows:

	2024	2023
	\$	\$
Directors		
Short-term employee benefits	650,000	374,999
Post-employment benefits	71,500	39,375
Equity-based benefits	-	7,094,308
Other KMP		
Short-term employee benefits	100,000	78,733
Post-employment benefits	11,000	8,267
Equity-based benefits	-	2,837,723
	<u>832,500</u>	<u>10,433,405</u>

21. AUDITORS' REMUNERATION

During the financial period, the following fees were paid for services provided by the auditor of the parent entity and its subsidiary, its related practices and non-related audit firms:

	2024	2023
	\$	\$
In.Corp Audit & Assurance Pty Ltd		
Audit of financial statements	<u>37,700</u>	<u>23,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

22. COMMITMENTS

Mining Tenements/Concessions

(a) Australian Tenements

The Consolidated Entity is required to pay rates, rent and other annual fees to relevant Regulatory Authorities of the State (and Local) Government and meet minimum annual expenditure commitments (subject to successful applications for exemption in relation thereto) in order to maintain rights of tenure over its granted Australian mining tenements. The total amount of these commitments will depend upon the number and area of granted mining tenements held/retained, the length of time of each tenement held and whether and to what extent the Consolidated Entity has been successful in obtaining exemption(s) from meeting annual expenditure commitments.

In relation to the Consolidated Entity's tenements in Queensland, Australia, the Consolidated Entity is liable to pay the native title holder an administrative fee in respect of each tenement, pursuant to the Mineral Resources Act 1989 (Qld) and Mineral Resources Regulation 2013 (Qld).

(b) Argentinean Concessions

The Consolidated Entity is required to pay a licence and other annual fees to relevant Regulatory Authorities of the Argentine (and or regional/provincial) Government in respect of mineral concessions held in Argentina. The total amount of this commitment will depend upon, inter alia, the number and area of concessions held/retained and the length of time of each concession held.

23. CONTINGENCIES

(a) Directors' Deeds

The Consolidated Entity has entered into deeds of indemnity with the Directors and Company Secretary of the Company, indemnifying them against liability incurred in discharging their duties as officers. As at the reporting date, no claims have been made under any such indemnities and, accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

(b) Australian Native Title

The Consolidated Entity's tenements in Australia are (or may in the future be) subject to native title rights of the traditional owners under the Native Title Act 1993 (Cth). As at the reporting date, the Consolidated Entity has not entered into any native title related access and compensation agreements with any traditional owners and it is not possible to quantify the impact that native title may have on the operations of the Consolidated Entity in relation to these tenements.

(c) Government Royalties

The Consolidated Entity may be liable to pay royalties to Government on production obtained from its mineral tenements/concessions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

23. CONTINGENCIES (continued)

(d) Sale of Solaroz Lithium Brine Project Under Share Sale Agreement

On 26 April 2024, Lithium Energy Limited (**Lithium Energy** or **Company**) and LE Operations Pty Ltd (**LEOPL**) (being a wholly-owned subsidiary of the Company) entered into a Share Sale Agreement (**Solaroz SSA**) with CNGR Netherlands New Energy Technology B.V. (**CNNET**) for CNNET to acquire LEOPL's 90% shareholding in Argentinian company, Solaroz S.A. (**Solaroz**) for consideration totalling US\$63 million (~A\$97 million (based on an exchange rate of A\$1.00 : US\$0.65)) cash, which includes the assignment of a loan owed by Solaroz from LEOPL to CNNET (**Solaroz Sale**). Solaroz holds the mineral concessions in the Solaroz Lithium Brine Project (**Solaroz Project**) in Argentina.

LEOPL has received a US\$1.8 million (~A\$2.8 million) deposit, with the balance of the US\$61.2 million (~A\$94.1 million) consideration payable by CNNET as follows:

- (i) US\$53.7 million (~A\$82.6 million), payable at completion;
- (ii) US\$3 million (~A\$4.6 million) to be transferred to a joint escrow account held for the benefit of both Lithium Energy and CNNET for a period of 2 years following the date of completion, to serve as security for LEOPL's performance under the Solaroz SSA, after which it will be released to LEOPL; and
- (iii) US\$4.5 million (~A\$6.9 million) deferred consideration payable by CNNET if the Benchmark Lithium Carbonate Price exceeds US\$23,000/tonne (averaged over any 4-month period in the 12 months following completion).

Completion of the Solaroz Sale will occur after the satisfaction (or waiver, as applicable) of a number of conditions precedent under the Solaroz SSA (**Conditions**), including:

- (i) receipt of Lithium Energy shareholder approval of the sale for the purposes of ASX Listing Rule 11.2 – which was approved by shareholders at a General Meeting held on 8 August 2024;
- (ii) receipt of certain regulatory approvals (in China and Argentina, as required) – in May 2024, CNNET and CNGR received all necessary Chinese overseas direct investment and foreign exchange control regulatory approvals in relation to the Solaroz Sale; CNNET's registration as a foreign company in Argentina (required to receive transfer of shares in Solaroz S.A.) is pending approval; the parties are not aware of any other regulatory approvals required to be satisfied under this Condition; and
- (iii) receipt of environmental and concession related approvals relating to the Solaroz Project – these principally relate to securing approvals of updated Environmental Impact Assessment (**EIA**) applications to undertake the next phases of exploration and evaluation (including drilling, installation of water bores and pump test wells) on the Solaroz Project concessions; Solaroz has filed EIA applications in this regard, which are pending approval.

The Conditions are required to be satisfied on or before 6 months after the date of the Solaroz SSA (i.e. by 25 October 2024) and may be extended by 60 days by either party under the Solaroz SSA.

Further details (including a summary of the key terms of the Solaroz SSA) are also set out in the Company's Notice of General Meeting and Explanatory Statement dated and released on ASX on 3 July 2024 and the Company's ASX Announcement dated 30 April 2024 entitled "Sale of Solaroz Lithium Project for A\$97 Million".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

23. CONTINGENCIES (continued)

(e) Acquisition of Mt Dromedary Graphite Project Under Share Sale and Purchase Agreement

On 3 April 2024, Axon Graphite Limited (**Axon Graphite**) (being a wholly-owned subsidiary of the Company) entered into a Share Sale and Purchase Agreement (**MDSTPL SPA**) with NOVONIX Limited (ASX:NVX) (**NOVONIX**) to acquire NOVONIX's wholly-owned subsidiary MD South Tenements Pty Ltd (**MDSTPL**). MDSTPL holds the tenement interests in the Mt Dromedary Graphite Project, which is located adjacent to Axon Graphite's Burke Graphite Project in Queensland, Australia.

The MDSTPL SPA is conditional upon, inter alia and relevantly:

- (i) the receipt of all necessary regulatory consents and approvals under the *Mineral Resources Act 1989* (Queensland) relating to the transfer and assignment of the relevant mining interests held by NOVONIX to Axon Graphite (as applicable);
- (ii) ASX providing Axon Graphite with a list of conditions which, once satisfied, would result in ASX admitting Axon Graphite to the Official List;
- (iii) all liabilities of MDSTPL owed to NOVONIX and any related body corporate or otherwise (if any) being released, forgiven or discharged.

All liabilities of Axon Graphite (and its subsidiary, Burke Minerals Pty Ltd) owed to the Company and any related body corporate or otherwise (if any) are also required to be released, forgiven or discharged on or before completion under the MDSTPL SPA (save for Financial Assistance provided by the Company to Axon Graphite under the IPO Funding Deed).

Axon Graphite plans to raise \$20 Million through the initial public offering under a prospectus, with a minimum subscription of \$15 Million (75 million shares) and oversubscriptions of up to \$5 Million (for \$25 Million (125 million shares) in maximum subscriptions) at an issue price of \$0.20 per share (**IPO**).

Axon Graphite will issue 50 million shares (at an issue price of \$0.20 per share) to NOVONIX as consideration for the acquisition of MDSTPL, on completion of the MDSTPL SPA. The Company currently holds 50 million shares in Axon Graphite, which is 100% of its issued capital.

After the completion of the MDSTPL SPA and IPO, each of the Company and NOVONIX will hold between 22.22% (if the maximum subscription is reached) and 28.57% (if the minimum subscription is reached) of Axon Graphite's total issued share capital.

If the conditions to the MDSTPL SPA are not satisfied or waived, or have become incapable of being satisfied, on or before 9 months after the date of the agreement (i.e. by 2 January 2025) or such later date as the parties may agree in writing, either party may terminate the MDSTPL SPA by giving written notice to the other party. However, no termination right will arise if the relevant party has not co-operated with the other party and used their best efforts to satisfy each of the conditions to the MDSTPL SPA.

Further details are set out in the Company's ASX Announcement dated 3 April 2024 entitled "Merger of Lithium Energy and NOVONIX Natural Graphite Assets and Proposed Axon Graphite Limited Spin-Out and IPO". Axon Graphite is also reviewing its potential liability for stamp duty in Queensland arising in respect of the acquisition of MDSTPL under MDSTPL SPA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

23. CONTINGENCIES (continued)

(f) Axon Graphite IPO Funding Deed

The Company and NOVONIX have entered into an IPO Funding Deed (dated 3 April 2024) with Axon Graphite, whereby the Company and NOVONIX (together, the 'Funders') have agreed (inter alia) to jointly advance monies to Axon Graphite for agreed costs and expenses incurred by Axon Graphite in undertaking and completing its IPO (the 'Financial Assistance'), through the provision of unsecured non-recourse loan funds to Axon Graphite as requested by the company from the Funders, from time to time. The Financial Assistance is capped at \$400,000 (or \$200,000 from each of the Company and NOVONIX). Axon Graphite will repay any Financial Assistance advanced by the Funders if there is a successful completion of the IPO. If the MDSTPL SPA is terminated or is no longer on foot or the IPO not completed, any Financial Assistance advanced by the Funders shall be treated as a non-recourse loan owing by Axon Graphite to the Funders and repayable by Axon Graphite at its absolute discretion as to the quantum of repayment and the time of repayment provided that any repayment of Financial Assistance by Axon Graphite must be made to each Funder at the same time and in the same proportion as the amount of Financial Assistance provided by each Funder.

The Financial Assistance provided to Axon Graphite (as at 30 June 2024) are as follows:

- (i) by the Company - \$57,622; and
- (ii) by NOVONIX – \$51,000.

24. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) On 8 August 2024, Axon Graphite issued 1,000,000 Personnel Options to the nominee of the company's newly appointed Chair, with an exercise price of \$0.30 and an exercise term expiring on 22 June 2028. 50% of these options will vest on the Quotation Date, 25% on the first anniversary of the Quotation Date and the 25% on the second anniversary of the Quotation Date. These Personnel Options are in the same class of the Company's existing 7,000,000 Personnel Options issued to Axon Graphite's officers on 24 June 2024. Refer also Note 16 (Share Based Payments).
- (b) The Company and NOVONIX have continued to provide Financial Assistance to Axon Graphite under the IPO Funding Deed. To date (as at 26 September 2024), the Company and NOVONIX has provided \$100,000 each to Axon Graphite.

No other matter or circumstance has arisen since the end of the year that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

as at 30 June 2024

Entity name	Entity type	% of Share Capital	Place of Incorporation	Tax Residency	
				Australian or Foreign	Foreign Jurisdiction
Lithium Energy Limited (LEL or Company)	Body corporate	N/A	Australia	Australian	N/A
Axon Graphite Limited	Body corporate	100%	Australia	Australian	N/A
Burke Minerals Pty Ltd	Body corporate	100%	Australia	Australian	N/A
LE Operations Pty Ltd	Body corporate	100%	Australia	Australian	N/A
Solaroz S.A.	Body corporate	90%	Argentina	Foreign	Argentina
LE Pakistan Operations Pty Ltd	Body corporate	100%	Australia	Australian	N/A
LEL Mining (SMC-Private) Limited	Body corporate	100%	Pakistan	Foreign	Pakistan
Scarborough Resources Pty Ltd	Body corporate	100%	Australia	Australian	N/A

Notes:

- (1) The Consolidated Entity Disclosure Statement (**CEDS**) has been prepared in accordance with subsection 295(3A)(a) of the *Corporations Act 2001* (Cth) and includes information for each entity that was part of the Consolidated Entity as at the end of the financial year in accordance with AASB 10 *Consolidated Financial Statements*.
- (2) The percentage of share capital disclosed for bodies corporate included in the CEDS represents the economic interest consolidated in the consolidated financial statements.
- (3) The Company has formed a tax-consolidated group (with effect on 7 May 2021) under Australian taxation law, with LEL as the head entity and the wholly-owned Australian subsidiaries of LEL as members.
- (4) Section 295 (3A)(vi) of the *Corporation Act 2001* defines tax residency as having the meaning in the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**). Foreign incorporated companies can still be considered a tax resident of Australia if their central management and control is in Australia. An entity can be both, an Australian tax resident under the ITAA 1997, and a tax resident in another foreign jurisdiction under the tax law applicable in that jurisdiction.
- (5) The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency. In determining tax residency, the Consolidated Entity has applied the following interpretations:
 - (a) The Consolidated Entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5 and the advice of independent Australian tax advisers; and
 - (b) Where necessary, the Consolidated Entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.
- (6) Where the entity is not an Australian tax resident but is a foreign tax resident based on the Australian domestic law definition, then each foreign country in which the entity is a tax resident (as determined under the law of foreign jurisdictions) must be disclosed in the CEDS. However, if the entity is an Australian tax resident, this requirement does not apply and no further information needs to be provided about other tax residencies of the entity.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (1) The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 29 to 51 are in accordance with the *Corporations Act 2001 (Cth)* and:
 - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2024 and of their performance for the period ended on that date;
- (2) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards;
- (3) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (4) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* by the Executive Chairman (the person who, in the opinion of the Directors, performs the Chief Executive Officer function) and the Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and
- (5) In the Directors' opinion, the Consolidated Entity Disclosure Statement on page 52 is true and correct.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001 (Cth)*.



William Johnson
Executive Chairman

27 September 2024

LITHIUM ENERGY LIMITED
INDEPENDENT AUDITOR'S REPORT

To the members of Lithium Energy Limited

Opinion

We have audited the financial report of Lithium Energy Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit and 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 material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

- a) giving a true and fair view of the company's financial position as at 30 June 2024 and of its financial performance for the year then ended; 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 & 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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LITHIUM ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following key audit matters to communicate in our report:

Key Audit Matter - Asset Held for Sale	How our Audit Addressed the Key Audit Matter
<p>In April 2024, LE Operations Pty Ltd (LEOPL), a subsidiary of the Group, entered into a Share Sale Agreement to divest its 90% shareholding in Solaroz S.A (Solaroz). Key Terms and Conditions of the Agreement, as well as conditions precedent, are described in Note 23 (d) to the financial report.</p> <p>We consider the transaction to be a key audit matter due to its significance to the future operational activities of the Group and the materiality of the balances involved in the transaction.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • We reviewed the related agreements to understand the terms and conditions of the arrangements; • We reviewed the accounting treatment of the transactions to date in relation to the agreements; • We reviewed the recoverability of the recorded asset value; and • We assessed the adequacy of the disclosures included in the financial report.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2024, 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.

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.

LITHIUM ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report (other than consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- ii) the financial report (other than consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- iii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or 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 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

LITHIUM ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2024.

In our opinion the remuneration report of Lithium Energy Limited for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities for the Remuneration Report

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.

In.Corp Audit & Assurance Pty Ltd



Daniel Dalla
Director

27 September 2024

SECURITIES INFORMATION

as at 30 June 2024

SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	112,001,569	-	112,001,569
Executive Options (\$1.39, 29 November 2024) ¹	-	3,500,000	3,500,000
Securities Incentive Plan (SIP) Options (\$1.595, 15 February 2025) ²	-	100,000	100,000
Broker Options (\$1.50, 20 September 2025) ³	-	750,000	750,000
Executive Options (\$1.06, 4 October 2025) ⁴	-	17,500,000	17,500,000
SIP Options (\$1.32, 30 November 2025) ⁵	-	400,000	400,000
SIP Options (\$0.935, 10 August 2026) ⁶	-	250,000	250,000
TOTAL	112,001,569	22,500,000	134,501,569

DISTRIBUTION OF FULLY PAID ORDINARY SHARES

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	1,000	649	433,749	0.39%
1,001	-	5,000	1,124	3,007,356	2.69%
5,001	-	10,000	524	4,370,658	3.90%
10,001	-	100,000	778	25,513,111	22.78%
100,001	-	and over	110	78,676,695	70.25%
TOTAL			3,185	112,001,569	100.00%

UNMARKETABLE PARCELS

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	1,350	816	630,560	0.56%
1,351	-	over	2,369	111,371,036	99.44%
TOTAL			3,185	112,001,569	100.00%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 1,350 shares or less, being a value of \$500 or less in total, based upon the Company's last sale price on ASX as at 30 June 2024 of \$0.37 per share.

- 1 Refer LEL Announcement dated 2 December 2021: Notification regarding unquoted securities – LEL and Annexure B (Terms and Conditions of New Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 18 October 2021 and released on ASX on 28 October 2021
- 2 Refer LEL Announcement dated 18 February 2022: Notification regarding unquoted securities – LEL
- 3 Refer LEL Announcement dated 21 September 2022: Notification regarding unquoted securities – LEL
- 4 Refer LEL Announcement dated 5 October 2022: Notification regarding unquoted securities – LEL and Annexure B (Terms and Conditions of Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 22 August 2022 and released on ASX on 2 September 2022
- 5 Refer LEL Announcement dated 5 December 2022: Notification regarding unquoted securities – LEL
- 6 Refer LEL Announcement dated 16 August 2023: Notification regarding unquoted securities – LEL

SECURITIES INFORMATION

as at 30 June 2024

TOP TWENTY, ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares Held	% Issued Capital
1	STRIKE RESOURCES LIMITED	31,010,000	27.69
2	CG NOMINEES (AUSTRALIA) PTY LTD	4,000,000	3.57
3	CITICORP NOMINEES PTY LIMITED	3,145,381	2.81
4	BNP PARIBAS NOMINEES PTY LTD	2,431,879	2.71
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,685,105	1.50
6	CIRCUMFERENCE CAPITAL CT PTY LTD	1,625,000	1.45
7	RUBI HOLDINGS PTY LTD	1,548,750	1.38
8	MR WILLIAM JOHNSON	1,532,621	1.37
9	MR MICHAEL OWEN SHERRY	1,520,000	1.36
10	MR FAROOQ KHAN	1,447,621	1.29
11	MR VICTOR HO	1,422,621	1.27
12	HOOKS ENTERPRISES PTY LTD	1,296,000	1.16
13	FERGUSON CORPORATION PTY LTD	1,195,479	1.07
14	MR PETER CRAIG SMITH	1,173,706	1.05
15	NATIONAL NOMINEES LIMITED	1,150,000	1.03
16	DR GARY OWEN ROOKE	1,000,000	0.89
17	CLUNE PTY LTD	1,000,000	0.89
18	RECO HOLDINGS PTY LTD	930,000	0.83
19	MR GANG DU	850,000	0.76
20	HONGZE GROUP LTD	641,500	0.57
TOTAL		60,605,663	54.65%

SUBSTANTIAL SHAREHOLDER

Substantial Shareholder	Registered Shareholder	Shares Held	% Voting Power (as at 30 June 2024)
Strike Resources Limited	Strike Resources Limited	31,010,000	27.69%