

Patagonia Lithium Ltd

ACN 654 004 403

Annual Report - 31 December 2023

Patagonia Lithium Ltd
Corporate directory
31 December 2023

Directors	Phillip Thomas (Executive Chairman) Sam Qi (Non-Executive Director) Rick Anthon (Non-Executive Director)
Company secretary	Jarek Kopias
Registered office	Level 6, 505 Little Collins Street, Melbourne VIC 3000
Principal place of business	Level 6, 505 Little Collins Street, Melbourne VIC 3000 0433 747 380
Share register	Automic Pty Ltd Level 5, 126-130 Phillip Street, Sydney NSW 2000 1300 288 664
Auditor	Hall Chadwick Melbourne Audit Level 14, 440 Collins Street, Melbourne VIC 3000
Solicitors	Moray & Agnew Lawyers Level 6, 505 Little Collins Street, Melbourne VIC 3000
Website	www.patagonialithium.com.au
Corporate Governance Statement	<p>The Board has adopted policies, charters and practices reported against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – 4th Edition (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its status.</p> <p>A summary of the Company's ongoing corporate governance practices is set out annually in the Company's Corporate Governance Statement and can be found on the Company's website at https://patagonialithium.com.au/index.php/corporate-governance/.</p>

Patagonia Lithium Ltd
Directors' report
31 December 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Patagonia Lithium Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2023.

Directors

The following persons were directors of Patagonia Lithium Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Phillip Thomas
Rick Anthon (appointed 19 February 2024)
Gino D'Anna (resigned 1 March 2024)
Feiyu Qi (appointed 7 August 2023)
Paul Boyatzis (resigned 18 January 2024)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of pursuing lithium exploration projects in Argentina and Brazil.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,109,953 (31 December 2022: \$1,469,060).

Management Overview

The company acquired in February 2022 an exploration concession called Tomas III, at Incahuasi salar 45km from the town of Tolar Grande in Salta Province. In May 2023 a MT geophysics survey was completed and very low resistivity values were found along the southern border of the concession. Drilling permits were issued in May 2022, but it was decided to prioritise the company's two concessions in Jujuy.

The company acquired two concessions called Formentera and Cilon in the Jujuy province 10km from the town of Jama on 18 December 2022, and immediately proceeded to complete watershed analysis, surface sampling, MT geophysics and make an application in July 2023 for a proposed 14 hole drill program which was extended to 18 wells and granted on 18 January 2024. Cilon was a borates mine and the company applied for a drilling permit for lithium which was lodged in July 2023 but is currently in the approval process. There is a 500m no drilling perimeter around the lagoon on the Cilon exploration concession so it is only feasible to drill three wells on that concession.

There were some outstanding achievements at Formentera with 24 locations sampled and of those 9 assayed more than 200ppm and two exceeded 1,000ppm of lithium. The MT geophysics was run across three lines on the Formentera concession and resistivity values of less than 0.5ohm/m which is an outstanding result and consistent with the surface sampling results.

The company has commenced the drill program and the first well JAM24-01 was commenced on 4 March 2024.

Direct Lithium Extraction Process and Engineering

We contracted with Ekosolve Limited, a DLE process company and they processed 200L of brines at 267ppm and achieved an outstanding extraction efficiency of 92.1%. They were then able to extract the lithium as lithium chloride and then produce lithium carbonate at 99.89% purity with only traces of sodium, a prerequisite for the supply of premium battery grade lithium carbonate.

Brazil

The company applied for 25 concessions to explore for rare earth minerals in ionic clays and carbonatites, lithium in pegmatites and niobium. The company engaged GE21, a substantial geological consultancy in Belo Horizonte Brazil to assist with exploration and preliminary geological research to target sampling and later drilling areas. The company also applied for two concessions in Goias state adjacent to the CMOC niobium mine and 23 applications in four lots in Minas Gerais state.

Significant changes in the state of affairs

On 31 March 2023, the company was admitted to the official list of the Australian Securities Exchange (ASX).

Patagonia Lithium Ltd
Directors' report
31 December 2023

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial, the company acquired 41,746 Ha of vacant ground across 25 applications in Brazil in the highly prospective region of Minas Gerais and Goiás.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law, however does have obligations through its subsidiary in Argentina. The majority of its activities involve low level disturbance associated with exploration drilling programs. Approvals, licences, hearings and other regulatory requirements are performed, as required, by the consolidated entity's management for each permit or lease in which the Group has an interest.

Information on directors

Name:	Phillip Thomas
Title:	Executive Chairman
Qualifications:	Phillip graduated from Australian National University majoring in Geology and received his Master's Degree in Business from Monash University. He is a Fellow of the AusIMM, a Member of the Australian Institute of Geoscientists and Director and Member of Australasian Institute of Mineral Valuers and Appraisers and is a Certified Mineral Valuer.
Experience and expertise:	Phillip has extensive experience in lithium exploration, geochemistry, geophysics, process design and production. He has more than 20 years' experience working in Argentina on Pocitos, Guayatayoc, Salinas Grandes, Pozuelos, Rincon and Incahuasi salars. He is COO and QP of Recharge Resources Ltd and past CEO and chairman of Admiralty Resources NL where he and his team explored and developed a pilot plant at the Rincon Salar recently sold to Rio Tinto for \$925m, with 1.1 million tonnes LCE. Phillip has written several NI43-101 reports, the most recent for Pocitos and Incahuasi salar projects. He is a Competent Person for JORC reporting having more than 5 years' experience in lithium brine style of mineralisation.
Other current directorships:	He is Non-Executive Chairman of copper producer, Austral Resources Australia Ltd (ASX:AR1), a director of Recharge Resources Ltd (CSE:RR) Canada
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Audit Committee
Interests in shares:	1,140,000 fully paid ordinary shares
Interests in options:	1,500,000 unquoted options over ordinary shares and 262,500 quoted options (ASX:PL3O)
Name:	Rick Anthon
Title:	Non-Executive Director (appointed 19 February 2024)
Experience and expertise:	Mr Anthon is a practicing lawyer with over 30 years' experience in both corporate and commercial law. Rick has extensive experience in the resource sector, as a director of a number of resource companies and as legal adviser, including project acquisition and development, capital raising and corporate governance.
Other current directorships:	Chairman of Greenwing Resources Ltd (ASX:GW1), Armada Metals Limited (ASX:AMM) and a Non-Executive director of Laneway Resources Ltd (ASX:LNY).
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Audit Committee
Interests in shares:	Nil
Interests in options:	Nil

Patagonia Lithium Ltd
Directors' report
31 December 2023

Name: Gino D'Anna (resigned 1 March 2024)
 Title: Non-Executive Director
 Experience and expertise: Gino has significant primary and secondary capital markets experience and has extensive experience in resource exploration, public company operations, administration and financial management. Gino has experience in Canadian Government and First Nations relations in the mining sector and has worked in numerous jurisdictions including Australia, Botswana, Namibia and Canada. In addition, he has been involved in the exploration and development of many projects including new discoveries and the continued development of existing discoveries.

Other current directorships: N/A
 Former directorships (last 3 years): N/A
 Interests in shares: N/A
 Interests in options: N/A

Name: Paul Boyatzis
 Title: Non-Executive Director (resigned 18 January 2024)
 Qualifications: Paul is a member of the Australian Institute of Company Directors, the Securities and Derivatives Industry Association and the Australian Society of Accountants.
 Experience and expertise: Paul has over 35 years' experience in the investment and equity markets specifically within emerging growth companies in the resources and financial services sector in Australia and internationally. He has significant experience in the Australian capital markets and in the strategic development of ASX listed companies. Paul was instrumental in the formation of Nexus Minerals Ltd and as founding Chairman has played a pivotal role in the development of the company.

Other current directorships: N/A
 Former directorships (last 3 years): N/A
 Interests in shares: N/A
 Interests in options: N/A

Name: Sam Qi
 Title: Non-Executive Director (appointed 7 August 2023)
 Qualifications: Sam graduated from Shanghai University with a major in project management.
 Experience and expertise: Sam has over 20 years' experience in providing professional services and is CEO of Fuyang Mingin New Energy Development Co., Ltd.

Other current directorships: Ocatva Minerals Limited (ASX: OCT)
 Former directorships (last 3 years): Nil
 Interests in shares: Nil
 Interests in options: Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Jarek Kopias has over 25 years' industry experience in a wide range of financial and secretarial roles within the resources industry. This includes 5 years at WMC Resources Limited's Olympic Dam operations, 5 years at Newmont Mining Corporation in the Australian corporate office, and 5 years at Stuart Petroleum Limited, an oil and gas producer and explorer, prior to its merger with Senex Energy Limited.

Jarek is currently the CFO and Company Secretary of Resolution Minerals Ltd (ASX:RML) and iTech Minerals Ltd (ASX:ITM), and Company Secretary of Core Lithium Ltd (ASX:CXO), Iron Road Ltd (ASX:IRD), Austral Resources Australia Ltd (ASX:AR1) and Copper Search Limited (ASX:CUS). He has held similar roles with other ASX listed entities in the past.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2023, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held	Audit and Risk Committee	
Phillip Thomas	3	3	1	1
Paul Boyatzis	3	3	1	1
Gino D'Anna	3	3	1	1
Sam Qi	1	1	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The directors approved numerous matters via circular resolution during the reporting period.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

Patagonia Lithium Ltd
Directors' report
31 December 2023

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Non-executive directors' fees will be paid within an aggregate limit which is to be approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act at the time of the directors retirement or termination.

ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The shareholders approved an aggregate limit of \$500,000 at the company's 2023 annual general meeting.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components. In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits
- share-based payments

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are determined by the board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

The long-term incentives ('LTI') includes share-based payments comprising options.

Use of remuneration consultants

During the financial year, the consolidated entity has not used remuneration consultants.

Voting and comments made at the company's 24 March 2023 Annual General Meeting ('AGM')

At the 24 March 2023 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2023. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
31 Dec 2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Paul Boyatzis	43,215	-	-	-	-	-	43,215
Gino D'Anna	43,215	-	-	-	-	-	43,215
Sam Qi	21,197	-	-	-	-	-	21,197
<i>Executive Directors:</i>							
Phillip Thomas	96,999	-	-	-	-	-	96,999
	204,626	-	-	-	-	-	204,626

Patagonia Lithium Ltd
Directors' report
31 December 2023

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
27 Sep 2021 to 31 Dec 2022	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Paul Boyatzis	6,630	-	-	-	-	143,205	149,835
Gino D'Anna	6,630	-	-	-	-	143,205	149,835
<i>Executive Directors:</i>							
Phillip Thomas	13,260	-	-	-	-	214,807	228,067
	26,520	-	-	-	-	501,217	527,737

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	31 Dec 2023	27 Sep 2021 to 31 Dec 2022	31 Dec 2023	27 Sep 2021 to 31 Dec 2022	31 Dec 2023	27 Sep 2021 to 31 Dec 2022
<i>Non-Executive Directors:</i>						
Paul Boyatzis	100%	5%	-	-	-	95%
Gino D'Anna	100%	5%	-	-	-	95%
Sam Qi	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Phillip Thomas	100%	6%	-	-	-	94%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Phillip Thomas
Title: Executive Chairman
Term of agreement: From 1 July 2022 up to admission to the ASX he was entitled to \$2,000 per month (exclusive of superannuation. After admission he is entitled to \$108,000 per annum (exclusive of superannuation entitlements).

Name: Paul Boyatzis
Title: Non-Executive Director
Term of agreement: From 1 July 2022 up to admission to the ASX he was entitled to \$1,000 per month (exclusive of superannuation. After admission he is entitled to \$48,000 per annum (exclusive of superannuation entitlements).

Name: Gino D'Anna
Title: Non-Executive Director
Term of agreement: From 1 July 2022 up to admission to the ASX he was entitled to \$1,000 per month (exclusive of superannuation. After admission he is entitled to \$48,000 per annum (exclusive of superannuation entitlements).

Name: Sam Qi
Title: Non-Executive Director
Agreement commenced: 7 August 2023
Term of agreement: He is entitled to \$48,000 per annum (exclusive of superannuation entitlements).

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2023.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2023.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2023 and period ended 31 December 2022 are set out below:

Name	Number of options granted during the year 31 Dec 2023	Number of options granted during the year 27 Sep 2021 to 31 Dec 2022	Number of options vested during the year 31 Dec 2023	Number of options vested during the year 27 Sep 2021 to 31 Dec 2022
Phillip Thomas	-	1,500,000	-	1,500,000
Paul Boyatzis	-	1,000,000	-	1,000,000
Gino D'Anna	-	1,000,000	-	1,000,000

Additional information

The earnings of the consolidated entity for the two years to 31 December 2023 are summarised below:

	2023 \$	2022 \$
Loss after income tax	(1,109,953)	(1,469,060)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2023	2022
Share price (\$) *	0.13	-
Basic earnings per share (cents per share)	(2.07)	(10.67)
Diluted earnings per share (cents per share)	(2.07)	(10.67)

* On 31 March 2023, the company was admitted to the official list of the Australian Securities Exchange (ASX).

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Phillip Thomas	1,000,000	-	140,000	-	1,140,000
Paul Boyatzis	-	-	50,000	-	50,000
Gino D'Anna	-	-	-	-	-
Sam Qi	-	-	-	-	-
	<u>1,000,000</u>	<u>-</u>	<u>190,000</u>	<u>-</u>	<u>1,190,000</u>

Patagonia Lithium Ltd
Directors' report
31 December 2023

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Additions	Balance at the end of the year
<i>Options over ordinary shares</i>					
Phillip Thomas	1,500,000	-	-	262,500	1,762,500
Paul Boyatzis	1,000,000	-	-	-	1,000,000
Gino D'Anna	1,000,000	-	-	-	1,000,000
	<u>3,500,000</u>	<u>-</u>	<u>-</u>	<u>262,500</u>	<u>3,762,500</u>

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Patagonia Lithium Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
5 October 2022	5 October 2025	\$0.270	1,500,000
10 October 2022	10 October 2025	\$0.270	2,000,000
24 March 2023	24 March 2026	\$0.270	2,000,000
9 October 2023	15 December 2025	\$0.300	14,641,250
			<u>20,141,250</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Patagonia Lithium Ltd issued on the exercise of options during the year ended 31 December 2023 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to 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 part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 17 to the financial statements.

Patagonia Lithium Ltd
Directors' report
31 December 2023

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 17 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Hall Chadwick Audit

There are no officers of the company who are former partners of Hall Chadwick Audit.

Auditor's independence declaration

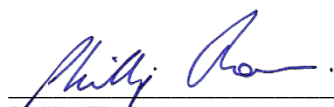
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Hall Chadwick Audit continues in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Phillip Thomas
Executive Chairman

26 March 2024

**PATAGONIA LITHIUM LIMITED
ACN 654 004 403**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS PATAGONIA LITHIUM LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Patagonia Lithium Limited and controlled entities. As the lead audit partner for the audit of the financial report of Patagonia Lithium Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



Anh (Steven) Nguyen
Director
Date: 26 March 2024

Hall Chadwick Melbourne
Level 14 440 Collins Street
Melbourne VIC 3000

Patagonia Lithium Ltd

Contents

31 December 2023

Statement of profit or loss and other comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17
Directors' declaration	34
Independent auditor's review report to the members of Patagonia Lithium Ltd	35
Shareholder information	39

General information

The financial statements cover Patagonia Lithium Ltd as a consolidated entity consisting of Patagonia Lithium Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Patagonia Lithium Ltd's functional and presentation currency.

Patagonia Lithium Ltd is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 6, 505 Little Collins Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 March 2024. The directors have the power to amend and reissue the financial statements.

Patagonia Lithium Ltd
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

		Consolidated	27 Sep 2021
		31 Dec 2023	to 31 Dec
	Note	\$	2022
		\$	\$
Revenue			
Interest revenue calculated using the effective interest method		16,320	-
Gain on hyperinflation	9	130,109	-
Expenses			
Corporate and administration expenses		(925,542)	(258,378)
Depreciation and amortisation expense		-	(140,100)
IPO costs expensed	8	(48,281)	(182,567)
Foreign exchange losses		(1,547)	(267,248)
Share based payment expenses	27	-	(501,217)
Other expenses		(273,170)	(3,451)
Finance costs	4	(7,842)	(116,099)
Loss before income tax expense		(1,109,953)	(1,469,060)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Patagonia Lithium Ltd		(1,109,953)	(1,469,060)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		209,564	-
Other comprehensive income for the year, net of tax		209,564	-
Total comprehensive income for the year attributable to the owners of Patagonia Lithium Ltd		<u>(900,389)</u>	<u>(1,469,060)</u>
		Cents	Cents
Basic earnings per share	26	(2.07)	(10.67)
Diluted earnings per share	26	(2.07)	(10.67)

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

Patagonia Lithium Ltd
Statement of financial position
As at 31 December 2023

		Consolidated	
	Note	31 Dec 2023	31 Dec 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	2,650,901	684,476
Trade and other receivables	7	88,746	30,818
Other	8	151,494	217,681
Total current assets		<u>2,891,141</u>	<u>932,975</u>
Non-current assets			
Exploration and evaluation	9	4,442,737	4,002,618
Total non-current assets		<u>4,442,737</u>	<u>4,002,618</u>
Total assets		<u>7,333,878</u>	<u>4,935,593</u>
Liabilities			
Current liabilities			
Trade and other payables	10	95,291	903,606
Borrowings	11	119,293	1,614,426
Total current liabilities		<u>214,584</u>	<u>2,518,032</u>
Total liabilities		<u>214,584</u>	<u>2,518,032</u>
Net assets		<u>7,119,294</u>	<u>2,417,561</u>
Equity			
Issued capital	12	8,554,703	3,342,347
Reserves	13	1,143,604	544,274
Accumulated losses		<u>(2,579,013)</u>	<u>(1,469,060)</u>
Total equity		<u>7,119,294</u>	<u>2,417,561</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Patagonia Lithium Ltd
Statement of changes in equity
For the year ended 31 December 2023

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 27 September 2021	-	-	-	-
Loss after income tax expense for the year	-	-	(1,469,060)	(1,469,060)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,469,060)	(1,469,060)
Equity portion of convertible notes	-	43,057	-	43,057
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	3,342,347	-	-	3,342,347
Share-based payments (note 27)	-	501,217	-	501,217
Balance at 31 December 2022	<u>3,342,347</u>	<u>544,274</u>	<u>(1,469,060)</u>	<u>2,417,561</u>
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 January 2023	3,342,347	544,274	(1,469,060)	2,417,561
Loss after income tax expense for the year	-	-	(1,109,953)	(1,109,953)
Other comprehensive income for the year, net of tax	-	209,564	-	209,564
Total comprehensive income for the year	-	209,564	(1,109,953)	(900,389)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	5,212,356	-	-	5,212,356
Share-based payments (note 27)	-	286,410	-	286,410
Conversion of convertible notes	-	(43,057)	-	(43,057)
Funds received in relation to loyalty options	-	146,413	-	146,413
Balance at 31 December 2023	<u>8,554,703</u>	<u>1,143,604</u>	<u>(2,579,013)</u>	<u>7,119,294</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Patagonia Lithium Ltd
Statement of cash flows
For the year ended 31 December 2023

		Consolidated	27 Sep 2021
		31 Dec 2023	to 31 Dec
	Note	\$	2022
		\$	\$
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(1,028,121)	(279,855)
Interest and other finance costs paid		(14,222)	-
Net cash used in operating activities	24	(1,042,343)	(279,855)
Cash flows from investing activities			
Payments for exploration and evaluation rights		(796,548)	(4,263,517)
Net cash used in investing activities		(796,548)	(4,263,517)
Cash flows from financing activities			
Proceeds from issue of shares	12	4,150,000	3,556,700
Proceeds from loyalty options		146,413	-
Proceeds from convertible notes issued		-	1,700,000
Share issue transaction costs relating to IPO		(635,147)	(28,852)
Repayment of borrowings		(94,198)	-
Net cash from financing activities		3,567,068	5,227,848
Net increase in cash and cash equivalents		1,728,177	684,476
Cash and cash equivalents at the beginning of the financial year		684,476	-
Effects of exchange rate changes on cash and cash equivalents		238,248	-
Cash and cash equivalents at the end of the financial year	6	<u>2,650,901</u>	<u>684,476</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Material accounting policy information

The accounting policies that are material to the consolidated entity are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Consolidated Entity incurred a loss from ordinary activities of \$1,109,953 for the year ended 31 December 2023 and had negative cash flows from operating activities of \$1,042,343.

The directors have reviewed the cashflow forecasts which extend to 31 March 2025, and believe that there are reasonable grounds to believe that the Consolidated Entity will be able to meet its commitments for at least 12 months from the date of signing this report. Management remain diligent in their monitoring of cash flows day by day.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Reporting period

The company was incorporated on 27 September 2021. The comparative information covers the period from that date up to 31 December 2022.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 21.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Patagonia Lithium Ltd ('company' or 'parent entity') as at 31 December 2023 and the results of all subsidiaries for the year then ended. Patagonia Lithium Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

Note 1. Material accounting policy information (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Patagonia Lithium Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Hyperinflation

The Argentinean economy has been considered a hyperinflationary economy, according to the criteria set out in the accounting standard "Financial Reporting in Hyperinflationary Economies" (AASB 129). As the current functional currency of the Argentinian operations has been determined to be the Argentine Peso, the requirements of AASB129 have been applied.

This determination was carried out on the basis of a series of qualitative and quantitative criteria which include the presence of an accumulated inflation rate of over 100% in the past three years. According to AASB 129, the financial statements of the subsidiary "Patagonia Lithium Argentina S.A" must be restated by applying a general price index to the historical cost, in order to reflect the changes in the purchasing power of the Argentine Peso, on the closing date of these financial statements.

The comparative figures have not been restated as the amount is considered immaterial.

Revenue and income recognition

The consolidated entity recognises revenue as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue and income

Other revenue and income is recognised when it is received or when the right to receive payment is established.

Note 1. Material accounting policy information (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

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.

Trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 1. Material accounting policy information (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 1. Material accounting policy information (continued)

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Patagonia Lithium Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment, being pursuing lithium exploration projects in South America.

Note 4. Expenses

	Consolidated 27 Sep 2021 to 31 Dec 2022
31 Dec 2023	2022
\$	\$

Loss before income tax includes the following specific expenses:

Finance costs

Interest and finance charges paid/payable on borrowings
Unwinding of deferred borrowings costs

5,522	8,701
2,320	107,398

Finance costs expensed

7,842	116,099
-------	---------

Note 5. Income tax expense

	Consolidated 27 Sep 2021 to 31 Dec 2022
31 Dec 2023	2022
\$	\$

Numerical reconciliation of income tax expense and tax at the statutory rate

Loss before income tax expense

(1,109,953)	(1,469,060)
-------------	-------------

Tax at the statutory tax rate of 25%

(277,488)	(367,265)
-----------	-----------

Current year tax losses not recognised

212,220	143,663
---------	---------

Impact of tax of overseas subsidiaries

68,331	21,712
--------	--------

Impact of permanent and timing differences

(3,063)	201,890
---------	---------

Income tax expense

-	-
---	---

Note 5. Income tax expense (continued)

	Consolidated	31 Dec 2022
	31 Dec 2023	\$
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	1,423,412	574,531
Potential tax benefit @ 25%	355,853	143,633

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 6. Current assets - cash and cash equivalents

	Consolidated	31 Dec 2022
	31 Dec 2023	\$
	\$	\$
Cash on hand	424	-
Cash at bank	650,477	684,476
Cash on deposit	2,000,000	-
	<u>2,650,901</u>	<u>684,476</u>

Note 7. Current assets - trade and other receivables

	Consolidated	31 Dec 2022
	31 Dec 2023	\$
	\$	\$
Other receivables	40,269	-
Interest receivable	16,320	-
GST receivable	32,157	30,818
	<u>88,746</u>	<u>30,818</u>

Note 8. Current assets - other

	Consolidated	31 Dec 2022
	31 Dec 2023	\$
	\$	\$
Prepayments	151,494	126,549
Prepaid IPO costs *	-	91,132
	<u>151,494</u>	<u>217,681</u>

* During the current year the company completed its initial public offering and this amount has been recognised as a cost of capital raised

Note 9. Non-current assets - exploration and evaluation

	Consolidated	31 Dec 2022
	31 Dec 2023	\$
	\$	\$
Exploration and evaluation - at cost	4,442,737	4,002,618

Note 9. Non-current assets - exploration and evaluation (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration & evaluation \$
Balance at 27 September 2021	-
Additions	3,673,323
Transferred from exploration rights	329,295
	<hr/>
Balance at 31 December 2022	4,002,618
Additions	796,548
Gain on hyperinflation	130,109
Exchange differences	(486,538)
	<hr/>
Balance at 31 December 2023	<u>4,442,737</u>

Note 10. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Trade payables	68,218	246,969
Payable to Peak Asset Management *	-	47,099
Payable to Phil Thomas *	-	47,099
Other payables and accruals	27,073	562,439
	<hr/>	<hr/>
	<u>95,291</u>	<u>903,606</u>

Refer to note 15 for further information on financial instruments.

* No interest was payable on the balances and they were settled in full out of proceeds from the IPO.

Note 11. Current liabilities - borrowings

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Insurance premium funding	119,293	-
Convertible notes payable	-	1,614,426
	<hr/>	<hr/>
	<u>119,293</u>	<u>1,614,426</u>

Refer to note 15 for further information on financial instruments.

All convertible notes were converted during the current financial half-year, refer to note 12.

Note 12. Equity - issued capital

	Consolidated			
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>58,565,000</u>	<u>29,315,000</u>	<u>8,554,703</u>	<u>3,342,347</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	27 September 2021	-		-
Issue of shares	27 September 2021	3,000,000	\$0.010	30,000
Issues of shares	27 September 2021	1,700,000	\$0.001	1,700
Issue of shares	22 December 2021	4,000,000	\$0.100	400,000
Issue of shares	22 December 2021	5,500,000	\$0.050	275,000
Shares issued as remuneration for equity raising costs	3 May 2022	240,000	\$0.100	24,000
Issue of shares	25 July 2022	1,000,000	\$0.100	100,000
Issue of shares	1 December 2022	13,750,000	\$0.200	2,750,000
Issue of shares relating to tenement acquisitions	6 December 2022	125,000	\$0.200	25,000
Less cost of capital raised		-	\$0.000	(263,353)
Balance	31 December 2022	29,315,000		3,342,347
Issues of shares - conversion of convertible notes	11 January 2023	8,500,000	\$0.200	1,700,000
Issue of shares	24 March 2023	20,750,000	\$0.200	4,150,000
Less cost of capital raised		-	\$0.000	(637,644)
Balance	31 December 2023	<u>58,565,000</u>		<u>8,554,703</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 13. Equity - reserves

	Consolidated 31 Dec 2023	31 Dec 2022
	\$	\$
Foreign currency reserve	209,564	-
Share-based payments reserve	787,627	501,217
Convertible note reserve	-	43,057
Loyalty option reserve	146,413	-
	<u>1,143,604</u>	<u>544,274</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Convertible note reserve

The reserve is used to recognise the equity portion of convertible notes.

Loyalty options reserve

The reserve is used to recognise the funds received in relation to 14,621,250 loyalty options issued on 9 October 2023, with an exercise price of \$0.30 and expiring on 15 December 2023.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Loyalty options \$	Foreign currency \$	Convertible notes \$	Share-based payments \$	Total \$
Balance at 27 September 2021	-	-	-	-	-
Equity portion of convertible note *	-	-	43,057	-	43,057
Share based payments	-	-	-	501,217	501,217
Balance at 31 December 2022	-	-	43,057	501,217	544,274
Equity portion of convertible note *	-	-	-	-	-
Share based payments	-	-	-	286,410	286,410
Funds received in relation to loyalty options	146,413	-	-	-	146,413
Foreign currency translation	-	209,564	-	-	209,564
Conversion of notes	-	-	(43,057)	-	(43,057)
Balance at 31 December 2023	<u>146,413</u>	<u>209,564</u>	<u>-</u>	<u>787,627</u>	<u>1,143,604</u>

* The equity portion of the convertible notes was calculated using an interest rate of 8% and a repayment date of 31 March 2023.

Note 14. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 15. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Consolidated	\$	\$	\$	\$
US dollars	114,416	-	-	-

Price risk

The consolidated entity is not exposed to any significant price risk.

Consolidated - 31 Dec 2023	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
US dollar	10%	(11,442)	(11,442)	10%	11,442	11,442

Interest rate risk

The consolidated entity is not exposed to material interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity does not generate revenue and for this reason is not exposed to material credit risk.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 15. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 31 Dec 2023	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables and other payables	-	95,291	-	-	-	95,291
<i>Interest-bearing - fixed rate</i>						
Insurance premium funding	5.58%	119,293	-	-	-	119,293
Total non-derivatives		<u>214,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,584</u>
Consolidated - 31 Dec 2022	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables and other payables	-	903,606	-	-	-	903,606
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	8.00%	1,708,701	-	-	-	1,708,701
Total non-derivatives		<u>2,612,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,612,307</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 16. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 27 Sep 2021 to 31 Dec 2022	31 Dec 2023
	\$	\$
Short-term employee benefits	26,520	204,626
Share-based payments	501,217	-
	<u>527,737</u>	<u>204,626</u>

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Hall Chadwick Audit, the auditor of the company:

	Consolidated	27 Sep 2021
	31 Dec 2023	to 31 Dec
	\$	2022
	\$	\$
<i>Audit services - Hall Chadwick Audit</i>		
Audit or review of the financial statements	27,500	22,100
<i>Other services - Hall Chadwick Corporate (Vic) Pty Ltd</i>		
Independent Accountant's Report	-	12,500
	<u>27,500</u>	<u>34,600</u>

Note 18. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2023 and 31 December 2022.

Note 19. Commitments

The consolidated entity has no commitments at 31 December 2023 and 31 December 2022.

Note 20. Related party transactions

Parent entity

Patagonia Lithium Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Key management personnel

Disclosures relating to key management personnel are set out in note 16 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	27 Sep 2021
	31 Dec 2023	to 31 Dec
	\$	2022
	\$	\$
Payment for goods and services:		
Exploration consulting paid to Gurtan Pty Ltd (an entity related to Phillip Thomas)	9,964	-
Exploration consulting paid to Panopus Pte Ltd (an entity related to Phillip Thomas)	6,000	-
Exploration consulting paid to Ekosolve Ltd (an entity related to Phillip Thomas)	85,000	-

Note 20. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Current payables:		
Fees payable to directors	24,740	26,520
Amount payable to Phillip Thomas *	-	47,099

* No interest was payable on the balance and it was settled in full out of proceeds from the IPO.

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	31 Dec 2023	27 Sep 2021 to 31 Dec 2022
	\$	\$
Loss after income tax	(861,135)	(1,382,212)
Total comprehensive income	(861,135)	(1,382,212)

Statement of financial position

	Parent	
	31 Dec 2023	31 Dec 2022
	\$	\$
Total current assets	2,833,810	932,975
Total assets	7,370,413	4,900,992
Total current liabilities	211,865	2,396,583
Total liabilities	211,865	2,396,583
Equity		
Issued capital	8,554,703	3,342,347
Share-based payments reserve	787,627	501,217
Convertible note reserve	-	43,057
Loyalty option reserve	146,413	-
Accumulated losses	(2,330,195)	(1,382,212)
Total equity	<u>7,158,548</u>	<u>2,504,409</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2023 and 31 December 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2023 and 31 December 2022.

Note 21. Parent entity information (continued)

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 and 31 December 2022.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2023 %	31 Dec 2022 %
Patagonia Lithium Argentina S.A	Argentina	100.00%	100.00%
PL3 Brazil Mineracao LTDA	Brazil	100.00%	-

Note 23. Events after the reporting period

Subsequent to the end of the financial, the company acquired 41,746 Ha of vacant ground across 25 applications in Brazil in the highly prospective region of Minas Gerais and Goiás.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 24. Reconciliation of loss after income tax to net cash used in operating activities

	31 Dec 2023 \$	Consolidated 27 Sep 2021 to 31 Dec 2022 \$
Loss after income tax expense for the year	(1,109,953)	(1,469,060)
Adjustments for:		
Depreciation and amortisation	-	140,100
Share-based payments	-	501,217
Foreign exchange differences	-	267,248
Non-cash finance costs	(6,380)	116,099
Gain on hyperinflation	(130,109)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(57,928)	(30,818)
Increase in prepayments	(24,945)	(126,549)
Increase in trade and other payables	167,679	321,908
Increase in other operating liabilities	119,293	-
Net cash used in operating activities	<u>(1,042,343)</u>	<u>(279,855)</u>

Note 25. Changes in liabilities arising from financing activities

Consolidated	Convertible notes \$	Total \$
Balance at 27 September 2021	-	-
Net cash from financing activities	1,700,000	1,700,000
Other changes	(85,574)	(85,574)
Balance at 31 December 2022	1,614,426	1,614,426
Conversion of notes payable	(1,614,426)	(1,614,426)
Balance at 31 December 2023	-	-

Note 26. Earnings per share

	Consolidated 27 Sep 2021 to 31 Dec 2022	
	31 Dec 2023 \$	2022 \$
Loss after income tax attributable to the owners of Patagonia Lithium Ltd	(1,109,953)	(1,469,060)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	53,590,342	13,769,154
Weighted average number of ordinary shares used in calculating diluted earnings per share	53,590,342	13,769,154
	Cents	Cents
Basic earnings per share	(2.07)	(10.67)
Diluted earnings per share	(2.07)	(10.67)

Options that could potentially dilute basic earnings per share in the future, were not included in the calculation of diluted earnings per share because they are antidilutive.

Note 27. Share-based payments

During the period the directors of the company were issued a total 3,500,000 options over ordinary shares as part of their remuneration. A total expense of \$501,217 has been recognised in relation to these options.

Set out below are summaries of options granted during the year:

	Number of options 31 Dec 2023	Weighted average exercise price 31 Dec 2023	Number of options 31 Dec 2022	Weighted average exercise price 31 Dec 2022
Outstanding at the beginning of the financial year	3,500,000	\$0.270	-	\$0.000
Granted	2,000,000	\$0.270	3,500,000	\$0.270
Outstanding at the end of the financial year	5,500,000	\$0.270	3,500,000	\$0.000
Exercisable at the end of the financial year	5,500,000	\$0.270	3,500,000	\$0.270

Note 27. Share-based payments (continued)

31 Dec 2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
05/10/2022	05/10/2025	\$0.270	1,500,000	-	-	-	1,500,000
10/10/2022	10/10/2025	\$0.270	2,000,000	-	-	-	2,000,000
24/03/2023	24/03/2026	\$0.270	-	2,000,000	-	-	2,000,000
			<u>3,500,000</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>5,500,000</u>

31 Dec 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
05/10/2022	05/10/2025	\$0.270	-	1,500,000	-	-	1,500,000
10/10/2022	10/10/2025	\$0.270	-	2,000,000	-	-	2,000,000
			<u>-</u>	<u>3,500,000</u>	<u>-</u>	<u>-</u>	<u>3,500,000</u>

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	31 Dec 2023 Number	31 Dec 2022 Number
05/10/2022	05/10/2025	1,500,000	1,500,000
10/10/2022	10/10/2025	2,000,000	2,000,000
24/03/2023	24/03/2026	2,000,000	-
		<u>5,500,000</u>	<u>3,500,000</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.93 years (2022: 2.76 years.)

For the options granted during the current and prior financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
05/10/2022	05/10/2025	\$0.200	\$0.270	131.00%	-	3.16%	\$0.143
10/10/2022	10/10/2025	\$0.200	\$0.270	131.00%	-	3.16%	\$0.143
24/03/2023	24/03/2026	\$0.200	\$0.270	131.00%	-	3.19%	\$0.143

Patagonia Lithium Ltd
Directors' declaration
31 December 2023

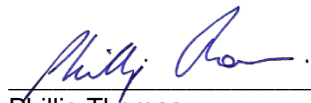
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Phillip Thomas
Executive Chairman

26 March 2024

PATAGONIA LITHIUM LIMITED
ACN 654 004 403

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PATAGONIA LITHIUM LIMITED

Report on the Financial Report

Opinion

We have audited the financial report of Patagonia Lithium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if give to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 31 December 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Accounting for Hyperinflation in the Consolidated Entity's Argentinean Operations</p> <p>As described in Note 1 of the financial statements, the Consolidated Entity has adjusted current year results of the Argentinian operations in accordance with <i>AASB 129 Financial Reporting in Hyperinflationary Economies</i>. We considered this to be a key audit matter due to the complexity and quantum of the impact on the financial statements.</p> <p>The comparative figures have not been restated as the amount is considered immaterial.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> evaluated management's assessment of the functional currency of the consolidated entity's Argentinean operations; obtained managements calculations and updated consolidation workings in respect of the current year balances and assessed whether they reflected our understanding of the accounting requirements and application of <i>AASB129 Financial Reporting in Hyperinflationary Economies</i>; evaluation of managements adjustments for accuracy; and examined the disclosures made in the financial report.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Exploration and Evaluation</p> <p>Refer to note 9 in the annual report.</p> <p>The Group carries exploration and evaluation assets as at 31 December 2023 in accordance with the Group's accounting policy for exploration and evaluation assets.</p> <p>The recoverability of exploration and evaluation assets is a key audit matter due to the significance of the total balance and the level of procedures undertaken to evaluate management's application of the requirements of <i>AASB6 Exploration for and Evaluation of Mineral Resources</i> in light of any indicators of impairment that may be present.</p>	<p>Our procedures included, amongst others:</p> <p>In assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with <i>AASB6 – Exploration for and Evaluation of Mineral Resources</i>, we:</p> <ul style="list-style-type: none"> assessed management's determination of its area of interest for consistency with definition in <i>AASB 6 Exploration and Evaluation of Mineral Resources</i>; obtained management's position on the assessment of impairment at the end of the year and evaluated it for reasonableness; assessed the Group's rights to tenure by corroborating to agreements in place; substantiated samples of expenditure by agreeing to supporting documentation; and examined the disclosures made in the financial report.

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 Group's annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information,

we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report

We have audited the Remuneration Report included in pages 5 to 9 of the Directors' Report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Patagonia Lithium Limited, for the year ended 31 December 2023, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of Patagonia Lithium Limited 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.



Anh (Steven) Nguyen
Director

Hall Chadwick Melbourne Audit
Level 14 440 Collins Street
Melbourne VIC 3000
Date: 26 March 2024

Patagonia Lithium Ltd
Shareholder information
31 December 2023

The shareholder information set out below was applicable as at 29 February 2024.

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	17	0.01	7	0.03
1,001 to 5,000	51	0.28	22	0.44
5,001 to 10,000	66	1.03	18	0.83
10,001 to 100,000	170	11.41	49	10.70
100,001 and over	73	87.27	30	88.00
	377	100.00	126	100.00
Holding less than a marketable parcel	49	0.15	-	-

The company has a total of 58,565,000 fully paid ordinary shares on issue, 9,436,500 of which are subject to an ASX restriction until 31 March 2025.

The company has a total of 14,641,250 listed options on issue.

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
FUYANG MINGJIN NEW ENERGY DEVELOPMENT CO LTD	10,000,000	17.08
10 BOLIVIANOS PTY LTD	7,337,670	12.53
SOUTHEAST MINGQING SUPPLY CHAIN (FUYANG) CO LTD	3,750,000	6.40
10 BOLIVIANOS PTY LTD	3,704,834	6.33
BNPP NOMS PTY LTD HUB24 CUSTODIAL SERV LTD	1,820,001	3.11
KOVI G INVESTMENTS PTY LTD (KOVI GORDON FAMILY A/C)	1,733,633	2.96
ASHMAT INVESTMENTS PTY LTD (HESTER INVESTMENT A/C)	1,633,134	2.79
FREEDOM TRADER PTY LTD	1,435,366	2.45
GURTAN PTY LTD	1,000,000	1.71
CERTANE CT PTY LTD RICHLINK HIGH-TECH INVEST	1,000,000	1.71
MR CON CARYDIAS	825,000	1.41
TAG INVESTMENTS AUSTRALIA PTY LTD (TAG INVESTMENT A/C)	737,992	1.26
PAMPLONA CAPITAL PTY LTD	700,000	1.20
YASELLERAPH FINANCE PTY LTD (YASELLERAPH FINANCE A/C)	684,449	1.17
MR ANTANAS GUOGA	672,049	1.15
VIVO TRADING PTY LTD	663,902	1.13
MR BRENT DAVID COXON (SOKAN DISC A/C)	600,000	1.02
PUJARA SUPERANNUATION FUND PTY LTD (PUJARA SF A/C)	500,000	0.85
MR STEVEN TAMBANIS	500,000	0.85
MR SEBASTIAN MARR	500,000	0.85
	39,798,030	67.96

Patagonia Lithium Ltd
Shareholder information
31 December 2023

	Options over ordinary shares	
	Number held	% of total options issued
FUYANG MINGJIN NEW ENERGY DEVELOPMENT CO LTD	2,500,000	17.08
10 BOLIVIANOS PTY LTD	1,834,418	12.53
SOUTHEAST MINGQING SUPPLY CHAIN (FUYANG) CO LTD	937,500	6.40
10 BOLIVIANOS PTY LTD	762,929	5.21
PUJARA SUPERANNUATION FUND PTY LTD (PUJARA SF A/C)	700,000	4.78
TORNADO NOMINEES PTY LTD (ANGUS MIDDLETON S/F A/C)	537,500	3.67
FINCLEAR PTY LTD (SUPERHERO SECURITIES A/C)	520,379	3.55
GREEN MOUNTAINS INVESTMENTS LTD	518,750	3.54
MR STEVEN TAMBANIS	375,000	2.56
MJMD SUPER PTY LTD (MARK JM DITCHFIELD S/F A/C)	360,000	2.46
FREEDOM TRADER PTY LTD	311,042	2.12
RESPIRE PTY LTD (TWENTY TWO SUPER FUND A/C)	250,000	1.71
GURTAN PTY LTD	250,000	1.71
MS MEGAN LOUISE CARTER	250,000	1.71
MR MD AKRAM UDDIN	250,000	1.71
MR STACEY HUBERT CARTER	250,000	1.71
CERTANE CT PTY LTD (RICHLINK HIGH-TECH INVEST)	250,000	1.71
PAUL B RYAN PTY LTD (RYAN PROPERTY A/C)	225,000	1.54
MR GEORGE CHARLES THOMPSON	206,250	1.41
MR BRENT DAVID COXON (SOKAN DISC A/C)	200,000	1.37
	11,488,768	78.48

Unquoted equity securities

The company has 5,500,000 unlisted options on issue at 29 February 2024. All options have an exercise price of \$0.27 and expiry as listed. All options are restricted to 31 March 2025. The options are held by Pamplona Capital Pty Ltd (2,000,000, expiry 24 March 2026), Phillip Thomas (1,500,000, expiry 5 October 2025), Lesuer Pty Ltd PMB Super Fund A/C> (1,000,000, expiry 10 October 2025) and Gino D'Anna The Internazionale A/C> (1,000,000, expiry 10 October 2025).

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
10 Bolivianos Pty Ltd, Freedom Trader Pty Ltd and Niv Dagan	12,252,659	20.92
Fuyang Mingjin New Energy development Co Ltd	10,000,000	17.08
Southeast Mingqing Supply Chain (Fuyang) Co Ltd	3,750,000	6.40

Voting rights

The voting rights attached to the company's securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

There are no other classes of equity securities.

Patagonia Lithium Ltd
Shareholder information
31 December 2023

Other information

There is no current on-market buy-back.

The entity has used its cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

Tenements

The company's tenements are all held in Argentina.

Description	Tenement number	Interest owned %
Formantera	518 P2016	100.00
Tomas III	1211 1993	100.00
Cilon	24142	100.00

The company's tenements are all held in Argentina.

Competent person

This report contains previously released exploration results as "Sampling at Formentera and Cilon Assays 1,122ppm Lithium" on 2 June 2023 and "99.9% Lithium Carbonate Produced from Formentera Brines" on 16 October 2023. The company confirms it is not aware of any new information or data that materially affects the information in this announcement.