



Li-S Energy

2024

Annual Report

The future is electric.  
We'll take you there.



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**Li-S Energy** continues to commercialise over a decade of research in the development of lithium-sulfur and lithium-metal batteries that utilises boron nitride nanomaterials to improve performance and cycle life. Following development of a semi-solid-state chemistry in 2023, we now have a battery cell with a unique balance of gravimetric and volumetric energy density.

## Chairman's Report

2024 was the year that Li-S Energy transitioned from a research-led battery business to a customer and engineering-led manufacturer.



Dear Shareholders,

2024 was the year that Li-S Energy (LIS) transitioned from a research-led battery business to a customer and engineering-led manufacturer. Early in the financial year we completed the installation of our Phase 3 facility in Geelong, with Australia's largest dry room as the centrepiece. In this new facility we will be able to produce up to 2MWh of our cells each year, making it the largest and most complex pouch cell manufacturing facility in the country. Our team has been working to fully commission and optimise the numerous components of the production line in the facility as well as developing a separate line to manufacture a smaller format of cells for different applications.

I must also recognise the support of my fellow Board members during the year Robin Levison, Hedy Cray, Tony McDonald and Marc Fenton, plus the efforts of the management team led by CEO Dr Lee Finniear with support from CTO Dr Steve Rowlands, Chief Strategic Advisor Glenn Molloy and our industry advisory panel of Bob Galyen and Isobel Sheldon OBE. Finally, Tony McDonald retired from the Board at the AGM and I would like to thank him for his contribution as a Director from the establishment of the business.

### BUSINESS OVERVIEW

LIS continues to commercialise over a decade of research in the development of lithium-sulfur and lithium-metal batteries that utilises boron nitride nanomaterials to improve performance and cycle life. Following development of a semi-solid-state chemistry in 2023, we now have a battery cell with a unique balance of gravimetric and volumetric energy density.

In 2024 the team has focussed on commissioning the \$10m Phase 3 facility to allow the manufacture of commercial size and quality cells using our unique chemistry. This facility has been supported by the Trailblazer Universities program from the Federal Government and enables us to undertake additional significant programs such as the \$1.35m Emerging Aviation Technology Partnerships (EATP) Grant we were awarded in June 2024 to develop a battery for a drone that will fly from dawn until dusk, and more recently the \$1.7m grant from the Industry Growth Program (IGP) to develop a sovereign capability in lithium foil manufacture.

# \$3.05m

in total grant funding received from the Industry Growth Program (IGP) and Emerging Aviation Technology Partnerships (EATP)



# 2MWh

is the annual production capacity of our Phase 3 facility

# \$10m

investment to deliver our Phase 3 facility, the largest and most complex pouch cell manufacturing facility in the country

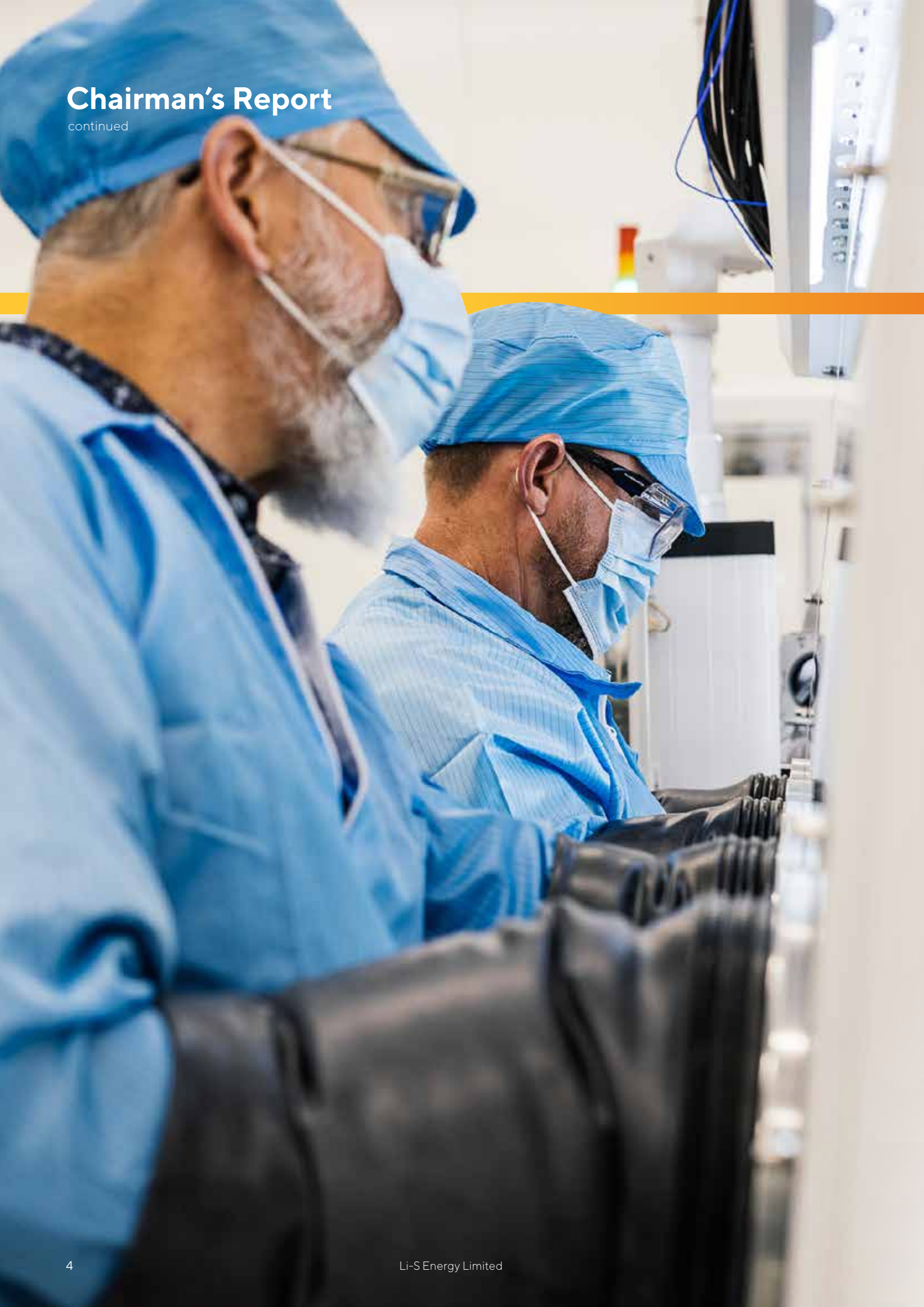
# \$22.8m

of cash and cash equivalents at the end of the 2024 financial year



# Chairman's Report

continued





Over 2024 we brought much of our R&D in-house under the guidance of CTO, Dr Steve Rowlands as we transition from fundamental science to development of commercial cells. As LIS evolves and matures as a business we are increasingly looking to our long-term value proposition for investors, partners, and customers. To that end we are targeting four key strategic objectives over the next two years:

1. **Pathway to core revenue** – through completion of data sheets and test cells for partners and investment in battery pack development.
2. **Additional funding and revenue streams** – through our significant Government Grants and new products such as lithium foils.
3. **Strong partnerships with offtake agreements** – once test cells are available, we will seek to evolve our end-user partnerships into conditional offtake agreements.
4. **A pathway to scale** – offtake agreements and proven manufacturing processes will allow us to develop options for the next scale of commercial facility and open a range of licensing and funding models.

We believe that these four priorities will position us for long-term sustainable growth and the creation of shareholder value. We are on track to deliver our first sample cells to customers in the coming months and with the support of the IGP funding we are able to accelerate the development of our lithium foil products. We are also well advanced in the development of a battery management system (BMS) for our cells, building on our earlier initial prototype. This is complex for any new battery system but the IP we are creating through this development should be critical to allow us to develop battery modules for customers as well as providing raw cells.

Our core partners such as V-TOL Aerospace and magniX continue to work in concert with our technical team to ensure that our test cells meet their specific requirements for power, energy density and cycle life. In time, we believe that will lead to offtake agreements for our cells.

### SHAREHOLDER SUPPORT

The Company could not have achieved its goals this year without the ongoing support of all its shareholders.

The capital raised at IPO has ensured that not only can the Company fund its ongoing development work, but has enabled it to retain a healthy

balance sheet in difficult economic conditions with \$22.8m of cash and cash equivalents at the end of the 2024 financial year. This gives us the strategic flexibility to continue to invest in, and develop opportunities as they arise for a number of years and has been instrumental in the awarding of the EATP and IGP grants from the Federal Government in recent months.

### OUTLOOK

Our Phase 3 facility is a unique capability that will allow the rapid development of our cells and underlying manufacturing processes and we now have the core building blocks in place for the commercialisation of both our lithium sulfur and lithium metal cells in 2025.

We look forward to supporting the development of the National Battery Strategy and the Battery Breakthrough Initiative announced by the Government to grow and support Australia's sovereign capability in batteries.

We continue to turn our minds to the long-term full scale-up of our technologies. We now believe that the next scale-up could be a 500MWh facility in the coming years. We are not tied to a particular model to fund this facility to ensure that we maximise returns for shareholders, but we will explore all models from greater Government support to licensing and joint venture or a range of project financing options.

Yours sincerely,

**Ben Spincer**  
Chairman

# Directors' Report

for the year ended 30 June 2024

The directors of Li-S Energy Limited and its subsidiary ("Li-S Energy", "LIS" or the "Company" or the "Group") present their report together with the consolidated financial statements of the company for the financial year ended 30 June 2024.

## INFORMATION ON DIRECTORS

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



### Dr Ben Spincer

**Non-Executive Director and Chairman**  
MA, PhD, GAICD.

**Appointed:** 18 March 2021

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

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

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



### Mr Robin Levison

**Non-Executive Director**  
CA, MBA, FAICD

**Appointed:** 12 July 2019

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

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

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

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

#### **Committee Membership**

- A** Audit and Risk Committee
- Chair of Committee
  - Member of Committee



### Mr Tony McDonald

#### Non-Executive Director

LL.B.

**Appointed:** 12 July 2019.

**Retired:** 14 November 2023

Tony McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981 and was admitted as a solicitor in 1981. He has been involved in the natural resource sector for many years both within Australia and internationally and for the past 20 years held senior management roles in this sector.

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

- Member of the PPK Group Limited Board from 13 September 2017 to 23 November 2023; and Chair of the Audit and Risk Committee at date of retirement.
- Santana Minerals Limited, Non-Executive Director (Appointed: December 2019, Executive Director 15 January 2013 to December 2019). Retired 1 January 2024.



### Ms Hedy Cray

#### Non-Executive Director

LL.B. (Hons), LL.M.

**Appointed:** 21 April 2021

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

Hedy is the Executive Vice President of Global Affairs for Korea Zinc ("KZ"), one of the world's largest non-ferrous metal smelting operators with interests in green and renewable energies, including developing projects for solar and wind power, green hydrogen production, battery recycling and e-waste, director, Ark Energy Corporation Pty Ltd, which is the KZ renewables business in Australia, and Vice Chairwoman of Pedalpoint Holdings LLC developing KZ's interests in urban mining in the United States.

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



### Mr Marc Fenton

#### Non-Executive Director

BSc (Hons) IT Grad Dip Business Management

**Appointed:** 1 February 2024

Marc is the Chief Executive Officer & Managing Director of PPK Group. Prior to joining PPK, Marc was the Head of Technology with Australian Agricultural Company and held various General Manager technology roles with Rio Tinto across technology strategy, organization design, technology governance, outsourcing and cost reduction. Earlier in his career Marc worked in Deloitte across a broad range of industries and projects. Marc has worked and lived across Australia and internationally.

Marc holds a Bachelor of Science (Hons) from Dublin City University, Ireland and a Graduate Diploma in Business from the AGSM, Sydney.

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

- Member of the PPK Group Limited Board since 1 July 2024.

# Directors' Report

for the year ended 30 June 2024

## MANAGEMENT TEAM

Details of the current Senior Management team, their qualifications, experience, and special responsibilities are detailed below:



### Dr Lee John Finniear

#### Chief Executive Officer

BSc (Hons), PhD, F.A.I.C.D.

**Appointed:** 14 February 2021

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

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



### Ms Sarah Price

#### Chief Financial Officer

CA, BCom

**Appointed:** 23 May 2023

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

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



### Dr Stephen (Steve) Rowlands

#### Chief Technology Officer

BSc. (Hons) PhD

**Appointed:** 12 July 2021

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

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



### Mr Glenn Robert Molloy

#### Chief Strategic Advisor

**Appointed:** 12 June 2021

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

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

# Directors' Report

For the year ended 30 June 2024

The directors of Li-S Energy Limited and its subsidiary ("Li-S Energy", "LIS" or the "Company" or the "Group") present their report together with the consolidated financial statements of the company for the financial year ended 30 June 2024.

## DIRECTORS

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

Ben Spincer	Non-Executive Director and Chairman
Robin Levison	Non-Executive Director
Anthony McDonald	Non-Executive Director (retired 14 November 2023)
Hedy Cray	Non-Executive Director
Marc Fenton	Non-Executive Director (appointed 1 February 2024)

## INFORMATION ON DIRECTORS

Please see pages 6 and 7.

## INFORMATION ON COMPANY SECRETARIES

**Will Shiel** BA in Law (Hons) FGIA

*Appointed Company Secretary on 30 June 2022.*

Will specialises in all aspects of commercial law, with a particular focus on contracts and cutting-edge technology transactions.

Before joining PPK, Will was Head of Technology (Legal) at ASX Limited where he managed a team responsible for technology, intellectual property and data matters. Before this, he held a variety of senior positions in Brisbane, Sydney and London at leading national and international law firms, including Allens Linklaters, Gilbert+Tobin and Clifford Chance.

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

*Appointed Company Secretary on 30 June 2022.*

Liam is an experienced corporate lawyer and governance professional that has extensive experience in advising Boards on a wide range of legal, regulatory and compliance matters. Liam's senior management roles include Deputy General Counsel and Company Secretary at PPK Group Limited, and prior to that, Head of Legal and Company Secretary at a technology-focused bank specialising in payment products and financial crimes services. Earlier in his career, he was a Senior Associate in the Corporate Advisory Group at one of Brisbane's largest independent law firms.

## MANAGEMENT TEAM

Please see page 8.

## PRINCIPAL ACTIVITIES

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

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

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

1. Engaging product OEMs in collaborative projects to retrofit and test Li-S batteries in their products;
2. The sale of lithium metal foils and laminates, including foils with specialised coatings to improve battery performance.
3. Supplying BNNT and Li-Nanomesh materials and know-how in relation to the application of BNNTs and Li-Nanomesh in the construction of a battery cells to battery cell manufacturers in order to enable them to produce Li-S batteries, Li-Nanomesh and know-how for other forms of battery that can make use of this material; and
4. Licensing LIS's intellectual property to battery manufacturers so they can produce LIS batteries for product OEMs.

## REVIEW OF OPERATIONS

During FY24, we have continued to make substantial progress on cell design, testing and scaled cell production.

### Key activities over the financial year include:

- ✓ Completing the installation of the Phase 3, 2MWh pouch cell production facility, Australia's largest and most complex pouch cell production facility, built in Australia's largest battery dry room.
- ✓ Developing scaled, automated manufacturing processes and IP to cut, form, stack and weld lithium metal anodes for both lithium sulfur and lithium metal pouch cells.
- ✓ Completing the installation of a comprehensive Battery Testing Centre, with all required cell performance and safety testing facilities.
- ✓ Commencing installation of an additional smaller-format cell production line to meet the evolving requirements of smaller devices, security and defence applications.
- ✓ Continuing the mechanical and production design of commercial scale 20Ah lithium sulfur cells.
- ✓ Producing the first 20Ah lithium sulfur cells with our GEN3 semi-solid-state cell technology for internal testing.
- ✓ Developing a low-flammability electrolyte to improve cell safety.
- ✓ Passing both civilian and US Military nail penetration tests.
- ✓ Developing a prototype intelligent battery management system (BMS).
- ✓ Securing the Emerging Aviation Technology Partnership (EATP) Grant of \$1.35M to build and fly a prototype "dawn until dusk" drone working with Australian partners V-TOL Aerospace and Halocell.
- ✓ Securing an Industry Growth Program (IGP) Grant of \$1.7m to extend the Phase 3 cell production line to incorporate lithium foil and laminate production, as input material for Phase 3 cells and also as a key revenue opportunity for lithium foil export sales.



# Directors' Report

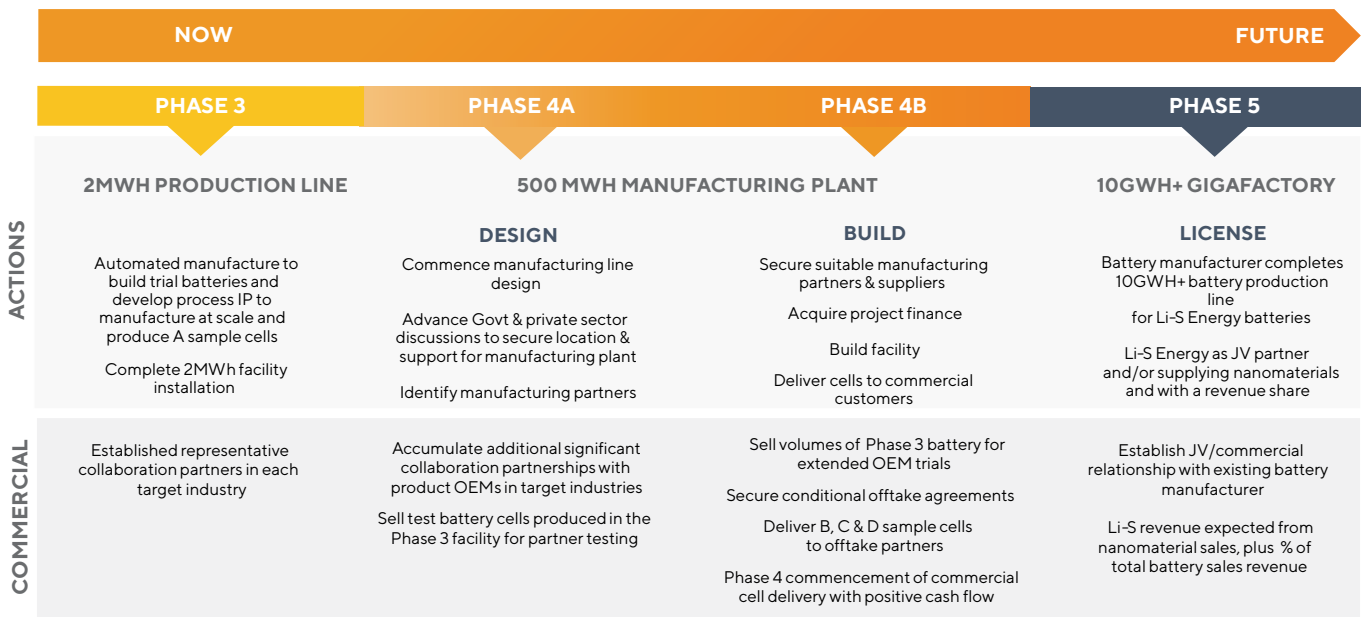
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## COMMERCIALISATION STRATEGY

Our commercialisation strategy has five phases. The first two phases were completed in prior years. In 2024 our focus was on Phase 3. The diagram below describes Phases 3 to 5:

## PRODUCTION SCALE-UP STRATEGY



In FY23, we completed Phase 2 and in FY24 we designed, built and installed Phase 3.

This phased approach to scaling our production capability enables us to manage our CAPEX investment while enabling us to rapidly iterate our production development, and to prove our cells can be manufactured at scale using primarily existing lithium-ion automated manufacturing equipment.

Key to our commercialisation strategy is the ability to deliver sufficient volumes of high quality, consistent and reliable commercial sized pouch cells for partner and potential customer tests and trials. This will enable future customers to independently identify the performance advantage, (and therefore the competitive advantage), that our cells can deliver for their product set. This step provides the opportunity to obtain the demand indicators and conditional offtake agreements we need to capitalise on the commercial potential of our patented technology.

We have identified additional revenue opportunities through the future export and sale of lithium metal foils and laminates, including those with speciality coatings for the advanced battery industry. With the support of the \$1.7 million Industry Growth Program grant awarded to us in August 2024, we will be installing a lithium foil production line, and will market these high quality foils to the global market.

## PHASE 3 2MWH PRODUCTION FACILITY

In the 2023 Annual Report we set a primary goal for FY24 to build and install our Phase 3, 2MWh pouch cell production line. The Company is pleased to report that this has been delivered, and production optimisation is now underway.

Phase 3 is an essential step in our commercialisation strategy and has the following 3 objectives:

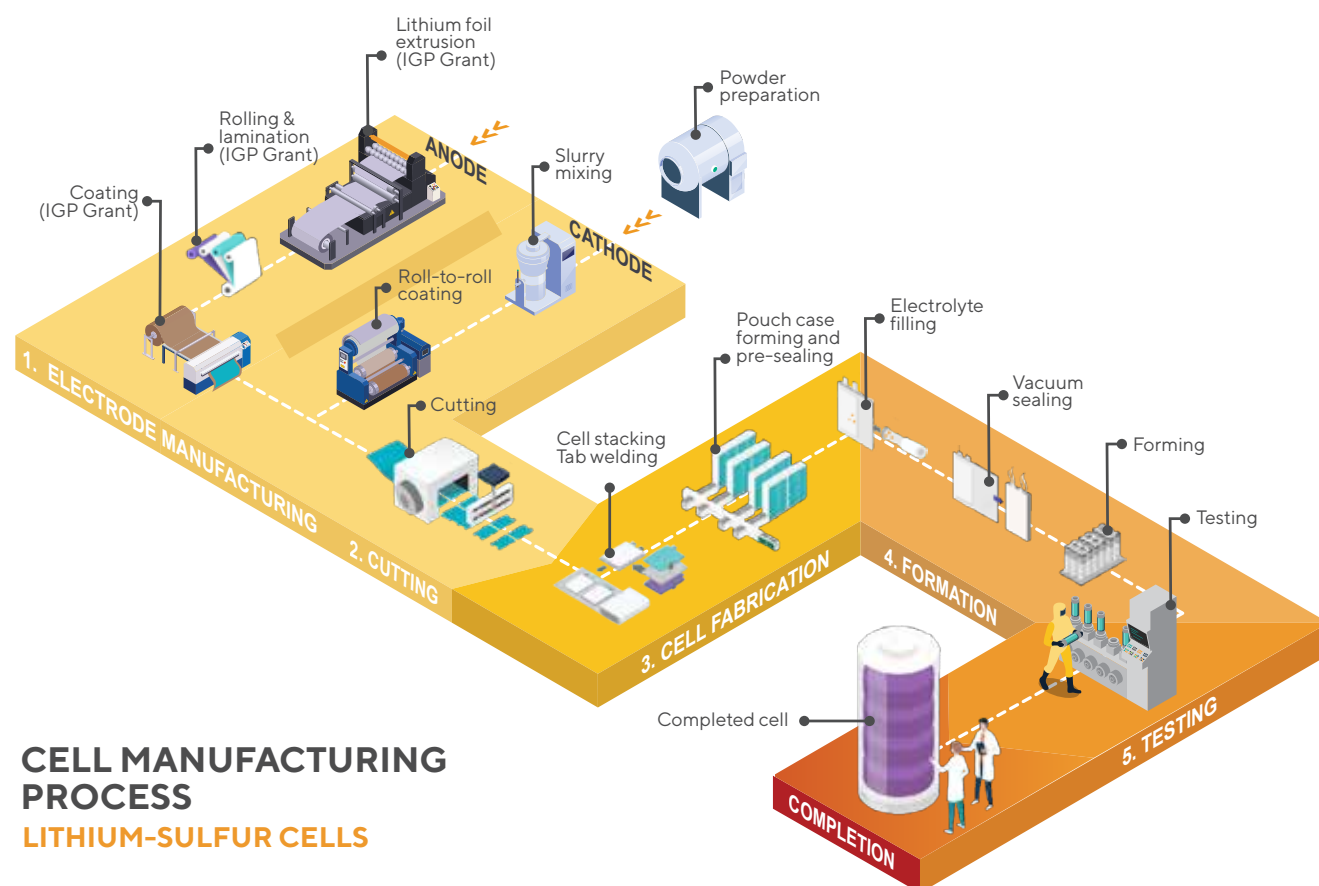
1. **Manufacturability** – To demonstrate that our lithium sulfur and lithium metal cells can be produced at scale using advanced automated manufacturing processes.
2. **Manufacturing IP** – To develop manufacturing IP and processes for the unique aspects of lithium sulfur and lithium metal cell production, to add additional value to the Company's IP Portfolio.
3. **Test and Trial Cells** – To produce high-quality, consistent cells at volume for delivery to current and future partners for testing and trials in their devices and products.

Phase 3 has been a highly significant and challenging undertaking, and a remarkable achievement, as lithium metal and lithium sulfur battery pouch cell production at this scale and sophistication has not been undertaken in Australia before.

Adding to the challenge is that the Phase 3 facility requires automated manufacturing of lithium metal foil anodes. This is a new and difficult process that needed to be designed with great care, as lithium foil is extremely light, delicate, and easily damaged by automated machine handling.

The Phase 3 production line consists of more than 55 advanced, high tolerance production processes, each machine has been specialised for battery material and cell production.

A diagram of the Phase 3 main production steps is shown below, including the planned lithium foil production line.



There are several discrete operating environments we have built to enable successful cell production:

- **Clean Room** – required for Cathode production, including coating and cutting.
- **Dry Room** – with less than 0.1% humidity – required for Lithium foil anode production and cell fabrication.
- **Argon Enclosures** – completely inert atmosphere required for electrolyte production, cell filling and sealing.
- **Hardened, Environmentally Controlled Test Chamber** – required for cell formation cycling.

# Directors' Report

continued

The Dry Room installation was completed and commissioned in the first quarter of FY24, is fully operational and is exceeding performance expectations. It is the largest battery dry room in Australia.

The Clean Room was completed and commissioned in the second quarter of FY24 and is fully operational, enabling cathode coating and cutting to be performed while avoiding airborne contamination.

Specially designed Argon gas filled enclosures have been installed and successfully commissioned for electrolyte preparation, electrolyte filling and final cell sealing.

A large, hardened, environmentally controlled cell formation cycling chamber has also been installed and is fully operational, to enable formation cycling in controlled conditions while providing appropriate safety controls.

## PHASE 3 PRODUCTION PROCESSES

### Cathode Production

For lithium sulfur cells we undertake all aspects of cathode production, including dry materials preparation, nanomaterials dosing, cathode slurry preparation, precise roll-to-roll coating onto the current collector and final cathode cutting.

### Anode Production

Li-S Energy anodes are made from pure lithium metal foil. We currently purchase the foil in large rolls from an overseas third-party supplier.

Lithium foil is extremely fragile, difficult to work with and reacts with moisture in the air. All anode manufacturing and cell fabrication is performed in our dry room.

The challenges of automating the anode manufacturing process required us to work with our suppliers to produce novel equipment for lithium cutting, anode production and inspection, creating unique manufacturing IP.

### Cell Fabrication

The cell fabrication line, housed in the Dry Room environment, is an automated, micron tolerance facility that includes automated anode, cathode and separator stacking, tab welding, pouching and sealing machines.

### Electrolyte Production & Filling

Electrolyte production and filling are performed in specialised Argon filled enclosures. The inert atmosphere ensures absolute consistency in the electrolyte, fully protected from gaseous or particulate contaminants, and with no exposure to humidity.

## SMALL FORMAT CELL PRODUCTION LINE

In the fourth quarter of FY24, in response to an evolving partner requirement for small format cells for smaller devices, we commenced the installation of an additional small format cell production line in the dry room. Installation is expected to be completed in Q1 FY25. This will expand the opportunity for our partners to use LIS cells in a broader range of applications with both small and large cell formats available.

## BATTERY TESTING CENTRE

When conducting battery development and scaling production capability, it is vital to establish rapid feedback on cell performance, so results can inform required changes and optimisation of the cell chemistry, materials and production machines.

Also, when the exact cell design is locked down, we need to conduct all required testing to certify our cells to UN38.3, the international standard for safe transportation by land and sea. With this we can ship cells to international partners.

To that end during FY24 we constructed, installed and commissioned a comprehensive Battery Testing Centre.

Each test unit is specifically designed to safely manage the consequences of purposeful destructive testing, including blast containment, fire suppression and gas management.

Test units include drop testing, crush testing, external short circuit, nail penetration, vibration, high altitude and thermal extreme testing.

In addition, the Battery Test Centre includes extensive cell cycle testing channels linked to our Byterat cell data management and analysis systems. These sophisticated systems enable us to simulate partner mission profiles to test how the cells would perform in real-world applications, and to identify and predict any performance anomalies.

The new Scanning Electron Microscope (SEM), specially designed to operate inside an inert argon atmosphere, is an important addition to our test capability. Housed inside an argon filled glove box, the SEM allows us to perform sub-micron destructive part analyses (DPA's) on cells after testing without "destroying evidence" by exposing the components to air or other contaminants.

## PRODUCT DEVELOPMENT STRATEGY

### Cell Development

During this financial year, the Company has continued to execute its lithium sulfur and lithium metal cell development programs in accordance with its published plans.

In April 2023 we announced that the Company had developed a new GEN3 semi-solid-state lithium sulfur battery technology, showing a 45% improvement in volumetric energy density while maintaining in excess of 400Wh/kg gravimetric energy density.

During FY24, our cell development focus has been to build on this success by:

- Scaling and improving the techniques and processes to manufacture the GEN3 semi-solid-state cathode materials.
- Scaling the cell design to enable 20Ah cell production in the Phase 3 facility.
- Developing low-flammability electrolyte to enhance safety.
- Assessing the effect of different Li-nanomesh coating techniques on cell performance for both lithium sulfur and lithium metal cells.

Key successes during FY24 included:

- Producing commercial sized 20Ah battery cells in the Phase 3 facility for internal testing,
- Scaling and enhancing cathode material production techniques, and
- Passing nail penetration testing to both civilian UN38.3 and US military (MIL-PRF-32383/4X) standards.

As we move toward locking down our final cell design and production parameters, we will be using our Battery Test Centre to produce cell data sheets for partners, and building battery packs for use in key partner applications.

### Intelligent Battery Management System Development

Central to our innovation strategy is the development of an intelligent Battery Management System (BMS), optimised for our lithium metal and lithium sulfur battery chemistries. Feedback from partners is that our inclusion of an intelligent BMS will enable the more rapid adoption of Li-S Energy cells in partner devices.

The role of a BMS is to control, monitor and manage an array of battery cells in a battery pack, to provide power to the connected device in a predictable and safe manner.

Our intelligent BMS design simultaneously monitors each battery cell in the pack for performance, cell temperature and other characteristics. It manages both charge and discharge to maximise performance and cell life, and has enhanced safety capabilities to isolate a cell if it is operating outside its normal parameters.

Engineered in Australia and enhanced with proprietary control and sensor systems, the Company has completed the intelligent BMS functional prototype. This is currently undergoing machine learning to train the system to optimise the management of Li-S battery chemistries.

The Company owns the intelligent BMS design and related IP.

### Other Research & Development Activities

During the year the Company has taken the strategic step of progressively moving research and development activities in-house to improve effectiveness and control.

However, during FY24 we continued to benefit from projects performed on our behalf by the R&D teams at Deakin University Institute of Frontier Materials under the Trailblazer program, the ARC SafeREnergy Hub, and our collaboration with the Future Battery Industry CRC.

Specific projects included the development of new electrolytes for lithium metal batteries, assessment of gel and solid state electrolytes, and a Nuclear Magnetic Resonance (NMR) project to model and analyse the surface interactions of lithium ions at the lithium anode interface and to provide further data on how Li-nanomesh interacts at the atomic level. These projects delivered positive results, and the NMR project is ongoing.

# Directors' Report

continued



The Honourable Ed Husic MP, Minister for Industry and Science, officially opens our Phase 3, 2MWh pouch cell production facility.

## PARTNER DEVELOPMENT STRATEGY

### Partner Acquisition and Execution Strategy

During FY24 we continued to develop and deepen our relationship with existing partners. The Company recognised that while it was important to build relationships with future potential partners and customers, it was vital to keep our small team sharply focused on delivering strong outcomes for our current partners, while establishing the scaled production capability of Phase 3.

This strategy has proven effective. From a partner development perspective, across FY24 we have continued to engage with a significant number of prospective partners and potential customers both locally and internationally in aerospace, drones, security and defence, usually under NDA. At the same time the Company has kept its development and production teams sharply focused on delivering the Phase 3 facility, along with key outcomes for existing partners including Magnix Aero for the NASA eAviation Program, and V-TOL Aerospace for the “dawn until dusk” drone program.

The current partner programs are driving our product development at pace, including the development of the intelligent Battery Management System, the design of bespoke battery packs, and establishing testing regimes to suit drone, defence and eAviation applications.

As these programs are executed the enhanced experience, test results and product outcomes will make engaging new partners and delivering rapid results far easier and with lower risk.

### Emerging Aviation Technology Partnership (EATP) Program – Pegasus “Dawn until Dusk” Drone

In October 2023, we established a collaboration with V-TOL Aerospace, an Australian drone company, and Halocell, an Australian solar cell development company, to build a “dawn until dusk” drone. Codenamed Pegasus, it aims to fly for a full day without landing using a combination of Li-S Energy batteries, solar cells and a lightweight fixed wing airframe, far exceeding the performance of current fixed wing electric drones.

The benefits of extending drone range and flight time are substantial for surveillance & monitoring, mapping, asset inspection and a range of security and defence applications.

In June 2024, Li-S Energy was awarded a \$1.35 million EATP grant to co-fund the development.

The project is currently underway. The Company is designing and building the battery packs and intelligent BMS units to be fitted into the Pegasus airframe.

We expect significant revenue opportunities for Pegasus and its future iterations going forward and we have already received a number of enquiries relating to this capability.

## INTELLECTUAL PROPERTY

During FY24 the Company continued its focus on intellectual property management, with two new patent families filed during the year.

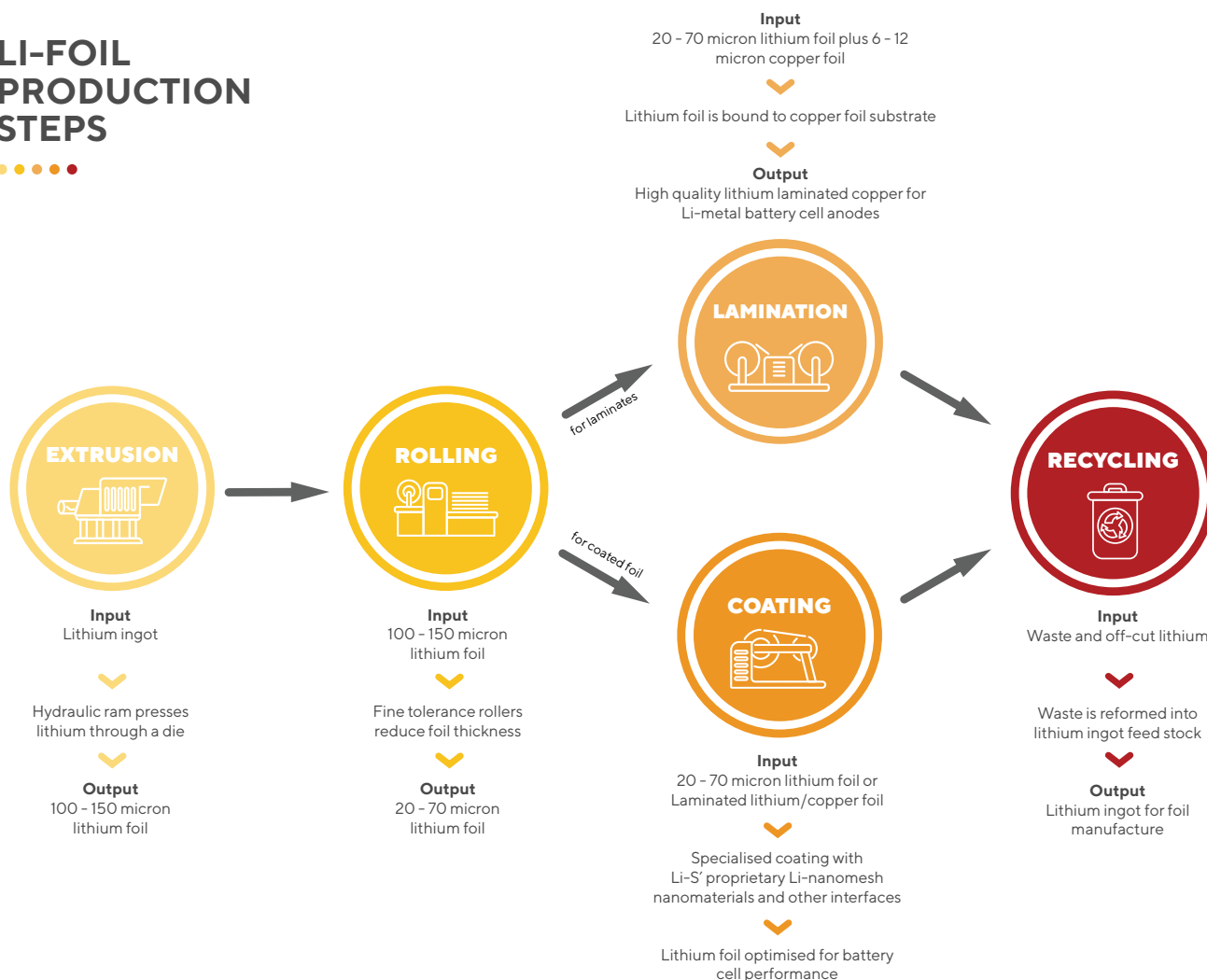
Of our existing portfolio our both our flexible lithium sulfur and our Li-nanomesh patents have moved into national phase examination, with these patents now granted in some jurisdictions. Other IP has moved into the PCT phase of protection. We continue to review all new IP created and look to protect it where appropriate via the patenting process or as a trade secret.

We continue to proactively manage our cyber security in line with best practice, including third party threat assessment and active testing of our security systems.

## LITHIUM FOIL PRODUCTION

During FY24 the Company analysed the quality, cost and challenges of its current lithium metal foil supply, and also the potential market demand for high quality lithium foils and laminates in the global market. Based on these findings we moved forward to complete a design assessment and cost estimate to add in-house lithium foil production to the Phase 3 line. The production process involves the following steps:

### LI-FOIL PRODUCTION STEPS



Put briefly, pure lithium foil is lithium metal extruded and rolled into a thin sheet form, used to make lithium metal anodes. Lithium foil laminates consist of ultra-thin lithium foil laminated onto both sides of a thin copper foil substrate. These laminates are used in certain types of lithium metal cell, where the copper foil substrate acts as a current collector and the lithium foil on either side acts as the active anode material for the cell.

To reduce the cost of the project, in Q2 of FY24 we commenced applying for an Industry Growth Program (IGP) grant. The Company was included in the first grant award, with \$1.7 million IGP Grant awarded in August 2024.

This will be Australia's first lithium foil production line.

The primary rationale for this investment is that our current imported lithium foil supply creates risk on a number of grounds:

- **Quality** – imported foils lack the tight tolerances needed on thickness and surface formation.
- **Cost** – the imported supply is extremely expensive, adding to the cost of development and production.
- **Shelf Life** – product shipped from overseas is often nearing its expiry date on arrival.
- **Specification** – imported foils are not sized to specific thicknesses that optimise Li-S cell performance.
- **Surface Coating** – application of specialised surface treatments such as Li-nanomesh require a pristine lithium surface which is lacking in older imported foils.

# Directors' Report

continued

By being able to control the production of foil in-house, we can improve foil quality, cost and shelf life. We can also tailor the specification and thickness of the foils produced, to optimise our cell weight and performance.

In addition, the pristine lithium foil gives us the opportunity to apply Li-nanomesh and other surface coatings to the foils to create speciality anodes.

As a revenue and export opportunity we see other battery companies and research institutions around the world being impacted by lithium foil issues. With the lithium foil market forecast to reach \$51 billion by 2032<sup>1</sup>, the Company intends to use the new production line to establish an additional revenue stream through export sales of tailored, high-value lithium foils and laminates.

## REVIEW OF FINANCIAL CONDITION

### Financial Performance

Li-S Energy had a net loss after tax of \$4,623,970 (2023: \$3,335,522 net loss after tax). Predominantly driven by:

- \$1,100,882 (2023: \$752,970) for employee salaries and related expenses.
- \$1,274,230 (2023: \$953,597) for professional fees.
- \$830,000 (2023: \$720,000) for management fees paid to PPK Aust. Pty Ltd (PPK Aust) for the provision of full shared services support, including finance, legal, risk, IT and cyber, and administration services under the Management Services Agreement.
- \$270,378 (2023: \$273,697) for share based payment expense (non-cash item) to recognise the cost of the service rights issued to the Non-Executive Directors, and for service and performance rights issued to Executives.
- \$1,652,758 (2023: \$1,492,245) for administration expenses, partly offset by
- \$1,476,667 (2023: \$1,282,671) in finance income.

### Financial Position

The Company finished the period in a strong financial position, with total assets of \$45,144,878 (2023: \$50,121,969), consisting of:

- \$22,811,343 (2023: \$33,450,982) of cash and cash equivalents.
- \$6,610,205 (2023: \$4,607,843) in other financial assets.
- \$7,055,739 (2023: \$6,145,499) of intangible assets.
- \$6,243,996 (2023: \$2,864,905) of property, plant and equipment.
- \$661,071 (2023: \$723,133) of deferred taxes.

The Company has total liabilities of \$2,656,504 (2023: \$2,253,141) resulting in total net assets of \$42,488,374 (2023: \$47,868,828).

Further information on the operations of the Company and its business strategies and prospects is set out in the review of operations from page 10 of this annual report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## DIVIDENDS

There were no dividends declared or paid during the period.

<sup>1</sup> <https://www.emergenresearch.com/industry-report/lithium-foil-market>

## MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

## FUTURE DEVELOPMENTS

We are targeting four key strategic priorities over the next two years:

1. **Pathway to core revenue** – through development of data sheets and test cells for partners and investment in battery pack development
2. **Additional funding and revenue streams** – through our significant Government Grants and new products such as lithium foils and laminates
3. **Strong partnerships with offtake agreements** – once test cells are available, we will seek to evolve our end-user partnerships into conditional offtake agreements
4. **A pathway to scale** – offtake agreements and a proven manufacturing processes will allow us to develop options for the next scale of commercial facility and open a range of licensing and funding models.

We believe that these four priorities will position us for long-term sustainable growth and the creation of shareholder value. We are on track to deliver our first sample cells to customers in the coming months and with the support of the IGP funding we are able to accelerate the development of our lithium foil and laminate products.

## OPTIONS AND UNISSUED SHARES

As at the date of this report, there are:

- 2,086,795 outstanding Service Rights granted to Non-Executive Directors under the NED Equity Plan, of which 646,795 Service Rights vested during the period but were not exercised. A total of 2,086,795 Service Rights have vested under this plan since inception;
- 1,200,000 outstanding Service Rights under the Executive Rights Plan, of which 250,000 Service Rights vested during the period but were not exercised. A total of 950,000 Service Rights have vested under this plan since inception; and
- 1,441,595 outstanding Performance Rights under the Long Term Incentive Plan (LTIP), of which 60,844 vested during the period.

See the Remuneration Report below for further information.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The operations of the Company are not subject to any particular and significant environmental regulation under a law of the Commonwealth or any State or Territory.

With the publication of our second annual ESG report, we are advancing on the path laid out by our inaugural report. As the Company matures, we continue to refine our focus on environmental, social, and governance matters. At the core of our ESG commitment remains the drive to deliver better batteries that will propel the world's shift to a net zero energy future.

# Directors' Report

continued

## Remuneration Report (audited)

The Directors of the Company present the Remuneration Report for the year ended 30 June 2024. This Report has been prepared in accordance with the requirements under the *Corporations Act 2001* and applicable Accounting Standards. This report forms part of the Directors' Report and, unless otherwise indicated, has been audited in accordance with section 300A of the *Corporations Act 2001*.

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

The table below outlines the KMP of the Company for the year ended 30 June 2024 and up to the date of this report:

Name	Position	Term as KMP
<b>Directors</b>		
Ben Spincer	Non-Executive Chair	Full financial year
Robin Levison	Non-Executive Director	Full financial year
Anthony McDonald	Non-Executive Director	Retired 14 November 2023
Hedy Cray	Non-Executive Director	Full financial year
Marc Fenton	Non-Executive Director	Appointed 1 February 2024
<b>Other KMP</b>		
Lee Finniear	Chief Executive Officer (CEO)	Full financial year
Steve Rowlands	Chief Technology Officer (CTO)	Full financial year
Glenn Molloy	Chief Strategic Advisor (CSA)	Full financial year
Sarah Price	Chief Financial Officer (CFO)	Full financial year

## Remuneration Policy

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

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

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

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

## Non-Executive Directors (NEDs)

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

Director	Directors' Fees \$ (including superannuation)
Ben Spincer <sup>1</sup>	120,000
Robin Levison	80,000
Tony McDonald	80,000
Hedy Cray	80,000
Marc Fenton <sup>2</sup>	–

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

2 No remuneration value has been set as of the date of this report for Marc Fenton in respect of his appointment as a Director.

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

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

Service Period	Fees Sacrificed (\$)	Tranche	Number of Service Rights
<b>NEDs</b>			
May 2021 to April 2022	80,000	1	160,000
May 2022 to April 2023	80,000	2	160,000
May 2023 to April 2024	80,000	3	160,000
<b>Chairman</b>			
May 2021 to April 2022	120,000	1	240,000
May 2022 to April 2023	120,000	2	240,000
May 2023 to April 2024	120,000	3	240,000

NEDs sacrificed annual Director fees of \$80,000 for 160,000 Service Rights and the Chairman sacrificed total Director fees of \$120,000 for 240,000 Service Rights for each 12 month period ending 30 April. From 1 May 2024, subsequent to the completion of the 3-year NED Equity Plan, the NEDs reverted their remuneration to cash benefits in respect of their duties as Directors. They are not entitled to participate in performance based remuneration practices unless approved by shareholders. The Company will not generally use options or other equity instruments as a means of remuneration for non-executive directors and expects to continue to remunerate those directors by means of cash benefits.

The number of Service Rights were calculated by dividing the amount of sacrificed fees by the Share price of \$0.50 per Share being the price at which Shares were issued in the April 2021 capital raise. The fair value of these Service Rights at the time that they were granted was independently valued at \$0.50 each. As the Directors fees up to 30 April 2024 are equity instruments settled in share-based payments, each tranche of service rights is expensed over the vesting period from the date of granting to the date the last tranche resulting in a proportionally larger expense recognised in the earlier years. Refer to the Short Term Benefits table disclosed further in this Remuneration Report.

The Service Rights were issued as at 1 May 2021 and vested in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED held the office of NED on those dates. Each consecutive tranche commenced annually on the vesting date of the prior tranche. All NEDs met the vesting requirements for Tranches 1, 2, and 3, with Tony McDonald meeting the requirements for Tranche 3 on a pro rata basis to his date of retirement, being 14 November 2023.

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

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

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

# Directors' Report

continued

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

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

## Executives

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

A review of the compensation arrangements for executives is conducted by the full Board at a duly constituted Directors' meeting. The Board conducts its review annually based on established criteria which includes:

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

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

## Company Performance and Shareholder Wealth for Executive Remuneration

### Statutory performance indicators

	2024 \$	2023 \$	2022 \$	2021 \$
Profit/(loss) after income tax expense	(4,623,970)	(3,335,522)	(6,271,817)	(1,684,391)
Revenue	-	-	-	-
Share price at period end (\$/Share)	0.13	0.24	0.44	-
Basic earnings/(loss) per share (c/Share)	(0.73)	(0.52)	(0.99)	(0.29)
Diluted earnings/(loss) per share (c/Share)	(0.73)	(0.52)	(0.99)	(0.29)
Dividends declared (c/Share)	-	-	-	-

The two methods employed in achieving this are:

### Short Term Incentives (STI)

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

Core Drivers	Targets	Weighting
Shareholders	Deliver strategic plan and exceed cashflow target in the prospectus	20%
Financial	Revenue and cashflow targets in line with or exceeding budget; secure additional significant grant funding	30%
Operational	Complete commissioning of Phase 3 facility; execute first customer supply agreements	30%
Research	Complete agreed research program and protect new IP	10%
ESG/OH&S/Risk	Develop and enhance ESG, OH&S and risk management frameworks	10%

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

Participation in the STI is considered on an annual basis. Cash bonuses for the current year are assessed by the Board, and granting of any STI amounts is at their discretion, taking into account the individual's performance against the above metrics.

## Long Term Incentives

On 16 November 2023, the Company granted 963,036 performance rights to specific executive officers and senior staff of the Company under the terms of the Long Term Incentive Plan (LTIP), of which 483,394 were issued to KMP. The fair value of these performance rights was calculated on the grant date and will be recognised over the period to vesting in June 2026. The vesting of the performance rights granted is based on the achievement of specified internal and external vesting conditions. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

### FY24 Performance rights Award date 16 November 2023

Vesting date	30-Jun-26
Expiry date	16-Nov-38
Number of performance rights granted	963,036
Share price at grant date	\$0.21
Fair value at grant date	See below
Exercise price	\$Nil
Expected life	2.62 years
Volatility	70.00%
Risk free interest rate	4.19%
Dividend yield	Nil
Outperformance hurdle - rTSR	25.00%
Outperformance hurdle - aTSR	200.00%

The measurements used for the FY24 Performance Rights grant are as follows:

Nature	Weighting	Fair value at grant date	# of Rights granted to KMP
Strategic Goals	20.0%	\$0.19	96,679
Operational Goals	40.0%	\$0.19	193,357
ESG Goals	5.0%	\$0.19	24,170
rTSR	17.5%	\$0.14	84,594
aTSR	17.5%	\$0.07	84,594

The aTSR metric requires the Company to achieve a share price uplift of at least 300% over the Measurement Period by reference to the VWAP used to calculate the initial grant of FY24 rights.

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

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

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

# Directors' Report

continued

Measurement Period	The Measurement Period for the FY24 Performance Rights is a period of 3 years from 1 July 2023.							
Vesting Conditions	The nature and weighting of the vesting conditions are broadly consistent for each Participant but are tailored for the role that each Participant performs. The Board will use their judgement to assess whether the vesting conditions have been met.							
Gates	No Gates have been attached to these Tranches of Rights.							
Vesting and Vesting Date	Rights will typically vest following the completion of the Measurement Period based on an assessment of the Vesting Conditions, however Rights may vest before the end of the Measurement Period in some limited circumstances.							
Exercise Restrictions	No Exercise Restrictions have been attached to these Tranches of Rights.							
Disposal Restrictions	Rights may not be disposed of at any time but they may be exercised following vesting.  No additional Restrictions have been attached to the Shares that may be acquired when vested Rights are exercised. Thus, the Disposal Restrictions that apply to the Shares will arise from the Company’s Securities Trading Policy and the insider trading provisions of the Corporations Act.							
Exercise and Exercise Price	The Exercise Price is nil (no amount needs to be paid by the Participant in order to exercise the Rights).  Vested Rights may be exercised at any time after the Vesting Date and before the end of their Term. In order to exercise vested Rights, a Participant must validly submit an Exercise Notice.  On exercise of Vested Rights, the Board will issue a Settlement Notice and ensure that there are a sufficient number of Shares available to satisfy the exercised Rights. The Board will not ordinarily settle the exercised Performance Rights in cash.							
Termination of Employment	If a Participant’s employment with the Company ceased during FY24, the FY24 Performance Rights would have been forfeited in the proportion that the remainder of the FY24 bears to the full FY24.  Remaining unvested Rights will be retained by the Participant, subject to the Malus and Clawback provisions, with a view to testing for possible vesting having regard to performance during the Measurement Period up to the date of cessation of employment. The Board will be convened where required to consider any such off-cycle assessment of vesting conditions.  Vested Rights held following a termination of employment may now continue to be held by the Participant unless the Board determines otherwise.							
Malus and Clawback	Rights may be forfeited at any time, including during and subsequent to a Participant’s employment with the Company, should the Malus and Clawback provisions come into play.							
No Hedging	Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares. This is a Corporations Act requirement.							
Change of Control	If a de-listing is imminent, vesting will automatically occur at the level derived from application of the following formula:  <table><tr><td>Number of Performance Rights in Tranche to Vest</td><td>=</td><td>Unvested Performance Rights in Tranche</td><td>X</td><td>% of First Year of Measurement Period Elapsed</td></tr></table>  Additional vesting will occur to the extent, if any, determined by the Board and any remaining unvested Rights will lapse; and Restricted Shares will cease to be subject to Specified Disposal Restrictions, and any CHES holding locks will be removed if applicable, unless otherwise determined by the Board.  In other cases of a change of control the Rights will remain on foot, subject to possible modification of Vesting Conditions, for testing for vesting at the end of the Measurement Period.			Number of Performance Rights in Tranche to Vest	=	Unvested Performance Rights in Tranche	X	% of First Year of Measurement Period Elapsed
Number of Performance Rights in Tranche to Vest	=	Unvested Performance Rights in Tranche	X	% of First Year of Measurement Period Elapsed				

Pre IPO, LIS adopted a plan called the Executive Rights Plan (**Executive Rights Plan**) under which the Board of the Company invited certain eligible persons to apply for Service Rights or Performance Rights to be issued in accordance with, and subject to the terms of, the Executive Rights Plan. The Executive Rights Plan was approved by shareholders at the Annual General Meeting held on 24 November 2021. The Executive Rights Plan was superseded by the LTIP after approval at the Annual General Meeting held on 10 November 2022.

On 12 November 2020 the CEO was granted 1,000,000 Service Rights which vest in four equal tranches on 30 April 2022, 2023, 2024 and 2025, subject to continuity of employment during the Measurement Periods. The Service Rights at the time that they were granted were independently valued at \$0.065 each and have a nil exercise price. Each consecutive tranche commences annually on the vesting date of the prior tranche and, if the CEO ceases employment during a tranche, then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche and all subsequent tranches will lapse. The CEO has met the vesting requirements for Tranches 1, 2, and 3.

On 15 June 2022 the CTO was granted 200,000 Service Rights which vested on 30 June 2022. The Service Rights were valued at \$0.425 each, being the closing share price at the date of the grant and have a nil exercise price. Service Rights that have vested may be exercised any time after 30 June 2024.

Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company. The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Plan. Non-Executive Directors are excluded from Participation in the Plan.

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

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

Any unvested Service Rights that do not vest will lapse.

### Remuneration Details for the year ended 30 June 2024 for the KMP

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

Non-Executive Director remuneration for the years ended 30 June 2024 and 30 June 2023:

	Year	Short-term benefits			Post-employment benefits	Share-based payments	Performance related	
		Salary and fees <sup>2</sup> \$	Cash Bonus \$	Non-monetary benefits \$	Superannuation benefits \$	Service Rights <sup>3</sup> \$	Total \$	percentage %
B Spicer	2024	18,018	-	-	1,982	15,376	35,376	-
	2023	-	-	-	-	72,275	72,275	-
R Levison	2024	13,333	-	-	-	10,251	23,584	-
	2023	-	-	-	-	48,183	48,183	-
A McDonald	2024	-	-	-	-	7,297	7,297	-
	2023	-	-	-	-	48,183	48,183	-
H Cray	2024	13,333	-	-	-	10,251	23,584	-
	2023	5,250 <sup>(1)</sup>	-	-	-	48,183	53,433	-
M Fenton	2024	-	-	-	-	-	-	-
	2023	-	-	-	-	-	-	-
<b>Total Directors</b>	<b>2024</b>	<b>44,684</b>	<b>-</b>	<b>-</b>	<b>1,982</b>	<b>43,175</b>	<b>89,841</b>	<b>-</b>
	<b>2023</b>	<b>5,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>216,824</b>	<b>222,074</b>	<b>-</b>

1 The fee compensation received by Ms Cray during 2023 relates to special exertion activities undertaken in her capacity as a Director, as approved by the Board in accordance with the constitution.

2 The NEDs commenced being paid in cash effective 1 May 2024, on expiry of the NED Equity Plan.

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

# Directors' Report

continued

Executive KMP remuneration for the years ended 30 June 2024 and 30 June 2023:

	Year	Short-term benefits			Post-employment benefits	Share-based payments	Total \$	Performance related percentage %
		Salary and fees \$	Cash Bonus \$	Non-monetary benefits \$	Superannuation benefits \$	Service & Performance Rights <sup>3</sup> \$		
L Finniear	2024	328,690	68,083 <sup>4</sup>	–	29,792	5,839	432,404	16%
	2023	289,082	85,638	–	29,240	12,150	416,110	21%
S Rowlands	2024	214,000	54,522 <sup>5</sup>	–	27,382	75,829	371,733	35%
	2023	200,000	53,137	–	23,823	83,541	360,501	38%
G Molloy <sup>1</sup>	2024	105,000	–	–	–	–	105,000	–
	2023	70,000	–	–	–	–	70,000	–
S Price <sup>2</sup>	2024	–	–	–	–	–	–	–
	2023	–	–	–	–	–	–	–
K Hostland <sup>2</sup>	2024	–	–	–	–	–	–	–
	2023	–	–	–	–	–	–	–
<b>Total Executive KMP</b>	<b>2024</b>	<b>647,690</b>	<b>122,605</b>	<b>–</b>	<b>57,174</b>	<b>81,668</b>	<b>909,137</b>	<b>22%</b>
	<b>2023</b>	<b>559,082</b>	<b>138,775</b>	<b>–</b>	<b>53,063</b>	<b>95,691</b>	<b>846,611</b>	<b>26%</b>

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

2 Remunerated by PPK Aust, pursuant to the management services agreement, under which \$830,000 (2023: \$720,000) was charged during the period, which included fees for KMP services.

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

4 The cash bonus recorded for L Finniear in 2024 is comprised of the accrued bonus at 30 June 2024 of \$65,320, approved for payment by the Directors prior to approval of the financial statements, and an additional \$2,763 arising from the difference between the accrued bonus in respect of the FY23 year and the final amount approved and paid.

5 The cash bonus recorded for S Rowlands in 2024 is comprised of the accrued bonus at 30 June 2024 of \$49,884, approved for payment by the Directors prior to approval of the financial statements, and an additional \$4,638 arising from the difference between the accrued bonus in respect of the FY23 year and the final amount approved and paid.

## Employment Contracts with Key Management Personnel

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

### Dr Lee Finniear (Chief Executive Officer)

Term: Commenced 1 July 2021 with no fixed term.

Remuneration: Base remuneration of \$355,000 inclusive of superannuation, effective 1 July 2023. Dr Finniear participates in the Company's short term incentive (STI) plan, where he can receive up to 40% of his base remuneration for meeting key performance indicators (KPIs) set by the Directors. Furthermore, Dr Finniear was issued 1,000,000 service rights on 12 November 2020, vesting over a four year term in accordance with the relevant Executive Rights Plan.

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

### Dr Steve Rowlands (Chief Technology Officer)

Term: Commenced 1 July 2021 with no fixed term.

Remuneration: Base remuneration of \$237,540 inclusive of superannuation, effective 1 July 2023. Dr Rowlands participates in the Company's short term incentive (STI) plan, where he can receive up to 30% of his base remuneration for meeting KPIs set by the CEO and Directors. Dr Rowlands is also eligible to participate in the Company's LTIP, and was issued 483,394 performance rights for the current performance year.

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

**Glenn Molloy (Chief Strategic Advisor)**

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

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

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

**Sarah Price (Chief Financial Officer)**

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

Remuneration: CFO is remunerated by PPK Group Limited, with cost of service incorporated in the monthly fee paid in accordance with the MSA. The total fee paid under the MSA in 2024 was \$830,000 (2023: \$720,000)

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

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

**Directors**

	Year	Ordinary Shares					Closing Balance #
		Opening Balance #	Acquired via exercise of rights #	Acquired on market #	Sold #	Transferred/ Other Mvmt #	
B Spicer	2024	200,000	-	-	-	-	200,000
	2023	200,000	-	-	-	-	200,000
R Levison <sup>1</sup>	2024	2,540,549	-	-	-	-	2,540,549
	2023	2,790,549	-	-	-	(250,000)	2,540,549
A McDonald <sup>2</sup>	2024	866,961	-	-	-	(866,961)	-
	2023	866,961	-	-	-	-	866,961
H Cray	2024	170,951	-	-	-	-	170,951
	2023	167,951	-	3,000	-	-	170,951
M Fenton <sup>3</sup>	2024	-	-	-	-	17,540	17,540
	2023	-	-	-	-	-	-
<b>Total Directors</b>	2024	<b>3,778,461</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(849,421)</b>	<b>2,929,040</b>
	2023	<b>4,025,461</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>(250,000)</b>	<b>3,778,461</b>

1 Off market transfer to family members

2 Final holding on date retired as a Director (14 November 2023)

3 Holding on date appointed as a Director (1 February 2024)

# Directors' Report

continued

## Executive KMP

	Year	Ordinary Shares					Closing Balance #
		Opening Balance #	Acquired via exercise of rights #	Acquired on market #	Sold #	Transferred / Other Mvmt #	
L Finniear	2024	200,000	-	-	-	-	200,000
	2023	200,000	-	-	-	-	200,000
S Rowlands	2024	-	-	-	-	-	-
	2023	-	-	-	-	-	-
G Molloy <sup>1</sup>	2024	10,325,778	-	-	-	-	10,325,778
	2023	6,440,784	-	-	-	3,884,994	10,325,778
S Price	2024	-	-	40,500	-	-	40,500
	2023	-	-	-	-	-	-
K Hostland <sup>2</sup>	2024	-	-	-	-	-	-
	2023	529,066	-	-	-	(529,066)	-
<b>Total Executive KMP</b>	<b>2024</b>	<b>10,525,778</b>	<b>-</b>	<b>40,500</b>	<b>-</b>	<b>-</b>	<b>10,566,278</b>
	<b>2023</b>	<b>7,169,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,355,928</b>	<b>10,525,778</b>

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

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

As at the end of the financial year, the number of service rights and performance rights in LIS held by each KMP for the year ended 30 June 2024 is set out below:

	Service Rights							
	Opening Balance #	Granted as Remuneration #	Exercised #	Lapsed or Forfeited #	Closing Balance #	Vested and exercisable #	Vested and unexercisable #	Unvested #
B Spicer	720,000	-	-	-	720,000	720,000	-	-
R Levison	480,000	-	-	-	480,000	480,000	-	-
A McDonald	480,000	-	-	(73,205)	406,795	406,795	-	-
H Cray	480,000	-	-	-	480,000	480,000	-	-
M Fenton	-	-	-	-	-	-	-	-
Total Directors	2,160,000	-	-	(73,205)	2,086,795	2,086,795	-	-
Executives								
L Finniear	1,000,000	-	-	-	1,000,000	750,000	-	250,000
S Rowlands	200,000	-	-	-	200,000	200,000	-	-
Total Executives	1,200,000	-	-	-	1,200,000	950,000	-	250,000
Total KMP	3,360,000	-		(73,205)	3,286,795	3,036,795	-	250,000

	Performance Rights							
	Opening Balance #	Granted as Remuneration #	Exercised #	Lapsed or Forfeited #	Closing Balance #	Vested and exercisable #	Vested and unexercisable #	Unvested #
L Finniear	-	-	-	-	-	-	-	-
S Rowlands	393,099	483,394	-	-	876,493	-	-	876,493
G Molloy	-	-	-	-	-	-	-	-
S Price	-	-	-	-	-	-	-	-
<b>Total Executives</b>	<b>393,099</b>	<b>483,394</b>	<b>-</b>	<b>-</b>	<b>876,493</b>	<b>-</b>	<b>-</b>	<b>876,493</b>

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

	Ordinary shares #	Service Rights #	Total Securities #
B Spincer	200,000	720,000	920,000
R Levison	2,540,549	480,000	3,020,549
H Cray	170,951	480,000	650,951
M Fenton	17,540	-	17,540
<b>Total Directors</b>	<b>2,929,040</b>	<b>1,680,000</b>	<b>4,609,040</b>

## OTHER TRANSACTIONS WITH RELATED PARTIES OF THE COMPANY

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

**(End of the Remuneration Report)**

# Directors' Report

continued

## DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit & Risk Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Ben Spincer	12	12	N/A	N/A
Robin Levison	12	11	2	2
Anthony McDonald	6	6	1	1
Hedy Cray	12	12	2	2
Marc Fenton	4	4	N/A	N/A

## CORPORATE GOVERNANCE STATEMENT

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

LIS's directors and management are committed to conducting business ethically and in accordance with high standards of corporate governance. A copy of LIS's 2024 Corporate Governance Statement can be found in the corporate governance section of LIS's website at [www.lis.energy](http://www.lis.energy).

## RISK AND CONTROL COMPLIANCE STATEMENT

There are a number of key risks, both specific to LIS and of a general nature, which may either individually or in combination materially and adversely affect the future operating and financial performance of the Group. These include:

- Pilot phase research and development technology may not be able to be proven or scale to an economically viable level for a commercial operation
- New and alternative battery technologies impacting customer demand
- Lithium sulfur and lithium metal competitors come onto the market resulting in a lack of demand for LIS batteries
- Reliance on key personnel
- Protection of intellectual property, with a number of patent applications still in the provisional and Patent Control Treaty (PCT) phase
- Scale of funding required to deliver product in volume to market
- Cyber attack on LIS, resulting in loss of key data and trade secrets;
- Sourcing and supply chain risk of input materials and equipment to produce LIS battery cells; and
- Other operational risks, including occupational health and safety and handling of battery materials.

In accordance with the Recommendations, the Board has:

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

## AUDIT AND RISK COMMITTEE

The details of the composition, role and Charter of the LIS's Audit and Risk Committee are available on the Company's website at [www.lis.energy](http://www.lis.energy).

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

Hedy Cray	Non-Executive Independent Director, Chairperson
Robin Levison	Non-Executive Director
Anthony McDonald	Non-Executive Independent Director (retired 14 November 2023)

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

## PROCEEDINGS ON BEHALF OF COMPANY

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

## DIRECTORS' INDEMNIFICATION

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

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

## AUDITOR'S INDEMNIFICATION

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

## NON-AUDIT SERVICES

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

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the company and its related practices:

	2024 \$	2023 \$
Taxation advice and other advisory services	19,500	12,500

## ROUNDING OF ACCOUNTS

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

## AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2024 and a copy of this declaration forms part of this Directors' Report.

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



**Ben Spincer**  
Chairman

Brisbane,  
21 August 2024



**Robin Levison**  
Non-Executive Director

# Auditor's Independence Declaration



Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

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

As lead auditor for the audit of the financial report of Li-S Energy Limited for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Brad Tozer'.

Brad Tozer  
Partner  
21 August 2024

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2024

	Notes	30 June 2024 \$	30 June 2023 \$
Revenue from contracts with customers		-	-
Finance income		1,476,667	1,282,671
Other income		4,000	-
Employee benefits expenses		(1,100,882)	(752,970)
Directors fees		(46,667)	-
Professional fees		(1,274,230)	(953,597)
Management fees	28.2	(830,000)	(720,000)
Share based payments expense	7.1	(270,378)	(273,697)
Administration expenses		(1,652,758)	(1,492,245)
Depreciation and amortisation expense	14.1	(845,063)	(462,649)
Finance costs		(87,021)	(61,080)
Unrealised gain (loss) on investment at FVTPL	12	2,362	98,045
<b>PROFIT (LOSS) BEFORE INCOME TAX EXPENSE</b>		<b>(4,623,970)</b>	<b>(3,335,522)</b>
Income tax (expense) benefit	5(a)	-	-
<b>PROFIT (LOSS) AFTER INCOME TAX EXPENSE</b>		<b>(4,623,970)</b>	<b>(3,335,522)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>		<b>(4,623,970)</b>	<b>(3,335,522)</b>
<b>Earnings (loss) per share (in cents)</b>			
Basic	27	(0.73)	(0.52)
Diluted	27	(0.73)	(0.52)

The accompanying notes form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

as at 30 June 2024

	Notes	30 June 2024 \$	30 June 2023 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	22,811,343	33,450,982
Trade and other receivables	10	176,769	188,626
Financial assets	12	2,000,000	-
Other current assets	11	41,647	90,310
<b>TOTAL CURRENT ASSETS</b>		<b>25,029,759</b>	<b>33,729,918</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	12	4,610,205	4,607,843
Property, plant and equipment	13	6,243,995	2,864,905
Right-of-use assets	14	1,085,120	960,609
Other non-current assets	15	458,988	1,090,062
Intangible assets	16	7,055,739	6,145,499
Deferred tax assets	5(c)	661,071	723,133
<b>TOTAL NON-CURRENT ASSETS</b>		<b>20,115,118</b>	<b>16,392,051</b>
<b>TOTAL ASSETS</b>		<b>45,144,877</b>	<b>50,121,969</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	745,866	1,114,382
Lease liabilities	18	221,769	222,315
Provisions	19	168,389	95,663
Other current liabilities		525,495	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,661,519</b>	<b>1,432,360</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	18	914,984	780,781
Provisions	19	80,000	40,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>994,984</b>	<b>820,781</b>
<b>TOTAL LIABILITIES</b>		<b>2,656,503</b>	<b>2,253,141</b>
<b>NET ASSETS</b>		<b>42,488,374</b>	<b>47,868,828</b>
<b>EQUITY</b>			
Contributed equity	20	56,564,582	56,626,644
Treasury shares	21	(964,800)	-
Reserves	22	2,839,440	2,569,062
Retained earnings (accumulated losses)		(15,950,848)	(11,326,878)
<b>TOTAL EQUITY</b>		<b>42,488,374</b>	<b>47,868,828</b>

The accompanying notes for part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2024

	Notes	30 June 2024 \$	30 June 2023 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(4,613,918)	(3,698,647)
Management fees paid to parent entity	28.2	(830,000)	(720,000)
Receipts from BAS refunds		776,363	677,457
Government grants received		400,000	-
Interest received		1,414,859	1,282,671
Interest paid		(87,021)	(61,080)
Net cash from (used in) operating activities	4.1	(2,939,717)	(2,519,599)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for intangible assets	16.1	(2,172,437)	(2,913,172)
Payments for property, plant and equipment	13.1	(5,215,661)	(2,799,801)
Proceeds from government grants for capital acquisitions		2,892,398	-
Payments for acquisition of investments		(2,000,000)	-
Payments for loans to other entities		-	(3,400,000)
Repayment of loans to other entities		-	1,400,000
Net cash from (used in) investing activities		(6,495,700)	(7,712,973)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for treasury shares acquired		(964,800)	-
Payment of lease liabilities		(239,422)	(169,823)
Net cash from (used in) financing activities		(1,204,222)	(169,823)
Net increase (decrease) in cash held		(10,639,639)	(10,402,395)
Cash at the beginning of the period		33,450,982	43,853,377
Cash at the end of the period		22,811,343	33,450,982

The accompanying notes form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2024

Notes	Contributed Equity \$	Treasury Shares \$	Share Premium Reserve (Note 22.2) \$	Share Rights Reserve (Note 22.1) \$	Accumulated Losses \$	Total Equity \$
<b>Balance as at 1 July 2023</b>	<b>56,626,644</b>	<b>-</b>	<b>1,347,650</b>	<b>1,221,412</b>	<b>(11,326,878)</b>	<b>47,868,828</b>
Profit (loss) for the period	-	-	-	-	(4,623,970)	(4,623,970)
Other comprehensive income (loss) for the period	-	-	-	-	-	-
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,623,970)</b>	<b>(4,623,970)</b>
Issue of service rights for Non-Executive Directors	-	-	-	43,174	-	43,174
Issue of service or performance rights for Executives	-	-	-	227,204	-	227,204
Acquisition of treasury shares	-	(964,800)	-	-	-	(964,800)
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years	20.1	(62,062)	-	-	-	(62,062)
<b>Balance as at 30 June 2024</b>	<b>56,564,582</b>	<b>(964,800)</b>	<b>1,347,650</b>	<b>1,491,790</b>	<b>(15,950,848)</b>	<b>42,488,374</b>

for the year ended 30 June 2023

Notes	Contributed Equity \$	Treasury Shares \$	Share Premium Reserve (Note 22.2) \$	Share Rights Reserve (Note 22.1) \$	Accumulated Losses \$	Total Equity \$
<b>Balance as at 1 July 2022</b>	<b>56,688,707</b>	<b>-</b>	<b>1,347,650</b>	<b>947,715</b>	<b>(7,991,356)</b>	<b>50,992,716</b>
Profit (loss) for the period	-	-	-	-	(3,335,522)	(3,335,522)
Other comprehensive income (loss) for the period	-	-	-	-	-	-
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,335,522)</b>	<b>(3,335,522)</b>
Issue of service rights for Non-Executive Directors	-	-	-	216,824	-	216,824
Issue of service or performance rights for Executives	-	-	-	56,873	-	56,873
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years	20.1	(62,063)	-	-	-	(62,063)
<b>Balance as at 30 June 2023</b>	<b>56,626,644</b>	<b>-</b>	<b>1,347,650</b>	<b>1,221,412</b>	<b>(11,326,878)</b>	<b>47,868,828</b>

The accompanying notes form part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2024

## 1 Corporate information

The consolidated financial statements of Li-S Energy Limited ("Li-S Energy" or "LIS" or the "Company" or the "Group") for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Directors on 21 August 2024 as required by the *Corporations Act 2001*.

Li-S Energy is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX Code: LIS). Li-S Energy is registered in Queensland and has its head office at Level 13, 120 Edward Street, Brisbane, Queensland, 4000.

The principal activity of LIS is to develop and commercialise a battery technology based on advanced lithium sulfur chemistry, where boron nitride nanotubes (BNNT) and other nanomaterials are incorporated into battery components to:

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

## 2 Summary of material accounting policy information

### 2.1 Basis of preparation and statement of compliance

These general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

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

The financial statements are presented in Australian dollars, and all values are in whole dollars (\$), unless otherwise stated.

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

The new and revised standards and amendments effective for the financial period ended 30 June 2024 that are relevant to the Group are:

#### AASB 2021-2 Amendments to AASB 7, AASB 101, AASB 134 and AASB Practice Statement 2

The amendments to AASB 101 Presentation of Financial Statements require disclosure of material accounting policy information, instead of significant accounting policies. Unlike 'material', 'significant' was not defined in Australian Accounting Standards. Leveraging the existing definition of material with additional guidance is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material. Entity-specific accounting policy information is emphasised as being more useful than generic information or summaries of the requirements of Australian Accounting Standards.

The amendments to AASB Practice Statement 2 supplement the amendments to AASB 101 by illustrating how the four-step materiality process can identify material accounting policy information.

#### AASB 2021-2 Amendments to AASB 108

An accounting policy may require items in the financial statements to be measured using information that is either directly observable or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information.

The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively.

The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.

# Notes to the Consolidated Financial Statements

continued

## 2 Summary of material accounting policy information (continued)

The below new and revised standards and amendments effective for the financial period ended 30 June 2024 are not material to the Company:

- AASB 17 *Insurance Contracts*
- AASB 2022-1 *Amendments to AASs – Initial Application of AASB 17 and AASB 9 – Comparative Information*
- AASB 2021-5 *Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- AASB 2022-7 *Editorial Corrections to AASs and Repeal of Superseded and Redundant Standards*
- AASB 2022-8 *Amendments to AASs – Insurance Contracts – Consequential Amendments*
- AASB 2023-2 *Amendments to AASB 112 – International Tax Reform Pillar Two Model Rules*

The following new and revised standards and amendments have been issued but are not effective for the financial period ended 30 June 2024.

- AASB 2020-1 *Amendments to AASs – Classification of Liabilities as Current or Non-current*
- AASB 2022-6 *Amendments to AASs – Non-current Liabilities with Covenants*
- AASB 2014-10 *Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- AASB 2022-5 *Amendments to AASs – Lease Liability in a Sale and Leaseback*
- AASB 2022-9 *Amendments to AASs – Insurance Contracts in the Public Sector*
- AASB 2022-10 *Amendments to AASs – Fair Value Measurement of Non-financial Assets of Not-for-Profit Public Sector Entities*
- AASB 2023-1 *Amendments to AASs – Amendments to AASB 107 and AASB 7 – Disclosures of Supplier Finance Arrangements*
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability*
- AASB 18 *Presentation and Disclosure in Financial Statements*

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Group assesses the impact of new and revised standards and amendments that are not yet effective on an ongoing basis.

### 2.3 Foreign currency translation

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

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

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

### 2.4 Revenue recognition and other income

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

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

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

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

#### Interest income

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

## 2 Summary of material accounting policy information (continued)

### Government grants

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

### 2.5 Operating expenses

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

### 2.6 Share-based payments

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

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance and non-vesting conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions (see Note 7.2).

All share-based remuneration is ultimately recognised in employee benefits expense with a corresponding credit to share rights reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on best available estimate of the number of share rights expected to vest.

Non-market vesting conditions are included in assumptions about the number of share rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share rights ultimately exercised are different to that estimated on vesting.

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

### 2.7 Finance costs

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

### 2.8 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Investments with original maturities over three months are classified as financial assets in the statements of financial position. Cash and cash equivalents are presented in the consolidated statement of cash flows, net of outstanding bank overdrafts.

# Notes to the Consolidated Financial Statements

continued

## 2 Summary of material accounting policy information (continued)

### 2.9 Trade receivables

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

For trade receivables and contract assets, the Company applies a simplified approach to calculating ECLs. The Company recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. At every reporting date, the historical credit loss experience is reviewed and updated, if appropriate, and changes in the forward-looking estimates are analysed. For this financial year, the Company did not have any expected lifetime credit losses.

### 2.10 Property, plant and equipment

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

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

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

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

Class of Fixed Asset	Depreciation Rate Straight Line
Leasehold Improvements	Over the term of the lease
Plant & Equipment	10% – 50%

### 2.11 Intangible assets

#### Research and Development

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

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset.

### 2.12 Financial instruments

#### 2.12.1 Financial assets

##### *Initial recognition and measurement*

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

Financial assets are classified according to the characteristics of their contractual cash flow and the Company's business model for managing them. Except for those trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do contain a significant financing component for which the Company has applied the practical expedient are measured at the transaction price as disclosed in Note 2.9.

## 2 Summary of material accounting policy information (continued)

### *Fair value*

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

### *Hierarchy*

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

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

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

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

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

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

### *Subsequent measurement*

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

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

### *Financial assets at amortised cost (debt instruments)*

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

### *Financial assets fair value through OCI (debt instruments)*

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

continued

## 2 Summary of material accounting policy information (continued)

### *Financial assets at FVTPL*

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

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

### *Derecognition*

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

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

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

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

### **2.12.2 Financial liabilities**

#### *Initial measurement and recognition*

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

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

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

#### *Subsequent measurement*

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

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

#### *Financial liabilities at FVTPL*

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

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

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

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

#### *Financial liabilities at amortised cost (loans and borrowings)*

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

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

## 2 Summary of material accounting policy information (continued)

### *Derecognition*

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

### **2.12.3 Offsetting of financial instruments**

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

### **2.13 Trade and other payables**

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

### **2.14 Employee benefit provisions**

#### **Salary, wages and annual leave**

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

#### **Long service leave**

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

#### **Retirement benefit obligations**

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

### **2.15 Borrowings**

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

### **2.16 Income Tax**

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

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

# Notes to the Consolidated Financial Statements

continued

## 2 Summary of material accounting policy information (continued)

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

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

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

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

### 2.17 Dividends

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

### 2.18 Leases

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

#### Company as a lessee

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

#### Right-of-use assets

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

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

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

#### Lease liabilities

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

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

## 2 Summary of material accounting policy information (continued)

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

### Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term. Refer to Note 18 for payments made in relation to short-term or low-value leases during the financial year.

### Company as a lessor

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

## 2.19 Equity

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

## 2.20 Provisions, contingent liabilities and contingent assets

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

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

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

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

## 2.21 Significant accounting judgements, estimates and assumptions

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

### Significant Management Judgements

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

#### *Impairment of intangibles – development costs*

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

Intangible assets not yet ready for use require an annual impairment test. Management has applied significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible assets. Management made this assessment on the basis that the Company has one Cash Generating Unit ("CGU") and both the estimated future discounted cash flows from the CGU and the 30 June 2024 share price, which implied a value for the Company and its assets well in excess of the carrying value of the net assets, which approximates 53% (2023:31%) of the current market capitalisation. The Directors also expect to achieve forward net positive cash flows in excess of the current value of the intangible assets.

# Notes to the Consolidated Financial Statements

continued

## 2 Summary of material accounting policy information (continued)

### *Deferred tax assets*

A deferred tax asset is only recognised to the extent that there is reasonable certainty of realising future taxable amounts sufficient to recover the carrying value. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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

### **2.22 Goods and Services Tax (GST)**

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### **2.23 Going Concern**

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

On 21 August 2024, being the date of approval of the financial report, the Directors believe it is appropriate to prepare the financial report on a going concern basis. The Directors have identified and considered:

- during the whole period, and at all times subsequent, the Company has been able to meet its obligations as and when they fall due;
- the Company has \$22,811,343 of cash and cash equivalents, a current financial asset at fair value through profit or loss of \$2,000,000, a non-current loan receivable of \$2,000,000 and no fixed debt;
- the Company maintains net assets of \$42,488,374, which includes net working capital of \$23,368,240;
- the Company has project plans and budgets approved by the Directors, consistent with disclosure in the Prospectus, and its cash flow forecasts indicate it has sufficient cash to meet the planned and committed expenditure over the next year.

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

## 3 Segment information

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

Operating segments have been determined based on reports reviewed by the Directors. The Directors and the Senior Management are the chief operating decision makers of the Company. The only operating segment for 30 June 2024 is the development and commercialisation of the Li-S Energy Battery segment.

## 4 Cash flow information

### 4.1 Reconciliation of cash flows from operating activities

	Notes	30 June 2024 \$	30 June 2023 \$
Profit (loss) after income tax		(4,623,970)	(3,335,522)
Cash flows in operating activities but not attributable to operating result:			
Non-cash flows in operating profit:			
Unrealised (gain)/loss on financial assets at fair value through profit or loss	12	(2,362)	(98,045)
Share based payments expense	7.1	270,378	273,697
Depreciation and amortisation expense	14.1	845,063	462,649
Income tax expense (benefit)	5(b)	-	-
Net changes in working capital:			
(Increase) decrease in trade and other receivables		11,857	(31,749)
(Increase) decrease in prepayments		51,272	(55,949)
Increase (decrease) in trade and other payables		35,319	213,983
Increase (decrease) in other current liabilities		400,000	-
Increase (decrease) in provisions		72,726	51,337
Net cash (used in) provided by operating activities		(2,939,717)	(2,519,599)

### 4.2 Non-cash financing and investing activities

During the period, the Company had no non-cash adjustments other than new leases, as disclosed in Notes 14 and 18.

## 5 Income tax expense

### (a) The prima facie tax payable (benefit) on the profit (loss) before income tax is reconciled to the income tax expense as follows:

Profit (loss) before tax	(4,623,970)	(3,335,522)
Prima facie tax payable (benefit) at 25.0% (2023: 25.0%)	(1,155,993)	(833,880)
(Non-assessable income) non-deductible expenses		
Losses for which no deferred tax asset was recognised	1,107,363	1,220,345
Adjustments related to temporary differences for which no deferred tax asset was recognised	-	(243,481)
Transaction costs on issue of ordinary shares recognised in profit or loss	-	-
Transaction costs on issue of ordinary shares recognised in equity	(62,062)	(62,063)
Adjustment for change in statutory tax rate	-	-
Other (non-assessable income) non-deductible expenses	110,692	(80,921)
Income tax expense (benefit)	-	-
The applicable weighted average effective tax rate is as follows:	-	-

# Notes to the Consolidated Financial Statements

continued

## 5 Income tax expense (continued)

### (b) The components of tax expense comprise:

	Notes	30 June 2024 \$	30 June 2023 \$
Current tax		-	-
Deferred tax		-	-
Income tax expense (benefit)		-	-

### (c) Deferred tax assets

The balance comprises temporary differences attributable to:

Tax losses		4,390,176	3,172,582
Lease liabilities		304,188	260,774
Investments		-	-
Black hole expenditure deductible in future years		377,274	628,191
Other expenses deductible in future years		115,798	67,801
Share based payments		372,948	305,353
<b>Total deferred tax assets</b>		<b>5,560,384</b>	<b>4,434,701</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	5(d)	(1,099,205)	(1,018,823)
Deferred tax assets not recognised	5(f)	(3,800,108)	(2,692,745)
<b>Net deferred tax assets</b>	5(e)	<b>661,071</b>	<b>723,133</b>

### (d) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Property, plant and equipment		-	(96,886)
Right of use assets		(271,280)	(240,152)
Intangibles		(803,103)	(657,553)
Investments		(24,822)	(24,232)
<b>Total deferred tax liabilities</b>		<b>(1,099,205)</b>	<b>(1,018,823)</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	5(c)	1,099,205	1,018,823
<b>Net deferred tax liabilities</b>		<b>-</b>	<b>-</b>

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. While the deferred tax assets and liabilities above are disclosed gross for completeness, the Company entitled to offset the net positive and negative timing differences as they all occurred within the same tax jurisdiction.

### (e) Recognised in the Statement of Financial Position

Recognised deferred tax assets

Tax losses		590,068	479,837
Temporary differences resulting in deferred tax assets		1,170,208	1,262,119
Temporary differences resulting in deferred tax liabilities		(1,099,205)	(1,018,823)
<b>Total</b>	5(c)	<b>661,071</b>	<b>723,133</b>

## 5 Income tax expense (continued)

### (f) Not recognised in the Statement of Financial Position

Unrecognised deferred tax assets:

	Notes	30 June 2024 \$	30 June 2023 \$
Tax losses		3,800,108	2,692,745
Temporary differences		-	-
<b>Total</b>	5(c)	<b>3,800,108</b>	<b>2,692,745</b>

The benefit of carried forward tax losses of \$17,560,705 will only be available in future periods if:

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

## 6 Auditor's remuneration

Remuneration of the auditor of the Company for:

- fees for auditing the statutory financial report of the company	93,808	101,622
- fees for other services		
- Tax compliance and other tax related matters	19,500	12,500
<b>Total fees to Ernst &amp; Young (Australia)</b>	<b>113,308</b>	<b>114,122</b>

## 7 Share-based payments

### 7.1 Summary of share-based payments

The table below outlines the share based payments made by the Group under the various share-based payment plans during the period:

#### Share-based payments issued under rights plans

Service rights for directors	43,174	216,824
Service and performance rights issued in previous year	79,693	-
Performance rights issued in the current year	147,511	56,873
<b>Total share-based payments expense</b>	<b>270,378</b>	<b>273,697</b>

Reconciliations	NED Equity Plan # of rights	Executive Rights Plan # of rights	Long term Incentive Plan # of rights	Total # of rights
<b>30 June 2024</b>				
Opening balance	2,160,000	1,200,000	557,953	3,917,953
New rights granted	-	-	963,036	963,036
Rights forfeited	(73,205)	-	(79,394)	(152,599)
Rights exercised	-	-	-	-
Closing balance	2,086,795	1,200,000	1,441,595	4,728,390
Average exercise price	N/A	N/A	N/A	N/A

# Notes to the Consolidated Financial Statements

continued

## 7 Share-based payments (continued)

Reconciliations	NED Equity Plan # of rights	Executive Rights Plan # of rights	Long term Incentive Plan # of rights	Total # of rights
<b>30 June 2023</b>				
Opening balance	2,160,000	1,200,000	-	3,360,000
New rights granted	-	-	557,953	557,953
Rights forfeited	-	-	-	-
Rights exercised	-	-	-	-
Closing balance	2,160,000	1,200,000	557,953	3,917,953
Average exercise price	N/A	N/A	N/A	N/A

### 7.2 Share-based payment details

The Company operates three share based payment plans, the Non-Executive Director Equity Plan, the Executive Share Plan, and the Long Term Incentive Plan ("LTIP"). Details of the plans are outlined below. No share rights have been exercised during the period (2023: nil).

#### Non-Executive Directors ("NEDs")

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

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

	Service Period	Fees Sacrificed (\$)	Tranche	Number of Service Rights
<b>NEDs</b>				
	May 2021 to April 2022	80,000	1	160,000
	May 2022 to April 2023	80,000	2	160,000
	May 2023 to April 2024	80,000	3	160,000
<b>Chairman</b>				
	May 2021 to April 2022	120,000	1	240,000
	May 2022 to April 2023	120,000	2	240,000
	May 2023 to April 2024	120,000	3	240,000

NEDs sacrificed annual Director fees of \$80,000 for 160,000 Service Rights and the Chairman sacrificed total Director fees of \$120,000 for 240,000 Service Rights for each 12 month period ending 30 April. From 1 May 2024, subsequent to the completion of the 3-year NED Equity Plan, the NEDs reverted their remuneration to cash benefits in respect of their duties as Directors. They are not entitled to participate in performance based remuneration practices unless approved by shareholders. The Company will not generally use options as a means of remuneration for non-executive directors and will continue to remunerate those directors by means of cash benefits.

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

The Service Rights were issued as at 1 May 2021 and vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED held the office of NED on those dates. Each consecutive tranche commenced annually on the vesting date of the prior tranche. All NEDs met the vesting requirements for Tranches 1, 2, and 3, with Tony McDonald meeting the requirements for Tranche 3 on a pro rata basis to the date of his date of retirement on 14 November 2023.

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

## 7 Share-based payments (continued)

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

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

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

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

### Long-term incentive plan – performance rights issued during the period

On 16 November 2023, the Company granted 963,036 performance rights to specific executive officers and senior staff of the Company under the terms of the Long Term Incentive Plan (LTIP), of which 483,394 were issued to KMP. The fair value of these performance rights was calculated on the grant date and will be recognised over the period to vesting in June 2026. The vesting of the performance rights granted is based on the achievement of specified internal and external vesting conditions. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

#### FY24 Performance rights Award date 16 November 2023

Vesting date	30-Jun-26
Expiry date	16-Nov-38
Number of performance rights granted	963,036
Share price at grant date	\$0.21
Fair value at grant date	See below
Exercise price	\$Nil
Expected life	2.62 years
Volatility	70.00%
Risk free interest rate	4.19%
Dividend yield	Nil
Outperformance hurdle – rTSR	25.00%
Outperformance hurdle – aTSR	200.00%

The measurements used for the FY24 Performance Rights grant are as follows:

Nature	Weighting	Fair value at grant date	# of Rights granted to KMP
Strategic Goals	20.0%	\$0.19	96,679
Operational Goals	40.0%	\$0.19	193,357
ESG Goals	5.0%	\$0.19	24,170
rTSR	17.5%	\$0.14	84,594
aTSR	17.5%	\$0.07	84,594

The aTSR metric requires the Company to achieve a share price uplift of at least 300% over the Measurement Period by reference to the VWAP used to calculate the initial grant of FY24 rights.

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

# Notes to the Consolidated Financial Statements

continued

## 7 Share-based payments (continued)

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

<b>Plan Structure</b>	The LTIP is managed by a Trust, which was adopted in March 2023. The Board has appointed LIS Plans Pty Ltd (a subsidiary of LIS) as the Trustee.
<b>Term</b>	Each Right has a Term of 15 years and, if not exercised within that Term the Rights will lapse.
<b>Eligibility</b>	<p>Participation is expected to be open to certain senior executives and management of the Company only. The number of performance rights granted are expected to reflect market standard percentages of fixed pay.</p> <p>Directors are not eligible to participate in the LTIP. Senior executives are not eligible to participate in the LTIP where they were issued rights under the Executive Rights Plan for the relevant period.</p>
<b>Performance Rights</b>	Each vested Right can be exercised for one share in Li-S Energy Limited.
<b>Measurement Period</b>	The Measurement Period for the FY24 Performance Rights is a period of 3 years from 1 July 2023.
<b>Vesting Conditions</b>	The nature and weighting of the vesting conditions are broadly consistent for each Participant but are tailored for the role that each Participant performs. The Board will use their judgement to assess whether the vesting conditions have been met.
<b>Gates</b>	No Gates have been attached to these Tranches of Rights.
<b>Vesting and Vesting Date</b>	Rights will typically vest following the completion of the Measurement Period based on an assessment of the Vesting Conditions, however Rights may vest before the end of the Measurement Period in some limited circumstances.
<b>Exercise Restrictions</b>	No Exercise Restrictions have been attached to these Tranches of Rights.
<b>Disposal Restrictions</b>	<p>Rights may not be disposed of at any time but they may be exercised following vesting.</p> <p>No additional Restrictions have been attached to the Shares that may be acquired when vested Rights are exercised. Thus, the Disposal Restrictions that apply to the Shares will arise from the Company's Securities Trading Policy and the insider trading provisions of the Corporations Act.</p>
<b>Exercise and Exercise Price</b>	<p>The Exercise Price is nil (no amount needs to be paid by the Participant in order to exercise the Rights).</p> <p>Vested Rights may be exercised at any time after the Vesting Date and before the end of their Term. In order to exercise vested Rights, a Participant must validly submit an Exercise Notice.</p> <p>On exercise of Vested Rights, the Board will issue a Settlement Notice and ensure that there are a sufficient number of Shares available to satisfy the exercised Rights. The Board will not ordinarily settle the exercised Performance Rights in cash.</p>
<b>Termination of Employment</b>	<p>If a Participant's employment with the Company ceased during FY24, the FY24 Performance Rights would have been forfeited in the proportion that the remainder of the FY24 bears to the full FY24.</p> <p>Remaining unvested Rights will be retained by the Participant, subject to the Malus and Clawback provisions, with a view to testing for possible vesting having regard to performance during the Measurement Period up to the date of cessation of employment. The Board will be convened where required to consider any such off-cycle assessment of vesting conditions.</p> <p>Vested Rights held following a termination of employment may now continue to be held by the Participant unless the Board determines otherwise.</p>
<b>Malus and Clawback</b>	Rights may be forfeited at any time, including during and subsequent to a Participant's employment with the Company, should the Malus and Clawback provisions come into play.
<b>No Hedging</b>	Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares. This is a Corporations Act requirement.
<b>Change of Control</b>	<p>If a de-listing is imminent, vesting will automatically occur at the level derived from application of the following formula:</p> $\frac{\text{Number of Performance Rights in Tranche to Vest}}{\text{Unvested Performance Rights in Tranche}} \times \frac{\% \text{ of First Year of Measurement Period Elapsed}}{\text{Measurement Period Elapsed}}$ <p>Additional vesting will occur to the extent, if any, determined by the Board and any remaining unvested Rights will lapse; and Restricted Shares will cease to be subject to Specified Disposal Restrictions, and any CHESS holding locks will be removed if applicable, unless otherwise determined by the Board.</p> <p>In other cases of a change of control the Rights will remain on foot, subject to possible modification of Vesting Conditions, for testing for vesting at the end of the Measurement Period.</p>

## 7 Share-based payments (continued)

### Executive Rights Plan

Pre IPO, LIS adopted a plan called the Executive Rights Plan (**Executive Rights Plan**) under which the Board of the Company invited certain eligible persons, to apply for Service Rights or Performance Rights to be issued in accordance with, and subject to the terms of, the Executive Rights Plan. The Executive Rights Plan was approved by shareholders at the Annual General Meeting held on 24 November 2021. The Executive Rights Plan was superseded by the LTIP after approval at the Annual General Meeting held on 10 November 2022.

On 12 November 2020 the CEO was granted 1,000,000 Service Rights which vest in four equal tranches on 30 April 2022, 2023, 2024 and 2025, subject to continuity of employment during the Measurement Periods. The Service Rights at the time that they were granted were independently valued at \$0.065 each and have a nil exercise price. Each consecutive tranche commences annually on the vesting date of the prior tranche and, if the CEO ceases employment during a tranche, then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche and all subsequent tranches will lapse. The CEO has met the vesting requirements for Tranches 1, 2, and 3.

On 15 June 2022 the CTO was granted 200,000 Service Rights which vested on 30 June 2022. The Service Rights were valued at \$0.425 each, being the closing share price at the date of the grant and have a nil exercise price. Service Rights that have vested may be exercised any time after 30 June 2024.

Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company. The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Plan. Non-Executive Directors are excluded from Participation in the Plan.

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

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

Any unvested Service Rights that do not vest will lapse.

## 8 Dividends

	Notes	30 June 2024 \$	30 June 2023 \$
(a) Dividends paid			
2024 No interim dividend was declared or paid (2023: nil)		-	-
(b) Dividends declared after balance date			
The directors have not declared a final dividend for the 2024 financial year (2023: nil)	2.17	-	-
(c) Franked dividends			
Franking credits available for subsequent financial years based on a tax rate of 25.0% (2023: 25%)		-	-

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

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

# Notes to the Consolidated Financial Statements

continued

## 9 Cash and cash equivalents

	Notes	30 June 2024 \$	30 June 2023 \$
Cash at bank and on hand	2.8	10,811,343	33,450,982
Cash held in term deposits		12,000,000	-
		22,811,343	33,450,982

The cash held in term deposits at 30 June 2024 was for a period of 90 days, maturing in August 2024. These funds are held on deposit with the Group's corporate banking partner.

## 10 Trade and other receivables

GST receivable	2.22	154,096	188,626
Other receivables	2.9	22,673	-
		176,769	188,626

## 11 Other current assets

Prepaid expenses		41,647	90,310
Deposits		-	-
		41,647	90,310

## 12 Financial assets

<b>Current assets</b>			
Australian unlisted units in investment trusts		2,000,000	-
<b>Non-Current assets</b>			
Investment in Zeta Energy Corp.		2,610,205	2,607,843
Loan receivables		2,000,000	2,000,000
		4,610,205	4,607,843
		6,610,205	4,607,843

LIS continues to hold 1,729,000 Class B common shares in Zeta Energy, which were valued at USD\$1.00 per share at 30 June 2024. The number of shares and their value, based on the most recent capital raise, has been confirmed by Zeta Energy and the investment at USD\$1,729,000 equates to AUD\$2,610,205 at the prevailing exchange rate on 30 June 2024 of \$0.6624 with the movement of \$2,362 (2023: \$98,045) recognised as a gain on investment at FVTPL.

On 19 April 2023, the Company entered into a loan agreement with PPK Group Limited (PPK Group) to loan up to \$2,000,000, on a fully secured basis, for a period of up to 24 months and at an interest rate of 10.0%. During the reporting period, the term of the loan agreement was extended by 12 months to April 2026. At 30 June 2024, PPK Group had fully drawn down the \$2,000,000 loan facility. Refer to Note 28 for additional information.

### 13 Property, plant and equipment – non-current

	Notes	30 June 2024 \$	30 June 2023 \$
Leasehold improvements – at cost		126,953	–
Less: Accumulated amortisation		(25,309)	–
Total leasehold improvements		101,644	–
Plant and Equipment – at cost		8,331,909	3,149,342
Less: Government grants for plant and equipment		(1,347,308)	–
Less: Accumulated depreciation and impairment		(842,250)	(284,437)
		6,142,351	2,864,905
Total property, plant and equipment		6,243,995	2,864,905

Reconciliations	Leasehold Improvements \$	Plant & Equipment \$	Total \$
<b>30 June 2024</b>			
Opening balance	–	2,864,904	2,864,904
Additions <sup>1</sup>	107,314	5,176,898	5,284,212
Government grants <sup>2</sup>	–	(1,347,308)	(1,347,308)
Disposals	–	–	–
Transfers	18,577	(18,577)	–
Depreciation and amortisation	(24,247)	(533,566)	(557,813)
Closing balance	101,644	6,142,351	6,243,995

<b>30 June 2023</b>			
Opening balance	–	1,091,554	1,091,554
Additions <sup>1</sup>	–	1,994,498	1,994,498
Disposals	–	–	–
Transfers	–	–	–
Depreciation and amortisation	–	(221,147)	(221,147)
Closing balance	–	2,864,905	2,864,905

1 Included in additions for plant and equipment in the year to 30 June 2024 are \$840,150 (2023: \$270,345) of employee costs capitalised in relation to the installation of the pilot plant production facilities in the Waurin Pond campus.

2 Refer to Note 28.2 for details relating to the government grants received.

# Notes to the Consolidated Financial Statements

continued

## 13 Property, plant and equipment – non-current (continued)

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

	Notes	30 June 2024 \$	30 June 2023 \$
Additions		5,284,212	1,994,498
Equipment deposits	15	411,724	1,040,190
Additions cash settled, but recorded in prior period		–	–
Additions recorded but not yet cash settled		(133,892)	(234,887)
Government grants received relating to capital works in progress		(346,383)	–
		5,215,661	2,799,801

## 14 Right-of-use assets – non-current

Right-of-use assets – Property – at cost		1,373,613	1,326,583
Less: Accumulated amortisation and impairment		(288,493)	(365,974)
		1,085,120	960,609
Opening balance		960,609	218,824
Additions		411,761	983,287
Disposals		–	–
Depreciation and amortisation		(287,250)	(241,502)
Closing balance		1,085,120	960,609

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

Property, plant and equipment	13	557,813	221,147
Right-of-use assets	14	287,250	241,502
		845,063	462,649

## 15 Other non-current assets

Equipment deposits <sup>1</sup>	13.1	411,724	1,040,190
Security deposits		47,264	49,872
		458,988	1,090,062

<sup>1</sup> Equipment deposits relate to upfront payments for equipment that has been ordered but where equipment has not been delivered, and title has not yet transferred. This equipment will be transferred to Plant & Equipment once commissioned.

## 16 Intangible assets – non-current

	Notes	30 June 2024 \$	30 June 2023 \$
Development costs		8,140,360	6,145,499
Less: Government grants for development costs		(1,084,621)	–
Less: Accumulated amortisation and impairment		–	–
Total intangible assets		7,055,739	6,145,499

Reconciliations	Lithium Metal Battery \$	Li-Nanomesh \$	Lithium Sulfur Battery \$	Total \$
<b>30 June 2024</b>				
Opening balance	273,605	1,075,370	4,796,524	6,145,499
Additions	421,531	11,388	1,561,942	1,994,861
Disposals	–	–	–	–
Government grants <sup>2</sup>	(61,750)	(128,769)	(894,102)	(1,084,621)
Depreciation and amortisation	–	–	–	–
Closing balance	633,386	957,989	5,464,364	7,055,739
<b>30 June 2023</b>				
Opening balance	–	508,300	2,809,663	3,317,963
Additions	233,316	567,070	2,027,150	2,827,536
Disposals	–	–	–	–
Transfers	40,289	–	(40,289)	–
Depreciation and amortisation	–	–	–	–
Closing balance	273,605	1,075,370	4,796,524	6,145,499

2 Refer to Note 28.2 for details relating to the government grants received.

The intangible asset is for the development of the Li-S Battery project undertaken in conjunction with Deakin University under the Research Framework Agreement. Included in the total additions of \$1,994,861 are employee costs of \$378,443 (2023: \$303,732), which were capitalised in relation to the development work undertaken.

### 16.1 Reconciliation of the additions for intangibles to the statement of cash flows:

	Notes	30 June 2024 \$	30 June 2023 \$
Additions		1,994,861	2,827,536
Movement in trade payables		177,576	85,636
		2,172,437	2,913,172

# Notes to the Consolidated Financial Statements

continued

## 17 Trade and other payables – current

	Notes	30 June 2024 \$	30 June 2023 \$
Trade payables – unsecured		20,014	516,661
Sundry payables and accruals – unsecured		725,852	597,721
		<b>745,866</b>	1,114,382

## 18 Lease liabilities

Current		221,769	222,315
Non-current		914,984	780,781
		<b>1,136,753</b>	1,003,096

### 18.1 Maturity analysis of contracted undiscounted cashflows

Not later than 1 year		305,962	295,888
Later than 1 year and not later than 3 years		622,524	385,824
Later than 3 years		464,998	605,616
<b>Total undiscounted lease payments</b>		<b>1,393,484</b>	1,287,328
Less: Present value adjustment		(256,731)	(284,232)
<b>Present value of future lease payments</b>		<b>1,136,753</b>	1,003,096

### 18.2 Reconciliation of movement in Lease Liabilities

Opening balance		1,003,096	197,289
New leases entered into		369,637	966,806
Modifications		3,442	8,824
Payments		(326,443)	(230,903)
Interest expense		87,021	61,080
<b>Closing lease liability</b>		<b>1,136,753</b>	1,003,096

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

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

Amortisation of right of use assets		287,250	241,502
Interest expense on lease liabilities		87,021	61,080
Expenses related to short-term leases		36,565	23,232
		<b>410,836</b>	325,814

## 19 Provisions

	Notes	30 June 2024 \$	30 June 2023 \$
<b>Current</b>			
Annual leave	2.14	168,389	95,663
Total current		168,389	95,663
<b>Non-Current</b>			
Make good on property leases	2.20	80,000	40,000
Total Non-current		80,000	40,000

## 20 Contributed Equity

### 20.1 Issued capital

640,200,230 (30 June 2023: 640,200,230) ordinary shares fully paid	56,564,582	56,626,644
Movement in ordinary share capital		
Balance at the beginning of the financial period	56,626,644	56,688,707
Unwind of tax effect of transaction costs on issue of share capital in prior years, deductible over five years	(62,062)	(62,063)
	56,564,582	56,626,644

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

### 20.2 Share movements

	30 June 2024 No. of Shares	30 June 2023 No. of Shares
Number of ordinary shares on issue	640,200,230	640,200,230
<b>Movement in ordinary shares on issue</b>		
Balance at the beginning of the financial period	640,200,230	640,200,230
New shares issued	–	–
	640,200,230	640,200,230

# Notes to the Consolidated Financial Statements

continued

## 21 Treasury Shares

	2024 No. of shares	2024 \$	2023 No. of shares	2023 \$
Opening balance	-	-	-	-
Shares purchased by the Employee Share Trust	4,000,000	964,800	-	-
Closing balance	4,000,000	964,800	-	-

The shares acquired by the employee share trust during the year were recorded as a reduction in equity attributable to members of the parent.

## 22 Reserves

	Notes	30 June 2024 \$	30 June 2023 \$
Share rights reserve	22.1	1,491,790	1,221,412
Share premium reserve	22.2	1,347,650	1,347,650
		2,839,440	2,569,062

### 22.1 Share rights reserve movement reconciliation

Opening balance	1,221,412	947,715
Rights expense attributable to Non-Executive Directors	43,174	216,824
Rights expense attributable to Executives	227,204	56,873
Closing balance	1,491,790	1,221,412

The share rights reserve is used to recognise the value of equity settled share-based payments granted as Service Rights to Non-Executive Directors under the NED Equity Plan and to eligible employees under the Executive Rights Plan and LTIP as part of their remuneration (see Note 7).

### 22.2 Share premium reserve movement reconciliation

Opening balance	1,347,650	1,347,650
Movement	-	-
Closing balance	1,347,650	1,347,650

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

### 22.3 Capital Risk Management

The Company considers its capital to comprise its ordinary share capital, reserves and retained earnings. The Company's primary objective is to maximise shareholder value. In order to achieve this objective, the Company seeks to maintain sufficient funding to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or incurring debt, the Company considers not only its short-term position but also its long-term operational and strategic objectives.

## 23 Financial Instruments

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

	Notes	30 June 2024 \$	30 June 2023 \$
<b>Financial Assets</b>			
Cash and cash equivalents	9	22,811,343	33,450,982
<i>Financial assets</i>			
Australian unlisted units in investment trust	12	2,000,000	–
US Unlisted equity securities	12	2,610,205	2,607,843
Loan receivables	12	2,000,000	2,000,000
<i>Debt instruments at amortised cost</i>			
Trade and other receivables <sup>1</sup>	10	176,769	–
<b>Total financial assets</b>		<b>29,598,317</b>	<b>38,058,825</b>
<b>Financial Liabilities</b>			
<i>Interest-bearing loans and borrowings</i>			
Lease liabilities – current	18	221,769	222,315
Lease liabilities – non-current	18	914,984	780,781
<i>Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings</i>			
Trade and other payables	17	745,866	1,114,382
<b>Total financial liabilities</b>		<b>1,882,619</b>	<b>2,117,478</b>

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

### Financial Risk Management

The Directors have overall responsibility for the establishment and oversight of the financial risk management framework. The Company's activities expose it to a range of financial risks including market risk, credit risk and liquidity risk. The Company's risk management policies and objectives are designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material. The Directors receive monthly reports, which it reviews and regularly discuss the effectiveness of the processes put in place and the appropriateness of the objectives and policies to support the delivery of the Company's financial targets while protecting future financial security. The Company does not use derivatives.

#### 23.1 Market risk

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

##### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a security will fluctuate due to changes in interest rates. Exposure to interest risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties and other entities.

Loans to related parties and other entities entered into during the period were at fixed rates. The Company's primary exposure to interest rate risk was on its cash holdings. A sensitivity analysis shows that a 1.0% movement in interest rates would result in a change in profit before tax of approximately +/- \$228,000.

# Notes to the Consolidated Financial Statements

continued

## 24 Financial Instruments (continued)

### (ii) Equity price risk

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

The Company is exposed to equity price risk through the movement in the valuation of its investment in Zeta Energy Corp if and when Zeta Energy Corp raises capital or completes its initial public offering and is listed on a stock exchange.

The equity price risk is determined by market forces and are outside the control of the Company. The risk of loss is limited to the capital invested. A sensitivity analysis shows that a 10.0% movement in equity value of the financial assets would cause a movement in the investment of approximately \$261,000 (2023: \$260,000).

### (iii) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial item will fluctuate as a result of movements in foreign exchange rates. The Company's exposure to foreign exchange relates to both its investment in Zeta Energy Corp, a company domiciled in USA, and its procurement of equipment denominated in United States Dollars (USD). The Company manages the foreign exchange risk by monitoring the potential benefits of the strategic and economic benefits of this investment and, the ability to divest the investment should the need arise. A sensitivity analysis shows that a 1.0% movement in exchange rates would cause a movement in the investment value in Australian dollars of approximately \$26,000 (2023: \$26,000).

## 23.2 Credit Risk

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

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

## 23.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's objective to mitigate liquidity risk is by continuously monitoring forecast cash flows and ensuring that adequate facilities or financing options are maintained. At balance date, the Company has cash of \$22,811,343, and current liabilities of \$1,661,519. The payables of \$745,866 share a contractual maturity of approximately 15-45 days.

### Financial liabilities maturity analysis

The below table provides a contractual maturity profile of the Company's financial liabilities at balance date. The amounts disclosed in the table are gross contractual undiscounted cash flows (principal and interest) required to settle the respective liabilities, and as such may not reconcile directly to the balance sheet. The interest rate is based on the rate applicable at the end of the financial period. Refer to Note 18 for maturity profile of lease liabilities.

	Average Interest Rate %	Less than 6 months \$	6-12 months \$	1-3 years \$	3+ years \$	Total \$
<b>30 June 2024</b>						
<i>Financial Liabilities</i>						
Trade and other payables	-	745,867	-	-	-	745,867
Total financial liabilities		745,867	-	-	-	745,867
<b>30 June 2023</b>						
<i>Financial Liabilities</i>						
Trade and other payables	-	1,114,382	-	-	-	1,114,382
Total financial liabilities		1,114,382	-	-	-	1,114,382

## 24 Fair Value Measurement

The carrying values of financial assets and liabilities held at amortised cost, listed in Note 23 above, approximate their fair value.

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

### Hierarchy

The following tables classify financial instruments at fair value recognised in the statement of financial position of the Group according to the hierarchy stipulated in AASB 13 as follows:

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

30 June 2024	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Non-current assets</b>				
Financial assets	–	–	4,610,205	4,610,205
	–	–	4,610,205	4,610,205

30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Non-current assets</b>				
Financial assets	–	–	4,607,843	4,607,843
	–	–	4,607,843	4,607,843

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

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

The level 3 fair value assessment of financial assets at fair value has been based on advice provided by Zeta Energy Corp for the US unlisted equity securities and, for the Australia unlisted units in investment funds, based on the discounted cash flow method.

The US unlisted equity securities valuation per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of \$0.6624 at 30 June 2024 (see Note 12).

# Notes to the Consolidated Financial Statements

continued

## 25 Parent Entity and Subsidiaries

The following detailed information relates to the parent entity, Li-S Energy Limited. The information presented below has been prepared using consistent accounting policies as presented in Note 2.

	Notes	30 June 2024 \$	30 June 2023 \$
<b>Assets</b>			
Current assets		25,029,759	33,729,918
Non-current assets		21,079,919	16,392,051
<b>Total assets</b>		<b>46,109,678</b>	<b>50,121,969</b>
<b>Liabilities</b>			
Current liabilities		1,661,520	1,432,360
Non-current liabilities		994,984	820,781
<b>Total liabilities</b>		<b>2,656,504</b>	<b>2,253,141</b>
<b>Net assets</b>		<b>43,453,174</b>	<b>47,868,828</b>
<b>Equity</b>			
Contributed equity		56,564,582	56,626,644
Reserves		2,839,440	2,569,062
Retained earnings		(15,950,848)	(11,326,878)
<b>Total equity</b>		<b>43,453,174</b>	<b>47,868,828</b>
Profit (loss) for the year		(4,623,970)	(3,335,522)
Other comprehensive income (loss) for the year		-	-
<b>Total comprehensive loss for the year</b>		<b>(4,623,970)</b>	<b>(3,335,522)</b>

Subsidiaries of the parent entity:

Entity name	Principal Activity	Country of Incorporation	30 June 2024 %	30 June 2023 \$%
LIS Plans Pty Ltd	Trustee company	Australia	100	100
Li-S Energy Limited Employee Share Trust	Trust	N/A	N/A	N/A

## 26 Contingent assets, contingent liabilities and commitments

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

	Notes	30 June 2024 \$	30 June 2023 \$
Plant and equipment <sup>1</sup>		1,077,536	2,348,252
Intangible assets – commitments to Deakin University <sup>2</sup>		4,792,412	640,612
Intangible assets – Other <sup>3</sup>		177,500	463,225
		<b>6,047,448</b>	<b>3,452,089</b>

1 LIS has entered into contracts for plant and equipment that is to be delivered after the reporting date. Deposits of \$411,724 have been paid to date on these contracts (see Note 13).

2 LIS has outstanding commitments to Deakin University relating to projects contracted under Deakin's Recycling and Clean Energy Commercialisation Hub ('REACH'). These projects range in durations of up to 3 years (see Note 28).

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

There are no contingent assets or contingent liabilities.

## 27 Earnings/(loss) per share

	30 June 2024 \$	30 June 2023 \$
Profit/(loss) after tax	(4,623,970)	(3,335,522)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding used in calculating basic earnings per share <sup>1</sup>	637,119,137	640,200,230
Weighted average number of ordinary shares outstanding used in calculating diluted earnings per share <sup>1,2</sup>	637,119,137	640,200,230
Basic earnings (loss) per share (cents)	(0.73)	(0.52)
Diluted earnings (loss) per share (cents)	(0.73)	(0.52)

- 1 The weighted average number of ordinary shares outstanding used in calculating basic and diluted earnings per share for the current period was pro rata adjusted for the 4,000,000 treasury shares acquired.
- 2 The weighted average number of ordinary shares outstanding used in calculating diluted earnings per share for the current and comparative periods have not been adjusted for the Service Rights or Performance Rights issued under the various Rights Plans (Note 7) as they are anti-dilutive.

## 28 Related party transactions

### 28.1 Transactions with Directors and Key Management Personnel

#### Remuneration and retirement benefits

The table below outlines the KMP of the Company for the year ended 30 June 2024 and up to the date of this report:

Name	Position	Term as KMP
<b>Directors</b>		
Ben Spincer	Non-Executive Chair	Full financial year
Robin Levison	Non-Executive Director	Full financial year
Anthony McDonald	Non-Executive Director	Retired 14 November 2023
Hedy Cray	Non-Executive Director	Full financial year
Marc Fenton	Non-Executive Director	Appointed 1 February 2024
<b>Other KMP</b>		
Lee Finniear	Chief Executive Officer	Full financial year
Steve Rowlands	Chief Technology Officer	Full financial year
Glenn Molloy	Chief Strategic Advisor	Full financial year
Sarah Price	Chief Financial Officer	Full financial year

# Notes to the Consolidated Financial Statements

continued

## 28 Related party transactions (continued)

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

	Notes	30 June 2024 \$	30 June 2023 \$
Short-term benefits		814,979	703,107
Share-based payments	2.6	124,843	312,515
Post-employment benefits		59,156	53,063
		<b>998,978</b>	<b>1,068,685</b>

Detailed remuneration disclosures are provided in the remuneration report included in the Directors' Report. Furthermore, PPK Aust. Pty Limited (PPK Aust) is paid a fee for providing management services including the provision of finance, legal, risk, IT, cyber and administration services, pursuant to the management services agreement (MSA), under which \$830,000 (2023: \$720,000) was charged during the period, which included fees for KMP services. Refer to Note 28.2 for details of the MSA.

### Other transactions of Directors and Director-related entities

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

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

<b>INFLOWS</b>			
Interest income received from PPK Group		200,548	33,151
<b>OUTFLOWS</b>			
Management fees paid to PPK Group		830,000	720,000
Transactions with PPK Aust		65,553	-
Purchase of 4,000,000 LIS shares from BNNT Technology Pty Ltd ("BNNTTL")		964,800	-
Transactions with BNNTTL		67,804	125,883
Research and development payments to Deakin		1,733,379	2,347,825
Lease payments to Deakin		370,067	238,264
Transactions with White Graphene Limited		1,945	-

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

### Supply Agreement with BNNTTL

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

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

## 28 Related party transactions (continued)

### Distribution Agreement with BNNTTL

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

- LIS may only buy BNNTs from BNNTTL to:
  - a. distribute on an exclusive basis BNNTs to third party customers (**Customers**), provided the Customers are only permitted to use BNNTs to develop, test or manufacture lithium-sulfur batteries; and
  - b. distribute on a non-exclusive basis BNNTs to Customers, provided the Customers are only permitted to use BNNTs to:
    - a. develop, test or manufacture batteries that are not lithium-sulfur batteries (including to stockpile BNNTs for later use in accordance with forecasts); and
    - b. manufacture nanomesh products incorporating BNNTs (including Li-Nanomesh) for the use in any form or type of battery; and
  - c. any other purpose agreed between the parties in writing.
- LIS is not restricted from distributing Li-Nanomesh (or other nanomesh products), or BNNTs to LIS's customers who have a licence from LIS to manufacture Li-Nanomesh (or other nanomesh products).
- the initial term of the agreement is 5 years and it automatically renews for further 2 year terms unless LIS elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.

### Purchases from WGL

LIS has been purchasing small quantities of boron nitride nanosheets (BNNS) from WGL on an ad hoc basis, for the purpose of understanding the performance of BNNS in LIS batteries.

### Loan agreement with PPK Group

On 19 April 2023, the Company entered into a loan agreement with PPK Group to loan up to \$2,000,000, on a fully secured basis, for a period of up to 24 months and at a fixed interest rate of 10.0% per annum. At 30 June 2024, PPK Group had fully drawn down the \$2,000,000 loan facility. During the reporting period, the term of the loan agreement was extended by 12 months to April 2026. The security interest taken is against a specific investment held by PPK Group, with a fair value approximating \$2,860,000.

### Management Services Agreement with PPK Aust

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

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

### Research Framework Agreement with Deakin

LIS joined Deakin's Recycling and Clean Energy Commercialisation Hub ('REACH'). REACH was established after being awarded a \$50 million grant from the Australian Government's inaugural Trailblazer Universities Program to address Australia's national manufacturing priorities.

Under REACH, LIS has entered into a new Research Framework Agreement ('RFA') with Deakin and committed to a number of new projects under the new RFA. The new RFA governs all research projects conducted between LIS and Deakin under the REACH program, as set out in Project Schedules entered into under the RFA. The key material terms of the RFA are consistent with the previous RFA entered with regards to intellectual property ('IP') ownership, being that LIS will own all project IP. During the period, the Group has received \$2,892,398 in funding (2023: Nil) under the grant program which has been recognised as a reduction of the carrying amount of the Property, Plant and Equipment or Intangible Assets for which the grant is related. Refer to Note 26 for LIS' remaining commitment under REACH.

# Notes to the Consolidated Financial Statements

continued

## 28 Related party transactions (continued)

### Lease Agreements with Deakin

The Company has in place four separate lease agreements with Deakin University, representing four separate spaces at their Waurin Ponds campus in Victoria. The leases have been negotiated at market rates, with lease expiries (including options) ranging from December 2027 to September 2031.

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

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

	Notes	30 June 2024 \$	30 June 2023 \$
<b>Related party balances receivable</b>			
PPK Group Limited		2,000,000	2,000,000
Deakin University		4,400	–
<b>Related party balances payable</b>			
Deakin University		–	230,791
WGL		208	–

See Notes 18 and 26 for additional related party information.

## 29 Events subsequent to the end of the reporting period

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

# Consolidated Entity Disclosure Statement

as at 30 June 2024

	Entity type	Body Corporate Country of Incorporation	Country of tax residence	Body corporate % of share capital held
<b>Parent entity</b>				
Li-S Energy Limited	Body corporate	Australia	Australia	100%
<b>Subsidiaries</b>				
LIS Plans Pty Ltd <sup>1</sup>	Body corporate	Australia	Australia	100%
Li-S Energy Limited Employee Share Trust	Trust	N/A	Australia	N/A

1 LIS Plans Pty Ltd is the trustee of the Li-S Energy Limited Employee Share Trust.

# Directors' Declaration

for the year ended 30 June 2024

1. In the opinion of the Directors of Li-S Energy Limited;
  - a. The financial statements and notes of Li-S Energy Limited are in accordance with the *Corporations Act 2001*, including:
    - (i) Giving a true and fair view of its financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and
    - (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - b. There are reasonable grounds to believe that Li-S Energy Limited will be able to pay its debts as and when they become due and payable;
  - c. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1;
  - d. the consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act 2001* is true and correct; and
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2024.

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



**Ben Spincer**

Chairman

Brisbane,  
21 August 2024



**Robin Levison**

Non-Executive Director

# Independent Auditor's Report



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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Li-S Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key audit matters

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

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

# Independent Auditor's Report

continued



## Capitalisation and carrying amount of intangible assets

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2024, the carrying amount of the intangible assets totalled \$7,055,739. As detailed in Note 16 to the financial statements the Group capitalises costs related to the development of battery products. The development of new products is fundamental to the Group's business activities and involves judgement to determine if the costs incurred qualify for capitalisation under AASB 138 <i>Intangible Assets</i>.</p> <p>The capitalisation of battery development expenses was identified as a key audit matter due to the significant judgements made by management, which include:</p> <ul style="list-style-type: none"><li>▶ Determining whether the costs incurred relate to research activities, which should be expensed or development costs which are eligible for capitalisation.</li><li>▶ Evaluating the estimated useful life of capitalised battery development costs and when amortisation should commence.</li><li>▶ Assessing the anticipated future economic benefits and impairment testing of the capitalised battery development costs.</li></ul>	<p>We performed the following procedures in respect of the development costs capitalised:</p> <ul style="list-style-type: none"><li>▶ Assessed the Group's accounting policy for the capitalisation of battery development costs for compliance with Australian Accounting Standards.</li><li>▶ Held inquiries with senior management and development project team members, to understand development activities undertaken and the feasibility of completion of those activities.</li><li>▶ For a sample of capitalised development costs, we tested whether:<ul style="list-style-type: none"><li>▶ Additions relating to capitalised labour costs were appropriately supported by approved payroll records including employee time records or third-party documentation; and</li><li>▶ The nature of the expenditure met the capitalisation criteria under AASB 138 <i>Intangible Assets</i>.</li></ul></li><li>▶ Considered whether any assets have become available for use during the reporting period and should commence amortisation.</li><li>▶ Evaluated the Company's impairment analysis for its capitalised development costs not yet available for use including assessing whether the recoverable amount of the assets exceeded their carrying amounts.</li><li>▶ Assessed the adequacy of disclosure included in the financial statements.</li></ul>

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the financial report**

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

- a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*
- 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:

- i. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- ii. 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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

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

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

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

# Independent Auditor's Report

continued



- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

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

In our opinion, the Remuneration Report of Li-S Energy Limited for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

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### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten signature of Ernst &amp; Young in grey ink.

Ernst & Young

A handwritten signature of Brad Tozer in grey ink.

Brad Tozer  
Partner  
Brisbane  
21 August 2024

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# Shareholder Information

as at 13 August 2024

## Fully paid ordinary shares:

- (a) Total shares issued: 640,200,230
- (b) Percentage held by 20 largest shareholders: 76.48%
- (c) Total number of LIS shareholders: 9,909
- (d) Shareholders with less than marketable parcel of shares: 6,392
- (e) There is not a current on market buy-back
- (f) Voting rights: Every shareholder present personally or by proxy or attorney etc, shall, on a show of hands, have one vote and on a poll shall have one vote for every share held. No voting rights attach to options.
- (g) Distribution schedule of fully paid ordinary shares:

Holdings Ranges	Total holders	Units	% Units
1 - 1,000	3,689	1,700,949	0.27%
1,001 - 5,000	3,473	9,548,897	1.49%
5,001 - 10,000	1,034	7,989,557	1.25%
10,001 - 100,000	1,432	44,914,775	7.02%
100,001 Over	281	576,046,052	89.97%
<b>Total</b>	<b>9,909</b>	<b>640,200,230</b>	<b>100.00%</b>

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

Rank	Name	Shares	%
1	PPK Aust Pty Limited	290,849,069	45.43%
2	Deakin University	83,333,333	13.02%
3	BNNT Technology Pty Limited	23,625,000	3.69%
4	Tao Tao	10,410,667	1.63%
5	IP44 Pty Ltd	10,000,000	1.56%
6	YJK Pty Ltd	8,829,166	1.38%
7	Ironfury Pty Ltd <The David Dunn Family A/C>	8,054,178	1.26%
8	Baozhi Yu	7,500,000	1.17%
9	Finclear Services Pty Ltd <Superhero Securities A/C>	6,448,613	1.01%
10	Wavet Fund No 2 Pty Ltd	5,789,014	0.90%
11	Citicorp Nominees Pty Limited	4,035,661	0.63%
12	YJK Pty Ltd	4,024,167	0.63%
13	Li-S Plans Pty Ltd	4,000,000	0.62%
14	Equipment Company of Australia Pty Limited	3,759,413	0.59%
15	Baozhi Yu	3,596,487	0.56%
16	Sonny Pty Ltd	3,588,222	0.56%
17	Howarth Commercial Pty Ltd	3,505,294	0.55%
18	Ye Fan	3,166,667	0.49%
19	Minoan Corporation Limited	2,820,000	0.44%
20	National Nominees Limited	2,280,002	0.36%
<b>Total Top 20 holders of Ordinary Fully Paid Shares</b>		<b>489,614,953</b>	<b>76.48%</b>
<b>Total Remaining Holders Balance</b>		<b>150,585,277</b>	<b>23.52%</b>

(i) Substantial Holders

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

(j) Unquoted Securities:

Security	Total Holders	Number	Terms
Service Rights	4	2,086,795	Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Service Rights vested in three equal tranches on 30 April 2022, 2023 and 2024. 2,086,795 service rights have now vested under this plan as at the date of this report. 73,205 service rights lapsed on retirement of Mr Tony McDonald.
Service Rights	1	1,000,000	Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Service Rights will vest in four equal tranches on 30 April 2022, 2023, 2024 and 2025. 750,000 Service Rights have vested as at the date of this report.
Service Rights	1	200,000	Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. These Service Rights have all vested as at the date of this report.
Performance Rights	4	530,120	Each Performance Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Performance Rights will be assessed against the vesting conditions on 30 June 2025. As at the date of this report, 35,063 rights had vested, and 27,833 had lapsed in relation to a specific individual.
Performance Rights	4	911,475	Each Performance Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Performance Rights will be assessed against the vesting conditions on 30 June 2026. As at the date of this report, 25,781 rights had vested, and 51,561 had lapsed in relation to a specific individual.

(k) Restricted Securities:

Security	Number of Escrowed Securities	Date that Escrow Period Ends
Ordinary Fully Paid Shares	66,799,999	28 September 2024
Ordinary Fully Paid Shares	41,666,667	28 September 2025

# Corporate Directory

## Li-S Energy Limited ABN 12 634 839 857

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

### Directors

Ben Spincer	Non-Executive Chairman
Robin Levison	Non-Executive Director
Hedy Cray	Non-Executive Director
Marc Fenton	Non-Executive Director

### Company Secretaries

Will Shiel  
Liam Fairhall

### Registered Office and Principal Place of Business

#### Li-S Energy Limited

Level 13, 120 Edward Street  
Brisbane QLD 4000 Australia

Telephone: +61 7 3054 4555

Email: [info@lis.energy](mailto:info@lis.energy)

Website: [www.lis.energy](http://www.lis.energy)

### Share Register

#### Automic Pty Ltd

Level 5, 126 Phillip Street  
Sydney NSW 2000 Australia

Telephone (within Australia): 1300 288 664

Telephone (international): +61 2 9698 5414

Email: [hello@automic.com.au](mailto:hello@automic.com.au)

### Solicitors

#### Mills Oakley

Level 23, 66 Eagle Street  
Brisbane QLD 4000 Australia

### Bankers

#### National Australia Bank Limited

Level 17, 259 Queen Street  
Brisbane QLD 4000 Australia

### Auditors

#### Ernst & Young

Level 51, 111 Eagle Street  
Brisbane QLD 4000 Australia

# Environment, Social and Governance Report

Li-S Energy is pleased to set out its third sustainability report and aims to progressively build on its Environment, Social and Governance (ESG) credentials as operations expand.





We have aligned our ESG framework with the relevant United Nations Sustainable Development Goals. The UN set out this framework to bring together governments, industry, and academia to develop solutions to worldwide sustainable development challenges by 2030.

We have focused our ESG objectives on the sustainable development goals where we can deliver most impact.



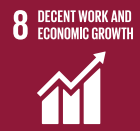
## SUSTAINABLE DEVELOPMENT GOALS

### ENVIRONMENTAL GOALS

Our technology has the potential to:

	Drive the shift to cleaner energy use.
	Deliver sustainable electric public transport for communities, through the use of lighter batteries with greater capacity.
	Be easier to recycle and contain no heavy metals compared to the lithium ion batteries available today^.
	Play a part in the shift to net zero carbon emission energy sources, which require enhanced energy storage solutions.

### SOCIAL GOALS

	We're contributing to our team's good health and well being through inclusive policies and effective workplace health and safety practices.
	We have a commitment to gender equality and representation at all levels of our team, including the board.
	We're provide skilled employment in cutting edge technologies and we review the competitiveness of our salaries for pay equity on an annual basis.

# Environment, Social and Governance Report

continued

## ENVIRONMENT

Li-S Energy contributes to environmental sustainability and emissions reduction on three levels:



1. **Creating advanced batteries:** The company's core purpose is to develop advanced battery technology that we expect to accelerate the decarbonisation and electrification of new sectors that currently rely on fossil fuels, such as electric aviation, while improving the efficiency of existing battery powered devices through weight reduction and broadening potential applications.



2. **Reducing reliance on limited resources** – Li-S Energy's lithium sulfur technology eliminates the use of heavy metals such as nickel, cobalt and manganese from battery manufacture, reducing the carbon footprint of mining these metals, and the environmental impact of end-of-life disposal.



3. **Mitigating carbon footprint from operations and production** – the Company is taking active steps to mitigate its carbon footprint as it scales its operations and production processes.

Li-S Energy's core purpose and technology give the company the potential to have a far more extensive and positive impact on climate change when its products are deployed at scale.

### Li-S Energy advanced batteries – environmental benefits

Li-S Energy's lithium sulfur and lithium metal batteries deliver improved energy density and specific energy compared with conventional lithium-ion batteries. This offers a number of environmental benefits including:

- **Accelerating global electrification:** The potential to expand electrification to sectors that currently use fossil fuels due to weight and range, such as electric aviation, drones and other transportation.
- **Reducing production energy use:** with a higher energy density, Li-S Energy requires a lower weight and volume of cells per unit of energy stored. This can translate to less materials and manufacturing required per KWh of battery cells, lowering the carbon footprint of manufacturing across the battery supply chain.
- **Reduced reliance on limited resources:** Conventional lithium-ion batteries depend on toxic, expensive and geographically concentrated metals such as cobalt. In contrast, lithium sulfur batteries make use of sulfur, an inexpensive and abundant element that is produced as a by-product of many industrial processes.
- **Simplified recycling process:** Li-S Energy lithium sulfur cells are free of heavy metals such as cobalt, nickel and manganese, resulting in a battery that research suggests will be cleaner and cheaper to recycle than many conventional lithium-ion cells.<sup>1</sup>



<sup>1</sup> Process Review on Li-S Battery Recycling; Dr Ummul Sultana and A/Prof. James Vaughan, University of Queensland



image credit azzo.com

### Clean Electricity for Phase 3 Cell Production

The Li-S Energy Phase 3 2MWh cell production facility is located in the ManuFutures precinct at the Deakin University Campus in Waurin Ponds, Geelong Victoria.

Pouch cell production requires a high-power input, so the ability to draw this level of power from sustainable sources was critical to our site selection.

The Deakin University Solar Farm supplies this clean energy to our Phase 3 facility, and over 50% of our total energy consumption in FY24 was supplied as clean solar energy from the solar farm, significantly contributing to our sustainability goals.

Deakin University's Microgrid includes a 7-megawatt solar energy farm and battery storage system covering 14.5 hectares, plus 0.25 megawatts of rooftop solar generation and battery storage systems installed on existing campus buildings. This extensive clean power generation infrastructure ensures our ability to operate our facilities sustainably into future years.

Deakin University has committed to achieving Climate Active Carbon Neutral certification and supplying 100% renewable energy from January 2025. By operating at Waurin Ponds, we benefit from Deakin's net-neutral goals and establish a strong foundation for continuous improvement in our sustainability outcomes.



### Production Process Reduces Carbon Footprint at Scale

The battery industry is energy intensive, so minimising carbon footprint in its production processes makes both environmental and commercial sense.

In lithium-ion cathode production, highly toxic solvents such as NMP are used in the coating process. Recovering these solvents is energy-intensive and can add as much as 40% to the electricity usage for a gigafactory.

At Li-S Energy we use water as a solvent instead of NMP to make our sulfur cathodes. This reduces the energy used in cell production by up to 40% compared to lithium-ion.

Water based solvents support a more sustainable and environmentally responsible approach to battery manufacturing, aligning with the global push towards greener technologies and reduced carbon emissions.

### Waste Management

As we scale production, managing chemical and materials waste becomes ever more important. Our battery cells include metallic lithium, sulfur, carbon, complex electrolytes and nanomaterials, all of which require effective management of any waste.

We currently contract specialist third parties to safely dispose or recycle any waste we produce. We take a proactive approach to waste minimisation and are working on ways to reduce or remove waste from our production processes. Also, we undertake a thorough risk assessment process to ensure a safe workplace by subjecting any new material to a review process for OH&S, materials handling and waste disposal before it is purchased or permitted to be on-site.

# Environment, Social and Governance Report

continued

## SOCIAL

At Li-S Energy, we recognise that our employees, customers, and suppliers are essential to achieving our mission and business objectives. We prioritise the well-being and interests of these key stakeholders by fostering a diverse, talented, and engaged workforce. Our goal is to cultivate an inclusive environment that promotes innovation, boosts productivity, and drives shared success.

### Diversity, inclusion, and equality

Our objective is to promote equal employment opportunities and increase female representation across the company, including at the board level.

#### This year Li-S Energy achieved:

- 25% female representation on the board
- Female representation of 33% of all employees and contract staff
- Seven different nationalities employed representing diversity of culture and experience
- Engaged two university student interns, providing training and practical industry experience

### Creating a thriving work environment

We are dedicated to building a thriving work environment that reflects a team with a wide range of backgrounds, cultures, and perspectives. Our initiatives focus on eliminating bias and ensuring that our workplace is inclusive, where everyone feels valued, respected, and empowered to bring their unique talents to the table.

Our aim is to ensure people can perform to their potential and that we effectively manage the employee performance lifecycle.

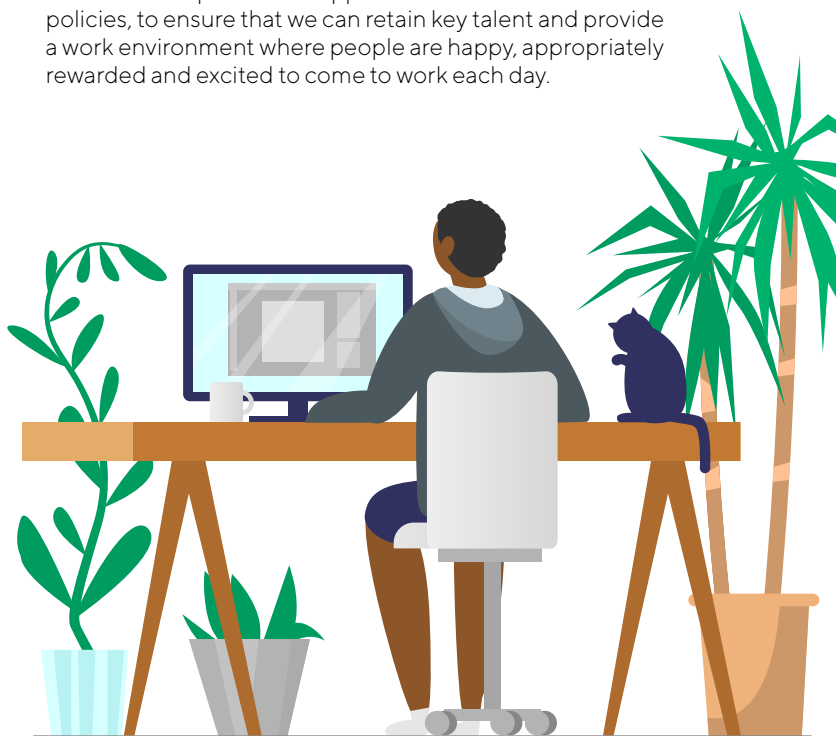
#### This year Li-S Energy:

- Deployed foundation modules of a HR information system to enhance effective management of the team and corporate HR metrics
- Employed a full time Occupational Health & Safety Officer to ensure we meet OH&S obligations as our operations expand.
- Continued to support flexible working arrangements where appropriate.

#### Next year Li-S Energy will:

- Implement additional HR information system modules to support staff welfare and the assessment of key performance metrics within the organisation.
- Review & enhance HR policies where practicable, including areas such as flexible work arrangements, parental leave and public holiday swaps.
- Support ongoing professional development of staff that aligns with the company's objectives

As a young, growing company that relies on a highly skilled workforce, we understand that retaining the loyalty and dedication of our team is paramount to delivering our overall company objectives. In that regard we are adopting a continuous improvement approach to our human resources policies, to ensure that we can retain key talent and provide a work environment where people are happy, appropriately rewarded and excited to come to work each day.





### Occupational Health and Safety

The health, safety and well-being of our employees, customers, and supply chain partners are of utmost importance to us. As we progress towards commercialisation, we remain committed to adhering to health and safety protocols, complying with all relevant legislation.

We provide comprehensive training and resources to ensure our workforce operates in a secure and safe environment. By fostering a culture of safety awareness, we strive to minimise accidents, injuries, and occupational hazards, prioritising the well-being of our people and the communities we serve.

This year, as we rolled out our Phase 3 automated pouch cell production facility, we also employed a full time, dedicated occupational health and safety manager with extensive experience in the manufacturing sector. Working with the scientific and engineering teams the OH&S Manager is undertaking continuous improvement in our OH&S work procedures and safety procedures, with upgraded processes for incident reporting, root cause analysis and proactive analysis of new equipment, materials handling and systems as these are introduced.

### Environmental responsibility and safety integration

Our commitment to occupational health and safety is closely linked to our ESG environmental goals. At Li-S Energy, we are committed to delivering projects safely and with environmental responsibility. To uphold this commitment, we will:

- Comply with all applicable environmental laws, regulations, industry codes of practice, and client requirements.
- Recycle waste materials from production activities wherever feasible.
- Minimise the impact of our operations on the environment and communities through effective planning and risk management.
- Communicate relevant environmental responsibilities and obligations to employees, consultants, and subcontractors.
- Continuously improve our environmental performance.
- Periodically review and update our environmental policy.

### Data security and cybersecurity

We understand the critical importance of protecting our business, employees, and vendors from the ever-evolving landscape of data security and cybersecurity threats. To this end, we implement stringent measures to safeguard sensitive information, ensuring the privacy and confidentiality of all stakeholders.

The ever-changing cyber threat landscape demands a proactive and adaptive cybersecurity strategy. We remain dedicated to protecting our organisation through comprehensive and robust cybersecurity measures.

To deliver this stringent security in a cost-effective manner we capitalise on a shared services arrangement with PPK Group, which manages our IT infrastructure on our behalf.

#### This year, through the PPK Group we have:

- **Deployed AI-powered email security:** Implemented artificial intelligence-driven tools to enhance our email security defences.
- **Introduced new endpoint controls:** Rolled out new endpoint security measures in early H2 FY24, successfully transitioning away from CrowdStrike systems months before the widely reported bug affected systems globally.
- **Engaged with industry leaders:** Participated in several Australian Cyber Security Centre Network Partner events to stay informed on the latest cyber trends and lessons learned from other organisations.
- **Kept the board informed:** Continued to provide the Board with regular updates on cybersecurity, including PPK-specific incidents and broader industry insights.
- **Shared cybersecurity knowledge:** Maintained a steady flow of internal communications, sharing cyber insights, real-world examples, and practical tips with the team.
- **Conducted penetration testing:** Partnered with a third-party cybersecurity firm to perform wireless network penetration tests across the Group, including on-site tests at our Group Head Office and ManuFutures facilities.
- **Audited Microsoft Office 365 security:** Engaged a third-party firm to audit our Microsoft Office 365 environment, providing recommendations to bolster security controls and maximise the features available under our license agreement.

#### Looking ahead to next year, we intend to:

- **Address key risks:** Resolve the High and Medium risk recommendations identified in the penetration tests.
- **Enhance Microsoft Office 365 security:** Implement a series of enhanced security features within our Office 365 environment.
- **Review and test cyber playbooks:** Conduct a thorough review and testing of our existing cyber playbooks to ensure they are up-to-date and effective.

# Environment, Social and Governance Report

continued

## GOVERNANCE

The Company has structured its approach to corporate governance around the principles of ensuring effective contributions by the Board and its sub-committees that add value.

We believe that strong corporate governance is not merely a compliance task but a fundamental element of our organisation's success.

### Ensuring high standards of governance

The Company continues to operate an Audit and Risk Committee comprised solely of non-executive directors, chaired by an independent director. The Audit and Risk Committee meets regularly throughout the year. The Company made use of its market leading risk management framework during the year to enhance its risk management.

### Risk Management

The Directors and Executive place significant emphasis on comprehensive risk management to ensure the long-term sustainability and resilience of our business.

Our governance framework, including our OH&S Manual, integrates thorough risk assessments, monitoring systems, and mitigation strategies to proactively identify and address potential risks.

By regularly evaluating our processes and engaging with internal and external stakeholders, we continually strengthen our risk management practices. This proactive approach enables us to navigate challenges effectively, safeguard the Company reputation, and protect the interests of our stakeholders.

### Fair Remuneration

Our remuneration policy is designed to align the objectives and performance of directors and executives with shareholder and business outcomes. This is achieved by providing a fixed remuneration component and offering specific Short Term Incentives (STIs) tied to key performance areas that impact the Company's financial and operational results, along with Long Term Incentives (LTIs) focused on retaining key talent.

By promoting fair remuneration practices, we aim to attract and retain top talent, enhance employee satisfaction, and drive sustainable performance across the organisation.

### Supply Chain Management

Responsible supply chain management is critical to uphold ethical practices and minimise adverse environmental and social impacts.

We aim to partner with suppliers who share our commitment to sustainability and ethical values. In each engagement we establish clear expectations, contractual obligations, and performance standards to guide our suppliers' actions.

Responsible sourcing can be complex, and we intend to continue to improve the mechanisms and procedures by which we vet and engage suppliers.

### Ethical Conduct and Transparency

Ethics and transparency are the bedrock of any responsible governance framework. We maintain the highest standards of integrity, honesty, and ethical conduct in all aspects of our business operations. Our code of conduct serves as a guiding principle for our employees, outlining their responsibilities and expectations regarding ethical behaviour, conflicts of interest, and compliance with laws and regulations.

We foster a culture of openness, encouraging employees to report concerns or potential violations through established channels. Through regular communication, training, and monitoring, we ensure that our governance practices reflect our unwavering commitment to transparency, accountability, and ethical decision-making.





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