
FULL YEAR REPORT

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

30 JUNE 2021



ASX Code: LEL

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

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CORPORATE DIRECTORY

BOARD

| | |
|-----------------|--------------------|
| William Johnson | Executive Chairman |
| Peter Smith | Executive Director |
| Farooq Khan | Executive Director |

COMPANY SECRETARY

Victor Ho

PRINCIPAL AND REGISTERED OFFICE

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ASX CODE

LEL

SHARE REGISTRY

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DIRECTORS' REPORT

The Directors present their report on Lithium Energy Limited ABN 94 647 135 108 (ASX Code: LEL) (**Company** or **LEL**) and its controlled entities (the **Consolidated Entity** or **Lithium Energy**) for the period from 14 January 2021 to 30 June 2021 (**Balance Date**) (**financial period**).

LEL is a company limited by shares that was incorporated in Western Australia on 14 January 2021 as a wholly-owned subsidiary of Strike Resources Limited (ASX:SRK) (**Strike** or **SRK**).

Lithium Energy (holding battery minerals assets) was spun-out of Strike following the successful completion of LEL's \$9 million initial public offering (**IPO**) under a Prospectus (dated 30 March 2021).

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

Lithium Energy has prepared a consolidated financial report incorporating the entities that it controlled during the financial period, being wholly owned subsidiaries.

PRINCIPAL ACTIVITIES

Lithium Energy Limited is an ASX listed resource company which is developing its flagship Solaroz Lithium Brine Project (LEL:90%) in Argentina and its Burke Graphite Project (LEL:100%) in Queensland.

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

- the advancement of environmental approvals for an exploration programme at its Solaroz Lithium-Brine Project in Argentina;
- the evaluation of its Burke Graphite Project in Queensland; and
- the completion of the Company's IPO and admission and quotation on ASX.

OPERATING RESULTS

| | June 2021 |
|---------------------|-------------|
| | \$ |
| Consolidated | |
| Total revenue | 38,309 |
| Total expenses | (1,166,670) |
| Loss before tax | (1,128,361) |
| Income tax expense | - |
| Loss after tax | (1,128,361) |

CASH FLOWS

| | June 2021 |
|----------------------------------------------|-------------|
| | \$ |
| Consolidated | |
| Net cash flow from operating activities | (384,914) |
| Net cash flow from investing activities | (1,259,671) |
| Net cash flow from financing activities | 9,541,058 |
| Net change in cash held | 7,896,473 |
| Effect of exchange rate changes on cash held | 97,871 |
| Cash held at period end | 7,994,344 |

DIRECTORS' REPORT

FINANCIAL POSITION

| Consolidated | June 2021 |
|----------------------------------------|-------------------|
| | \$ |
| Cash | 7,994,344 |
| Exploration and evaluation expenditure | 7,011,511 |
| Receivables | 133,997 |
| Other assets | 52,543 |
| Liabilities | (187,624) |
| Net assets | 15,004,771 |
| Issued capital | 15,006,458 |
| Reserves | 1,126,674 |
| Accumulated losses | (1,128,361) |
| Total equity | 15,004,771 |

DIVIDENDS

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

CAPITAL MANAGEMENT

Completion of \$9 Million IPO

Lithium Energy was admitted to the Official List of ASX on 17 May 2021¹ and commenced trading on 19 May 2021², following the successful completion of the Company's \$9 million initial public offering (IPO) under a Prospectus (dated 30 March 2021³) (Prospectus). The Prospectus closed on 29 April 2021 with 45 million shares (at a price of \$0.20 each) issued to successful applicants on 7 May 2021.⁴ The IPO was fully underwritten by Canaccord Genuity.

Securities on Issue

The following securities are on issue as at balance date:

| Class of Security | Quoted on ASX | Unlisted | Total |
|--------------------------------------------------------|----------------------|-----------------|-------------------|
| Fully paid ordinary shares | 45,000,000 | 35,010,000 | 80,010,000 |
| Executive Options (\$0.30, 18 March 2024) ⁵ | - | 10,000,000 | 10,000,000 |
| Broker Options (\$0.30, 4 May 2024) ⁶ | - | 4,000,000 | 4,000,000 |

1 Refer LEL ASX Announcement dated 17 May 2021: ASX Notice – Admission to Office List

2 Refer LEL ASX Announcement dated 19 May 2021: Lithium Energy Limited Commences Trading on ASX

3 Refer LEL ASX Announcement released on 17 May 2021: Prospectus

4 Refer LEL ASX Announcements released on 17 May 2021: Confirmation Statements and 17 May 2021: Capital Structure, Top 20 and Distribution Schedule

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

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

DIRECTORS' REPORT

Restricted Securities

The following restricted securities are subject to escrow (as imposed under the ASX Listing Rules) as at balance date:

| Class of Security | Number | Escrow Period |
|-------------------------------------------|-------------------|---------------------------------------------------|
| Fully paid ordinary shares | 34,860,000 | 19 May 2023 (24 months from date of Quotation) |
| Fully paid ordinary shares | 150,000 | 10 May 2022 (12 months from date of issue) |
| Total | 35,010,000 | |
| Executive Options (\$0.30, 18 March 2024) | 10,000,000 | 19 May 2023 (24 months from Quotation) |
| Broker Options (\$0.30, 4 May 2024) | 4,000,000 | 19 May 2023 24 months from Quotation |

Share Issues

Lithium Energy Limited was incorporated on 14 January 2021 as a wholly-owned subsidiary of Strike Resources Limited. The Company was spun-out of Strike following the successful completion of Lithium Energy's IPO in May 2021.

The following shares were issued during the financial period:

| | Issue Price | Shares | % of Issued Capital |
|------------------------------------------------------------------------------------------------------------------|-------------|-------------------|---------------------|
| Shares issued to Strike Resources Limited: | | | |
| On incorporation of Lithium Energy Limited | \$0.25 | 10,000 | |
| On completion of acquisition of LE Operations Pty Ltd (Solaroz Lithium Project) | \$0.20 | 31,400,000 | |
| On completion of acquisition of LE Australian Operations Pty Ltd (Burke Graphite Project – 76.5%) | \$0.20 | 3,000,000 | |
| Shares held by Strike | | 34,410,000 | 43.01% |
| Shares issued to vendors on completion of acquisition of Burke Minerals Pty Ltd (Burke Graphite Project – 23.5%) | \$0.20 | 600,000 | 0.75% |
| Shares issued under IPO Prospectus | \$0.20 | 45,000,000 | 56.24% |
| Total | | 80,010,000 | 100% |

Option Issues

The following options were issued during the financial period:

| Class of Unlisted Options | Exercise Price | Expiry Date | Number of options |
|-------------------------------------------|----------------|---------------|-------------------|
| Broker Options (\$0.30, 4 May 2024) | \$0.30 | 4 May 2024 | 4,000,000 |
| Executive Options (\$0.30, 18 March 2024) | \$0.30 | 18 March 2024 | 10,000,000 |
| Total | | | 14,000,000 |

The terms and conditions of these options are in Section 16.2 (Rights Attaching to Broker's Options) and Section 16.3 (Rights Attaching to Executive Options) of the Lithium Energy Prospectus.

DIRECTORS' REPORT

Securities Incentive Plan

The Company has adopted a Securities Incentive Plan (**Plan**) pursuant to which the Board may offer to eligible persons the opportunity to subscribe for such number of securities (which includes a share, a right to a share, an option over an issued or unissued security and a convertible security) in the Company on such terms and conditions as the Board may decide and otherwise pursuant to the rules of the Plan. The maximum number of securities issued under the Plan is limited to 5% of the Company's issued share capital.

The purpose of the Plan is to:

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

A summary of the Plan is in Section 16.4 (Securities Incentive Plan) of the Lithium Energy Prospectus.

REVIEW OF OPERATIONS

Solaroz Lithium Brine Project (Argentina)

(90%)

Lithium Energy holds a 90% interest in the highly prospective Solaroz Lithium Brine Project (**Solaroz**) within South America's 'Lithium Triangle' in North-West Argentina.

Solaroz comprises 8 exploitation concessions totalling 12,000 hectares located in the same Salar de Olaroz Basin as the producing Salar de Olaroz Lithium Brine Project operated by Orocobre Limited (ASX/TSX:ORE)⁷ (and its JV partner, Tokyo Stock Exchange listed Toyota Tsusho Corporation (TYO:8015)) and concessions held by Lithium Americas Corporation (TSX/NYSE:LAC).

For further details, please refer to Lithium Energy's announcements on Solaroz:

- 9 August 2021: Geophysical Equipment Arrives as Lithium Energy Gears up for Exploration on Solaroz Project;
- 5 August 2021: Approval Process for Solaroz Exploration Nearing Completion;
- 22 June 2021: Investor Presentation;
- 8 June 2021: Substantial Lithium Exploration Target Identified at the Solaroz Project in Argentina;
- 26 May 2021: Geophysical Data Supports Highly Encouraging Exploration Potential for Solaroz.

Refer also to Lithium Energy's Prospectus:

- Section 8 (Projects Overview);
- Section 9 (Independent Technical Assessment Report); and
- Section 11 (Argentinian Legal Report).

⁷ Orocobre has recently merged with Galaxy Resources Limited (former ASX:GXY) via a scheme of arrangement - refer Orocobre's ASX Announcement dated 25 August 2021: Orocobre Announces FY21 Results and Implementation of Merger with Galaxy Resources

DIRECTORS' REPORT

Burke Graphite Project (Queensland, Australia)

(100%)

Lithium Energy has a 100% interest in the Burke Graphite Project (**Burke Project**) located in the Cloncurry region in North Central Queensland.

The Burke Project comprises two Exploration Permits for Minerals (**EPM**) totalling approximately 26km².

The Burke EPM 25443 tenement is located 125km north of Cloncurry in an established graphite mining province adjacent to the Mt Dromedary Graphite Project held by Novonix Limited (ASX: NVX). The Corella EPM 25696 tenement is located 40km west of Cloncurry. A JORC Inferred Mineral Resource has been defined on the Burke tenement.⁸

For further details, please refer to Lithium Energy's announcements on the Burke Project:

- 9 July 2021: Graphene from Burke Graphite Project Opens Up Significant Lithium-Ion Battery Opportunity;
- 22 June 2021: Investor Presentation.

Refer also to Lithium Energy's Prospectus:

- Section 8 (Projects Overview);
- Section 9 (Independent Technical Assessment Report); and
- Section 12 (Solicitor's Tenement Report (Australia)).

Quarterly Reports

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

- 31 July 2021: Quarterly Activities and Cash Flow Reports for June 2021.

⁸ Refer Strike's ASX Announcement dated 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company was incorporated in Western Australia on 14 January 2021 as a wholly-owned subsidiary of Strike Resources Limited. The Company (holding the Solaroz Lithium Project (90%) and Burke Graphite Project (100%)) was spun-out of Strike following the successful completion of Lithium Energy's IPO and was admitted to the Official List of the ASX on 17 May 2021 and commenced quotation/trading on ASX on 19 May 2021.

The Directors note that the COVID-19 pandemic has had (and will continue to have in the foreseeable future) an effect on the Consolidated Entity's operations, particularly in Argentina (impacting the Solaroz Lithium-Brine Project) with a lesser effect in Queensland (impacting the Burke Graphite Project), including but not limited to the consequences of Government imposed (international and national/local) travel restrictions and lockdowns/shutdowns. There have been no other significant changes in the state of affairs of the Consolidated Entity save as otherwise disclosed in this Directors' Report or the financial statements and notes thereto.

FUTURE DEVELOPMENTS

The Consolidated Entity will continue to:

- advance the exploration, evaluation and development of its Solaroz Lithium-Brine Project in Argentina;
- advance the exploration, evaluation and development of its Burke Graphite Project in Queensland, Australia; and
- potentially investigate and pursue other prospective projects in the battery minerals sector.

The likely outcomes of these activities depend on a range of technical and economic factors and also industry, geographic and other strategy specific issues (including the impacts of the COVID-19 pandemic). In the opinion of the Directors, it is not possible or appropriate to make a prediction on the results of these activities, the future course of markets or the forecast of the likely results of the Consolidated Entity's activities.

ENVIRONMENTAL REGULATION

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

DIRECTORS' REPORT

BOARD OF DIRECTORS

| | |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| William M. Johnson | Executive Chairman |
| <i>Appointed</i> | 14 January 2021 (on incorporation) |
| <i>Qualifications</i> | MA (Oxon), MBA |
| <i>Experience</i> | William Johnson holds a Masters Degree in Engineering Science from Oxford University, England and an MBA from Victoria University, New Zealand. His 35-year business career spans multiple industries and countries, with executive/CEO experience in mineral exploration and investment (Australia, Peru, Chile, Saudi Arabia, Oman, North Africa and Indonesia), telecommunications infrastructure investment (New Zealand, India, Thailand and Malaysia) and information technology and Internet ventures (New Zealand, Philippines and Australia). Mr Johnson is a highly experienced public company director and has considerable depth of experience in corporate governance, business strategy and operations, investment analysis, finance and execution. |
| <i>Special responsibilities</i> | None (other than as Chairman of the Board of Directors) |
| <i>Relevant interest in securities</i> | 110,000 shares. 2,850,000 Executive Options (each with an exercise price of \$0.30 and an expiry date of 18 March 2024) ⁹ |
| <i>Current directorships in listed entities</i> | Managing Director of Strike Resources Limited (ASX:SRK) (since 25 March 2013; Director since 14 July 2006) Executive Director of Bentley Capital Limited (ASX:BEL) (since 1 January 2016; Director since March 2009) |
| <i>Former directorships in other listed entities in past 3 years</i> | Molopo Energy Limited (ASX:MPO) (31 May 2018 to 26 May 2021) Keybridge Capital Limited (ASX:KBC) (29 July 2016 to 17 April 2020) Yowie Group Ltd (ASX:YOW) (10 April 2018 to 8 October 2018) |

| | |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Peter C. Smith | Executive Director |
| <i>Appointed</i> | 18 March 2021 |
| <i>Qualifications</i> | BSc (Geophysics) (Sydney), AIG, ASEG |
| <i>Experience</i> | Peter Smith has 35 years' experience in mineral exploration having worked for Normandy, Pasminco, BHP-Billiton and Cliffs Natural Resources. Mr Smith has held exploration management positions in ASX-listed NGM Resources Limited (ASX:NGM) and NYSE-listed Cliffs Natural Resources (as Regional Exploration Manager for Australia and Oceania) and has been a Director of Volta Mining Limited (ASX:VTM) and Castillo Copper Limited (ASX:CCZ). Mr Smith brings a broad range of skills and experience in mineral exploration. |
| <i>Special responsibilities</i> | None |
| <i>Relevant interest in securities</i> | 450,000 shares (subject to escrow until 19 May 2023) 1,450,000 Executive Options (each with an exercise price of \$0.30 and an expiry date of 18 March 2024) ¹⁰ |
| <i>Other current directorships in listed entities</i> | None |
| <i>Former directorships in other listed entities in past 3 years</i> | Non-Executive Director of Castillo Copper Limited (ASX:CCZ) (April 2018 to January 2020) |

⁹ Refer LEL ASX Announcement released on 19 May 2021: Initial Director's Interest Notice – William Johnson

¹⁰ Refer LEL ASX Announcement released on 19 May 2021: Initial Director's Interest Notice – Peter Smith

DIRECTORS' REPORT

Farooq Khan

Executive Director

| | |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Appointed</i> | 14 January 2021 (on incorporation) |
| <i>Qualifications</i> | BJuris, LLB (Western Australia) |
| <i>Experience</i> | Farooq Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments. |
| <i>Special responsibilities</i> | None |
| <i>Relevant interest in securities</i> | 25,000 shares 2,850,000 Executive Options (each with an exercise price of \$0.30 and an expiry date of 18 March 2024) ¹¹ |
| <i>Other current directorships in listed entities</i> | Executive Chairman of: <ul style="list-style-type: none"> • Strike Resources Limited (ASX:SRK) (since 18 December 2015; Director since 1 October 2015) • Orion Equities Limited (ASX:OEQ) (since 23 October 2006) • Bentley Capital Limited (ASX:BEL) (since 2 December 2003) Executive Chairman and Managing Director of: <ul style="list-style-type: none"> • Queste Communications Ltd (ASX:QUE) (since 10 March 1998) |
| <i>Former directorships in other listed entities in past 3 years</i> | Keybridge Capital Limited (ASX:KBC) (Alternate Director from 26 June to 18 July 2019) |

COMPANY SECRETARY

Victor P.H. Ho

Company Secretary

| | |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Appointed</i> | 14 January 2021 (on incorporation); also a Director between 14 January and 18 March 2021 |
| <i>Qualifications</i> | BCom, LLB (Western Australia), CTA |
| <i>Experience</i> | Victor Ho has been in Executive roles with a number of ASX-listed companies across the investments, resources and technology sectors over the past 22 years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office (ATO) and in a specialist tax law firm. Mr Ho has been actively involved in the investment management of listed investment companies (as an Executive Director and/or a member of the Investment Committee), the structuring and execution of a number of corporate, M&A and international joint venture (in South America (Peru, Chile and Argentina), Indonesia and the Middle East (Saudi Arabia and Oman)) transactions, capital raisings and capital management initiatives and has extensive experience in public company administration, corporations' law and ASX compliance and investor/shareholder relations. |
| <i>Special responsibilities</i> | None |
| <i>Relevant interest in securities</i> | 96,154 shares 2,850,000 Executive Options (each with an exercise price of \$0.30 and an expiry date of 18 March 2024) |
| <i>Other positions held in listed entities</i> | Executive Director and Company Secretary of: <ul style="list-style-type: none"> • Orion Equities Limited (ASX:OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003) • Queste Communications Ltd (ASX:QUE) (Secretary since 30 August 2000 and Director since 3 April 2013) Company Secretary of Bentley Capital Limited (ASX:BEL) (since 5 February 2004) |
| <i>Former position in other listed entities in past 3 years</i> | Company Secretary of Keybridge Capital Limited (ASX:KBC) (13 October 2016 to 13 October 2019) |

¹¹ Refer LEL ASX Announcement released on 19 May 2021: Initial Director's Interest Notice – Farooq Khan

DIRECTORS' REPORT

DIRECTORS' MEETINGS

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

| Name of Director | No. Meetings Attended | Max. Possible Meetings |
|------------------|-----------------------|------------------------|
| William Johnson | 29 | 29 |
| Farooq Khan | 29 | 29 |
| Peter Smith | 20 | 20 |
| Victor Ho | 9 | 9 |

Note:

- (a) The Company was incorporated on 14 January 2021
- (b) Mr Ho was a foundation Executive Director, who resigned on 18 March 2021
- (c) Mr Smith was appointed an Executive Director on 18 March 2021

There were no meetings of committees of the Board of the Company.

Board Committees

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

REMUNERATION REPORT

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

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

(1) Key Management Personnel disclosed in this report

| Name | Position | Tenure |
|-----------------|--------------------|-------------------------------------------------------------------------------------------|
| William Johnson | Executive Chairman | Since 14 January 2021 |
| Peter Smith | Executive Director | Since 18 March 2021 |
| Farooq Khan | Executive Director | Since 14 January 2021 |
| Victor Ho | Company Secretary | Since 14 January 2021; also an Executive Director between 14 January and 18 March 2021 |

(2) Remuneration Policy

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

Non-Executive Directors: The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Payments to the Non-Executive Directors are reviewed annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders and is currently set at \$250,000 per annum in aggregate. Fees for Non-Executive Directors are not linked to the performance of the Company.

Non-Executive Directors are entitled to receive incentive equity-based benefits (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves. The Company has adopted a Securities Incentive Plan (**Plan**), which the Directors are eligible to participate in, however, any securities proposed to be issued to a Director under the Plan or otherwise will require prior shareholder approval under the ASX Listing Rules and Corporations Act.

There are currently no Non-Executive Directors appointed to the Board though the Company will consider appointing such directors in the future should the size and scale of the operations of the Company warrant such appointment(s).

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

REMUNERATION REPORT

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

Fixed Cash Short-Term Employment Benefits: The Board has determined the following fixed cash remuneration for current Key Management Personnel as follows (as at 30 June 2021):

- (a) Mr William Johnson (Executive Chairman) - a base salary fee of \$75,000 per annum plus employer superannuation contributions;
- (b) Mr Peter Smith (Executive Director) - a base salary fee of \$150,000 per annum plus employer superannuation contributions;
- (c) Mr Farooq Khan (Executive Director) - a base salary fee of \$75,000 per annum plus employer superannuation contributions;
- (d) Mr Victor Ho (Company Secretary) - a base salary fee of \$75,000 per annum plus employer superannuation contributions.

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

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

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

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

Equity-Based Benefits: The Company has granted unlisted Executive Options (each with an exercise price of \$0.30, an expiry date of 18 March 2024 and are subject to escrow until 19 May 2023) to the Executive Directors and the Company Secretary as part of their remuneration - refer 'Securities Held By Key Management Personnel' in Section (7) below. There were no shares issued as a result of the exercise of options issued to Key Management Personnel during the financial period. The Company may propose the issue of securities to Key Management Personnel in the future (as an equity-based incentive benefit), which will be put to shareholders for approval at that time (as required under the ASX Listing Rules and/or Corporations Act, as applicable).

Securities Incentive Plan: The Company has adopted a Securities Incentive Plan (Plan) pursuant to which the Board may offer to eligible persons (including Key Management Personnel) the opportunity to subscribe for securities (ie. a share, option, performance right or other convertible security) in the Company on such terms and conditions as the Board may decide and otherwise pursuant to the rules of the Plan. The purpose of the Plan is to (a) assist in the reward, retention, and motivation of personnel; (b) link the reward of personnel to shareholder value creation; and (c) align the interests of personnel with shareholders of the Company by providing an opportunity to personnel to receive an equity interest in the Company. A summary of the Plan is in Section 16.4 (Securities Incentive Plan) of the Lithium Energy Prospectus (dated 30 March 2021). The Company has not granted any securities under the Plan during the financial period.

REMUNERATION REPORT

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

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

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

| | 2021 |
|---------------------------------------------------|-------------|
| Loss Before Income Tax | 1,128,361 |
| Basic Loss per share (cents) | 4.08 |
| Dividends Paid (total) | - |
| Dividends Paid (per share) | - |
| Capital Returns Paid (total) | - |
| Capital Returns Paid (per share) | - |
| VWAP Share Price on ASX for financial period (\$) | 0.42 |
| Closing Bid Share Price on ASX at 30 June (\$) | 0.37 |

Corporate Governance Principles: The Company’s Corporate Governance Statement (**CGS**) also addresses matters pertaining to the Board, Senior Management and Remuneration. The latest version of the Company’s CGS is in Section 8 (Corporate Governance) of Lithium Energy’s Prospectus. This CGS will be updated when finalising the Company’s upcoming 2021 Annual Report and may be downloaded from the Company’s website: www.lithiumenergy.com.au.

Company Constitution: The Company’s Constitution¹² also contains provisions in relation to the remuneration of the Managing Director, Executive Director and Non-Executive Directors. A summary of these provisions are in Section 13.4 (Remuneration of Directors) of the Lithium Energy Prospectus.

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

REMUNERATION REPORT

(3) Details of Remuneration of Key Management Personnel

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

| 2021 | Performance - related % | Short-term Benefits | | Post- Employment Benefits | Other Long-term Benefits | Equity- Based Benefits | Total |
|---------------------------|-------------------------------|----------------------------------|---------------------------|---------------------------------|--------------------------------|------------------------------|---------|
| | | Cash salary and fees \$ | Non-cash benefit \$ | Superannuation \$ | Long service leave \$ | Shares & options \$ | |
| Directors: | | | | | | | |
| William Johnson | - | 34,822 | - | 3,308 | - | 217,028 | 255,158 |
| Peter Smith | - | 42,935 | - | 4,079 | - | 110,418 | 157,432 |
| Farooq Khan | - | 34,822 | - | 3,308 | - | 217,028 | 255,158 |
| Company Secretary: | | | | | | | |
| Victor Ho | - | 34,822 | - | 3,308 | - | 217,028 | 255,158 |

Notes:

- (a) Messrs Johnson, Khan and Ho were appointed on incorporation of the Company on 14 January 2021
- (b) Peter Smith was appointed on 18 March 2021
- (c) Equity-based benefits comprise the issue of Executive Options

(4) Equity-Based Benefits

The Company has granted Executive Options to Key Management Personnel as part of their remuneration, as follows:

| KMP | No of Options | Grant Date | Exercise Price | Expiry Date | Fair Value each | % Vested |
|-----------------|---------------|---------------|----------------|---------------|-----------------|----------|
| William Johnson | 2,850,000 | 19 March 2021 | \$0.30 | 18 March 2024 | \$0.076 | 100% |
| Peter Smith | 1,450,000 | 19 March 2021 | \$0.30 | 18 March 2024 | \$0.076 | 100% |
| Farooq Khan | 2,850,000 | 19 March 2021 | \$0.30 | 18 March 2024 | \$0.076 | 100% |
| Victor Ho | 2,850,000 | 19 March 2021 | \$0.30 | 18 March 2024 | \$0.076 | 100% |

The assessed accounting fair value of these Executive Options is calculated using an options valuation model which assumes (as at the date of grant) an underlying Company share price of \$0.20 (being the Company's IPO issue price), a risk-free rate of 0.11% per annum (based on the 3 year Australian bond yield rate) and a volatility rate of 75% for the underlying shares in the Company.

These Executive Options are subject to escrow (as imposed under the ASX Listing Rules) for 24 months from the date of the Company's quotation on ASX (until 19 May 2023).

The terms and conditions of these Executive Options are in Section 16.3 (Rights Attached to Executive Options) of the Lithium Energy Prospectus.

REMUNERATION REPORT

(5) Terms of Appointment

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

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

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

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

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

(6) Other Benefits Provided to Key Management Personnel

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

The Company notes that:

- Messrs William Johnson, Farooq Khan and Victor Ho are Directors of Strike Resources Limited (**Strike**) (the former parent of the Company) and receive remuneration as officers of Strike; and
- Peter Smith provides consulting services to Strike in relation to Strike's resource projects, from time to time.

(7) Engagement of Remuneration Consultants

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

REMUNERATION REPORT

(8) Securities held by Key Management Personnel

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

Shares

| Key Management Personnel | Balance at Appointment | Received as part of remuneration | Net Other Change | Balance at 30 June 2021 |
|--------------------------|------------------------|----------------------------------|------------------|-------------------------|
| William Johnson | - | - | 110,000 | 110,000 |
| Peter Smith | - | - | 450,000 | 450,000 |
| Farooq Khan | - | - | 25,000 | 25,000 |
| Victor Ho | - | - | 96,154 | 96,154 |

Executive Options (\$0.30, 18 March 2024)

| Key Management Personnel | Balance at Appointment | Received as part of remuneration | Net Other Change | Balance at 30 June 2021 |
|--------------------------|------------------------|----------------------------------|------------------|-------------------------|
| William Johnson | - | 2,850,000 | - | 2,850,000 |
| Peter Smith | - | 1,450,000 | - | 1,450,000 |
| Farooq Khan | - | 2,850,000 | - | 2,850,000 |
| Victor Ho | - | 2,850,000 | - | 2,850,000 |

Notes:

- (d) The Executive Options were granted on 19 March 2021, each with an exercise price of \$0.30, an expiry date of 18 March 2024 and are subject to escrow until 19 May 2023
- (e) The terms and conditions of the Executive Options are in Section 16.3 (Rights Attached to Executive Options) of the Lithium Energy Prospectus.
- (f) The disclosures of security holdings above are in accordance with the accounting standards which require disclosure of securities held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures)

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

The Company was incorporated on 14 January 2021 and has not held an annual general meeting.

This concludes the audited Remuneration Report.

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' INSURANCE

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

DIRECTORS' AND OFFICERS' DEEDS

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

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

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

LEGAL PROCEEDINGS ON BEHALF OF COMPANY

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

AUDITORS

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

| Auditor | Audit Fees \$ | Other Assurance Services \$ | Total \$ |
|------------------|------------------|--------------------------------|-------------|
| Rothsay Auditing | 15,000 | 9,900 | 24,900 |

As the Company was incorporated on 14 January 2021, there has been no audit or review undertaken of the Consolidated Entity to date.

Other Assurance Services relate to the preparation of the Investigating Accountant's Report included in Section 7 of the Lithium Energy Prospectus.

DIRECTORS' REPORT

No non-assurance services were provided by the auditor during the period.

Rothsay Auditing continues in office in accordance with Section 327 of the *Corporations Act 2001 (Cth)*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 19. This relates to the Auditor's Report, where the Auditors state that they have issued an independence declaration.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report or the financial statements or notes thereto (in particular Note 21, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial periods.

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



William Johnson
Executive Chairman

21 September 2021



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsay.com.au

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

As lead auditor of the audit of Lithium Energy Limited for the period from incorporation on 14 January 2021 to 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Rothsay Auditing

A handwritten signature in black ink that reads 'Dalla'.

Daniel Dalla
Partner
21 September 2021



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended 30 June 2021

| | Note | 2021 |
|------------------------------------------------------------------------------------------------|------|--------------------|
| REVENUE | 2 | \$ |
| Interest revenue | | 32 |
| Other | | |
| Other income | | 979 |
| Foreign exchange gain | | 37,298 |
| TOTAL REVENUE AND INCOME | | 38,309 |
| EXPENSES | 3 | |
| Personnel expenses | | (174,127) |
| Share-based payments | | (761,502) |
| Corporate expenses | | (192,609) |
| Occupancy expenses | | (2,511) |
| Finance expenses | | (225) |
| Administration expenses | | (35,696) |
| LOSS BEFORE INCOME TAX | | (1,128,361) |
| Income tax expense | 5 | - |
| LOSS FOR THE PERIOD | | (1,128,361) |
| OTHER COMPREHENSIVE INCOME | | |
| Other Comprehensive Income, Net of Tax | | |
| Exchange differences on translation of foreign operations | | 60,572 |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | (1,067,789) |
| LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY: | | |
| Basic and diluted loss per share (cents) | 6 | (4.08) |

The Company was incorporated on 14 January 2021 and does not have a comparative for the year ended 30 June 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

| | Note | 2021 \$ |
|----------------------------------------|------|-------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 7 | 7,994,344 |
| Receivables | | 133,997 |
| Other current assets | | 22,917 |
| TOTAL CURRENT ASSETS | | 8,151,258 |
| NON-CURRENT ASSETS | | |
| Exploration and evaluation expenditure | 9 | 7,011,511 |
| Property, plant and equipment | | 29,626 |
| TOTAL NON-CURRENT ASSETS | | 7,041,137 |
| TOTAL ASSETS | | 15,192,395 |
| CURRENT LIABILITIES | | |
| Payables | 10 | 176,918 |
| Provisions | | 10,706 |
| TOTAL CURRENT LIABILITIES | | 187,624 |
| TOTAL LIABILITIES | | 187,624 |
| NET ASSETS | | 15,004,771 |
| EQUITY | | |
| Issued capital | 11 | 15,006,458 |
| Reserves | 13 | 1,126,674 |
| Accumulated losses | | (1,128,361) |
| TOTAL EQUITY | | 15,004,771 |

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2021

| | Issued capital | Foreign Currency Translation reserve | Share-based payments reserve | Accumulated losses | Total |
|------------------------------------------------|----------------------|-----------------------------------------------|------------------------------------|-----------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| BALANCE AT 14 JANUARY 2021 | - | - | - | - | - |
| Loss for the period | - | - | - | (1,128,361) | (1,128,361) |
| Other comprehensive income | - | 60,572 | - | - | 60,572 |
| | | | | | |
| Total comprehensive loss for the period | - | 60,572 | - | (1,128,361) | (1,067,789) |
| Transactions with owners | | | | | |
| in their capacity as owners: | | | | | |
| Issue of shares | 11 16,002,500 | - | - | - | 16,002,500 |
| Cost of issued shares | 11 (996,042) | - | - | - | (996,042) |
| Issue of options | 13 - | - | 1,066,102 | - | 1,066,102 |
| | | | | | |
| BALANCE AT 30 JUNE 2021 | 15,006,458 | 60,572 | 1,066,102 | (1,128,361) | 15,004,771 |

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 June 2021

| | Note | 2021 \$ |
|-------------------------------------------------------|-------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | | (374,381) |
| Payments for exploration and evaluation | | (11,512) |
| Other income received | | 979 |
| NET CASH USED IN OPERATING ACTIVITIES | 7(a) | <u>(384,914)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of subsidiaries | 9 | (1,230,000) |
| Payment for purchases of plant and equipment | | (29,703) |
| Interest received | | 32 |
| NET CASH USED IN INVESTING ACTIVITIES | | <u>(1,259,671)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issue of shares | 11 | 10,232,500 |
| Cost of issuing shares | 11 | (691,442) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | <u>9,541,058</u> |
| NET INCREASE IN CASH HELD | | 7,896,473 |
| Cash and cash equivalents at beginning of the period | | - |
| Effect of exchange rate changes on cash held | | 97,871 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 7 | <u><u>7,994,344</u></u> |

The accompanying notes form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

1. ABOUT THIS FINANCIAL REPORT

1.1 Background

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

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

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

The controlled entities of the Company are:

- (a) LE Australian Operations Pty Ltd ABN 73 119 438 265 (incorporated in Australia) (**LEAOPL**), being a wholly-owned subsidiary of the Company, with effect on 31 January 2021;
- (b) LE Operations Pty Ltd ABN 12 102 978 370 (incorporated in Australia) (**LEOPL**), being a wholly-owned subsidiary of the Company, with effect on 31 January 2021;
- (c) Burke Minerals Pty Ltd ABN 52 166 886 826 (**BMPL**), being a wholly-owned subsidiary of the Company, with effect on 10 May 2021; and
- (d) Hananta S.A. (incorporated in Argentina) (**Hananta**), in which LEOPL has a 90% shareholding, with effect on 31 December 2020.

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

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

Information is considered material and relevant if, for example:

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

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

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

Notes

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

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

Notes

| | |
|---|---------------------------|
| 7 | Cash and cash equivalents |
| 8 | Financial risk management |

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

Notes

| | |
|----|----------------------------------------|
| 9 | Exploration and evaluation expenditure |
| 10 | Payables |

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

Notes

| | |
|----|-------------------------|
| 11 | Issued capital |
| 12 | Capital risk management |
| 13 | Reserve |
| 14 | Share-based payments |

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

Notes

| | |
|----|-----------------------------------|
| 15 | Parent entity information |
| 16 | Investment in controlled entities |
| 17 | Related party transactions |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

Notes

| | |
|----|---------------------------------------------|
| 18 | Auditors' remuneration |
| 19 | Commitments |
| 20 | Contingencies |
| 21 | Events occurring after the reporting period |

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

1.2 Basis of Preparation

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

Compliance with International Financial Reporting Standards (IFRS)

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

Reporting Basis and Financial Statement Presentation

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

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

1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2021 and the results of its subsidiaries for the period then ended. The Company and its subsidiaries are referred to in this financial report as Lithium Energy or the Consolidated Entity.

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

1.4 Comparative Figures

The Company was incorporated on 14 January 2021 and does not have any comparative information for the period ended 30 June 2020. The financial statements are in respect of the financial period from 14 January to 30 June 2021.

1.5 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.6 Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Coronavirus (COVID-19) pandemic

The Consolidated Entity has considered and exercised its judgement on the impact that the COVID-19 pandemic has had, or might have based on publicly available information. This consideration extends to the nature of the products, personnel, customers, supply chain, and geographic regions in which the entity operates. Other than as identified in specific notes (if any), there does not seem to be either any significant uncertainties with respect to events or conditions or any significant impact upon the financial statements which may impact the Consolidated Entity unfavourably to the date of this financial report as a result of the COVID-19 pandemic.

1.8 New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not mandatory have not been early adopted. These are not expected to have a material impact on the Consolidated Entity's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

2. REVENUE

| | 2021 |
|-----------------------------------------------------------------------------------------------------|----------------------|
| The Consolidated Entity's operating loss before income tax includes the following items of revenue: | \$ |
| Revenue | |
| Interest revenue | 32 |
| | <u>32</u> |
| Other | |
| Other income | 979 |
| Foreign exchange gain | 37,298 |
| | <u><u>38,309</u></u> |

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(ii) Other revenues

Other revenues are recognised on an accruals basis.

(iii) Foreign exchange

Foreign currency transactions are translated into functional currency 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 the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains or losses that relate to borrowings are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a net basis within other income or operating expenses.

3. EXPENSES

| | 2021 |
|------------------------------------------------------------------------------------------------------|---------|
| The Consolidated Entity's operating loss before income tax includes the following items of expenses: | \$ |
| Personnel expenses | |
| Salaries, fees and employee benefits | 174,127 |
| Share based payments - Executive Options | 761,502 |
| Corporate expenses | |
| Professional fees | 140,054 |
| Auditor | 24,900 |
| ASX and CHES fees | 8,021 |
| Share registry | 8,783 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

| 3. EXPENSES (continued) | 2021 |
|-------------------------------------------------|------------------|
| | \$ |
| Corporate expenses (continued) | |
| ASIC fees | 5,339 |
| Accounting, taxation and related administration | 4,100 |
| Other corporate expenses | 1,412 |
| Occupancy expenses | 2,511 |
| Finance expenses | 225 |
| Administration expenses | |
| Marketing | 19,336 |
| Insurance | 7,920 |
| Depreciation | 77 |
| Other administration expenses | 8,363 |
| | 1,166,670 |

4. SEGMENT INFORMATION

| | Argentina | Australia | Total |
|------------------------------------|----------------|--------------------|--------------------|
| 2021 | \$ | \$ | \$ |
| Revenue | - | 32 | 32 |
| Other | 37,929 | 348 | 38,277 |
| Total segment revenues | 37,929 | 380 | 38,309 |
| Personnel expenses | - | 935,629 | 935,629 |
| Corporate expenses | 1,097 | 191,512 | 192,609 |
| Occupancy expenses | - | 2,511 | 2,511 |
| Finance expenses | 122 | 103 | 225 |
| Depreciation expense | - | 77 | 77 |
| Other expenses | 1,780 | 33,839 | 35,619 |
| Total segment profit/(loss) | 34,930 | (1,163,291) | (1,128,361) |
| Adjusted EBITDA | 34,930 | (1,163,368) | (1,128,438) |
| Total segment assets | 696,120 | 14,496,275 | 15,192,395 |
| Total segment liabilities | 33,513 | 154,111 | 187,624 |

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

5. TAX

| | 2021 |
|----------------------------------------------------------------------------------------------------------------|-----------------------|
| (a) The components of tax expense comprise: | \$ |
| Current tax | - |
| Deferred tax | - |
| | <u>-</u> |
| (b) The prima facie tax on operating loss before income tax is reconciled to the income tax as follows: | |
| Prima facie tax payable on operating loss before income tax at 26% | (293,374) |
| Adjust tax effect of: | |
| Non-deductible expenses | 234,364 |
| Movement in unrecognised temporary differences | (76,332) |
| Current year tax losses not recognised | 135,342 |
| | <u>-</u> |
| Income tax attributable to entity | <u>-</u> |
| (c) Unrecognised deferred tax balances | |
| Unrecognised deferred tax asset - revenue losses | 109,188 |
| | <u>109,188</u> |

Critical accounting judgement and estimate

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

Accounting policy

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

5. TAX (continued)

Accounting policy (continued)

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. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

| | |
|----------------------------------|--------------|
| 6. LOSS PER SHARE | 2021 |
| | cents |
| Basic and diluted loss per share | (4.08) |

The following represents the loss and weighted average number of shares used in the loss per share calculations:

| | |
|--------------------------------------------|---------------|
| Net loss after income tax | (1,067,789) |
| | Shares |
| Weighted average number of ordinary shares | 26,200,476 |

Accounting policy

Basic earnings/(loss) per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings/(loss) per share that will probably arise from the exercise of options outstanding during the financial period.

| | |
|-------------------------------------|-------------------------|
| 7. CASH AND CASH EQUIVALENTS | 2021 |
| | \$ |
| Cash at bank | 294,344 |
| Term deposits | 7,700,000 |
| | <u>7,994,344</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

7. CASH AND CASH EQUIVALENTS (continued)

| | 2021 |
|------------------------------------------------------------------------------------------------|------------------|
| (a) Reconciliation of operating loss after income tax to net cash used in operating activities | \$ |
| Loss after income tax | (1,128,361) |
| Add non-cash items: | |
| Directors' options | 761,502 |
| Depreciation | 77 |
| Adjustment for movement in foreign exchange | (37,299) |
| Changes in assets and liabilities: | |
| Receivables | (134,028) |
| Other current assets | (22,917) |
| Exploration and evaluation expenditure | (11,512) |
| Payables | 176,918 |
| Provisions | 10,706 |
| | <u>(384,914)</u> |

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

8. FINANCIAL RISK MANAGEMENT

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

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

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

| | Note | 2021 \$ |
|-----------------------------|------|-------------------------|
| Cash and cash equivalents | 7 | 7,994,344 |
| Receivables | | <u>133,997</u> |
| | | 8,128,341 |
| Payables | 10 | <u>(176,918)</u> |
| Net financial assets | | <u>7,951,423</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

8. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

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

(i) Foreign exchange risk

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

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

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

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

| | 2021 |
|-------------------------------------------|------------------|
| | ARS |
| Cash and cash equivalents | 4,036,484 |
| Payables | (2,175,294) |
| Net financial assets/(liabilities) | 1,861,190 |

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

| | Impact on post-tax profit 2021 | Impact on equity 2021 |
|--------------|-----------------------------------------------|--------------------------------------|
| | \$ | \$ |
| Increase 10% | 186,119 | 186,119 |
| Decrease 10% | (186,119) | 186,119 |

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The weighted average interest rate of the cash at bank for the period for the table below is 0.01%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

8. FINANCIAL RISK MANAGEMENT (continued)

| | |
|-------------------------------------|------------------|
| (a) Market risk | 2021 |
| (ii) Interest rate risk (continued) | \$ |
| Cash at bank | 294,344 |
| Term deposit | 7,700,000 |
| | <u>7,994,344</u> |

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

| | Impact on post-tax profit 2021 \$ | Impact on equity 2021 \$ |
|-------------------|--------------------------------------------|-----------------------------------|
| Increase by 25bps | 19,986 | 19,986 |
| Decrease by 25bps | (19,986) | (19,986) |

(b) Liquidity risk

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

(c) Credit risk

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

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

| | |
|-----------------------------------------|------------------|
| | 2021 |
| Cash and cash equivalents | \$ |
| AA- | 7,938,114 |
| No external credit rating available | 56,230 |
| | <u>7,994,344</u> |
| Receivables (due within 30 days) | |
| No external credit rating available | <u>133,997</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

| 9. EXPLORATION AND EVALUATION EXPENDITURE | 2021 \$ |
|--------------------------------------------------|------------------|
| Opening balance | - |
| Exploration assets acquired (refer to (a) below) | 6,996,290 |
| Exploration and evaluation costs | 15,221 |
| Closing balance | 7,011,511 |

Critical accounting estimates and judgements

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

(a) Acquisitions during the financial period

During the financial period, the Company acquired the following companies:

With effect on 31 January 2021, the Company acquired all of the shares in LE Australian Operations Pty Ltd (**LEAOPL**) from Strike Resources Limited (**Strike**) in consideration of \$600,000 cash, with Strike utilising the cash consideration to contemporaneously subscribe for 3,000,000 shares in the Company at an issue price of \$0.20 per share. LEAOPL holds a approximately 76.5% interest in the Burke Graphite Project in Queensland.

With effect on 31 January 2021, the Company acquired all of the shares in LE Operations Pty Ltd (**LEOPL**) from Strike in consideration of:

- (i) the issue of 28,250,000 shares at an issue price of \$0.20 per share (totalling \$5,650,000); and
- (ii) \$630,000 cash, with Strike utilising the cash consideration to contemporaneously subscribe for 3,150,000 shares in the Company at an issue price of \$0.20 per share.

With effect on 31 December 2020, LEOPL capitalised a \$196,893 (US\$140,000) loan into a 90% shareholding in Hananta S.A. (Argentina) (**Hananta**), which became a controlled entity of LEOPL and a part of the Consolidated Entity.

Hananta has a 90% interest in the Solaroz Lithium Project in Argentina.

On 10 May 2021, LEAOPL acquired all of the shares in Burke Minerals Pty Ltd (**BMPL**) in consideration of the issue of 600,000 shares in the Company at an issue price of \$0.20 per share. BMPL holds a approximately 23.5% interest in the Burke Graphite Project in Queensland.

Accounting policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

| 10. PAYABLES | 2021 |
|------------------------------|----------------|
| | \$ |
| Trade payables | 88,407 |
| Other creditors and accruals | 88,511 |
| | <u>176,918</u> |

Accounting policy

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

| 11. ISSUED CAPITAL | 2021 |
|---------------------------------------|-------------------|
| | \$ |
| 80,010,000 fully paid ordinary shares | <u>15,006,458</u> |

| Movement in fully paid ordinary shares | Date of issue | Number of shares | \$ |
|-----------------------------------------------|---------------|---------------------|-------------------|
| At 1 January 2021 | | - | - |
| Issue of shares at 25 cents | 14 Jan 21 | 10,000 | 2,500 |
| Issue of shares at 20 cents - refer (a) below | 5 May 21 | 3,000,000 | 600,000 |
| Issue of shares at 20 cents - refer (b) below | 5 May 21 | 31,400,000 | 6,280,000 |
| Issue of shares at 20 cents - refer (c) below | 7 May 21 | 45,000,000 | 9,000,000 |
| Issue of shares at 20 cents - refer (d) below | 10 May 21 | 600,000 | 120,000 |
| Cost of share issue | | | (996,042) |
| At 30 June 2021 | | <u>80,010,000</u> | <u>15,006,458</u> |

- (a) With effect on 31 January 2021, the Company acquired all of the shares in LE Australian Operations Pty Ltd (**LEAOPL**) from Strike Resources Limited (**Strike**) in consideration of \$600,000 cash, with Strike utilising the cash consideration to contemporaneously subscribe for 3,000,000 shares in the Company at an issue price of \$0.20.
- (b) With effect on 31 January 2021, the Company acquired all of the shares in LE Operations Pty Ltd (**LEOPL**) from Strike in consideration of:
- (i) the issue of 28,250,000 shares at an issue price of \$0.20 per share (totalling \$5,650,000); and
 - (ii) \$630,000 cash, with Strike utilising the cash consideration to contemporaneously subscribe for 3,150,000 shares in the Company at an issue price of \$0.20 per share.
- (c) On 7 May 2021, the Company successfully completed its initial public offering under a Prospectus (dated 30 March 2021) and issued 45 million shares at an issue price of \$0.20 per share.
- (d) On 10 May 2021, LEAOPL acquired all of the shares in Burke Minerals Pty Ltd (**BMPL**) in consideration of the issue of 600,000 shares in the Company at an issue price of \$0.20 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

11. ISSUED CAPITAL (continued)

Accounting policy

Ordinary shares are classified as equity. Fully paid ordinary shares carry one vote per share and the right to dividends.

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

12. CAPITAL RISK MANAGEMENT

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

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

The Consolidated Entity has no external borrowings.

13. RESERVES

2021

\$

| | |
|------------------------------------------------------|------------------|
| Share-based payments reserve (refer also to Note 14) | 1,066,102 |
| Foreign currency translation reserve | 60,572 |
| | <u>1,126,674</u> |

(a) Share-based payments reserve

The Share-based payments reserve records the consideration (net of expenses) received by the Company on the issue of options. In relation to the Executive Options issued for nil consideration, the fair value of these options (refer Note 14) are included in the Share-based payments reserve.

(b) Foreign currency translation reserve

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

Accounting policy

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

13. RESERVES (continued)

Accounting policy (continued)

(ii) income and expenses for Consolidated Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(iii) all resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in Other Comprehensive Income.

14. SHARE BASED PAYMENTS

The Company had share based payments, as follows:

| Grant date | Expiry date | Fair value at grant date (\$) | Exercise price (\$) | Opening balance | During the period | | | Closing balance | Vested and exercisable at period end |
|--------------------------------------|-------------|-------------------------------|---------------------|-----------------|-------------------|-----------|-----------|-----------------|--------------------------------------|
| | | | | | Granted/Issued | Exercised | Cancelled | | |
| Financial period 2021 | | | | | | | | | |
| 19-Mar-21 | 18-Mar-24 | 0.076 | 0.30 | - | 2,850,000 | - | - | 2,850,000 | 2,850,000 |
| 19-Mar-21 | 18-Mar-24 | 0.076 | 0.30 | - | 2,850,000 | - | - | 2,850,000 | 2,850,000 |
| 19-Mar-21 | 18-Mar-24 | 0.076 | 0.30 | - | 2,850,000 | - | - | 2,850,000 | 2,850,000 |
| 19-Mar-21 | 18-Mar-24 | 0.076 | 0.30 | - | 1,450,000 | - | - | 1,450,000 | 1,450,000 |
| 05-May-21 | 04-May-24 | 0.076 | 0.30 | - | 4,000,000 | - | - | 4,000,000 | 4,000,000 |
| | | | | - | 14,000,000 | - | - | 14,000,000 | 14,000,000 |
| Weighted average exercise price (\$) | | | | - | 0.076 | - | - | 0.076 | 0.076 |

The following options were issued during the financial period:

- 10,000,000 Executives Options were granted on 19 March 2021, each with an exercise price of \$0.30 and an exercise term expiring on 18 March 2024. These options are also subject to escrow until 19 May 2023.
- 4,000,000 Broker's Options were granted on 5 May 2021, each an exercise price of \$0.30 and an exercise term expiring on 4 May 2024. These options are also subject to escrow until 19 May 2023.

The fair value of options issued were calculated using an options valuation model which assumes (as at the date of grant) an underlying Company share price of \$0.20 (being the Company's IPO issue price), a risk-free rate of 0.11% per annum (based on the 3 year Australian bond yield rate) and a volatility rate of 75% for the underlying shares in the Company.

Accounting policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

14. SHARE BASED PAYMENTS (continued)

Accounting policy (continued)

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

15. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Lithium Energy Limited, as at 30 June 2021.

| | 2021 |
|-------------------------------------------------------------------|---------------------------|
| Statement of profit or loss and other comprehensive income | \$ |
| Loss for the period | (1,162,010) |
| Other comprehensive loss | - |
| Total comprehensive period for the period | <u>(1,162,010)</u> |
| | |
| Statement of financial position | |
| Current assets | |
| Cash and cash equivalents | 7,936,499 |
| Other | 32,562 |
| Non current assets | 7,095,601 |
| Total assets | <u>15,064,662</u> |
| Current liabilities | 154,112 |
| Total liabilities | <u>154,112</u> |
| Net assets | <u>14,910,550</u> |
| Issued capital | 15,006,458 |
| Reserves | 1,066,102 |
| Accumulated losses | (1,162,010) |
| Equity | <u>14,910,550</u> |

Refer to Note 20 for the parent entity's contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

16. INVESTMENT IN CONTROLLED ENTITIES

| Investment in controlled entities | Incorporated | Ownership interest |
|-----------------------------------|--------------|--------------------|
| | | 2021 |
| LE Australian Operations Pty Ltd | Australia | 100% |
| LE Operations Pty Ltd | Australia | 100% |
| Burke Minerals Pty Ltd | Australia | 100% |
| Hananta S.A. | Argentina | 90% |

Accounting policy

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

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

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

17. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel (KMP)

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

| | 2021 |
|------------------------------------------|----------------|
| Directors | \$ |
| Short-term employee benefits | 112,579 |
| Post-employment benefits | 10,695 |
| Equity-based benefits (refer to Note 14) | 544,474 |
| Other KMP | |
| Short-term employee benefits | 34,822 |
| Post-employment benefits | 3,308 |
| Equity-based benefits (refer to Note 14) | 217,028 |
| | <u>922,906</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

17. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with other related parties

- (i) The Consolidated Entity (the Company and controlled entity, LE Australian Operations Pty Ltd (LEAOPL)) entered into a conditional Share Sale and Purchase Agreement (dated 11 March 2021) to acquire all of the shares in Burke Minerals Pty Ltd (BMPL) in consideration of a total of \$120,000, to be satisfied by the issue of 600,000 shares to the vendors at an issue price of \$0.20 per share (Burke SPA). The Burke SPA was subject to, amongst other matters, the completion of the Company's IPO and the admission of the Company to the Official List of ASX and the quotation of the Company's securities on ASX. The Company's Director, Mr Peter Smith, was a Director, Company Secretary and shareholder (as to 75%) of BMPL and accordingly, a vendor (a seller of BMPL shares) and a party to the Burke SPA. The Burke SPA was entered into by the Company and LEAOPL prior to Mr Smith's appointment (on 18 March 2021) as a Director of the Company. On completion of the Burke SPA (on 10 May 2021), Mr Smith was issued a total 450,000 shares (valued at \$90,000 at the issue price of \$0.20) in the Company. Mr Smith was not involved in relation to the Company's completion of the Burke SPA.
- (ii) The Company entered into an IPO Funding Deed (dated 18 February 2021) with Strike Resources Limited (Strike) (in which Messrs Farooq Khan, William Johnson and Victor Ho are Directors) pursuant to which Strike agreed to advance monies, provide financial support (including but not limited to the provision of guarantees on behalf of the Company) and indemnify the Company for all costs and expenses incurred by the Company in undertaking and completing the IPO, through (inter alia) the provision of unsecured non-recourse loans to the Company as requested by the Company from Strike from time to time. The Company was a wholly-owned subsidiary of Strike as at the date of the IPO Funding Deed. As at balance date, the Company has repaid Strike all monies advanced and there are no financial support or indemnity matters outstanding.
- (iii) During the financial period, the Company entered into agreements with Strike to acquire LEOPL and LEAOPL as outlined in Notes 9(a) and 11. The Company was a wholly-owned subsidiary of Strike as at the date of these agreements and the completion of the same.

18. AUDITORS' REMUNERATION

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

| | 2021 |
|-------------------------------|----------------------|
| Rothsay Auditing | \$ |
| Audit of financial statements | 15,000 |
| Other assurance services | 9,900 |
| | <u>24,900</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

19. Commitments

(a) Mining Tenements/Concessions – Annual Fees and Expenditure Commitments

(i) Australian Tenements

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

(ii) Argentinian Tenements

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

20. Contingencies

(a) Directors' Deeds

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

(b) Australian Native Title

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

(c) Government Royalties

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

(d) Deferred Payments Relating to Acquisition of Solaraz Lithium (Argentina)

In March 2019, Strike Resources Limited (**Strike**) and the LE Operations Pty Ltd (**LEOPL**) entered into an agreement to acquire a 90% shareholding in Hananta S.A. (incorporated in Argentina) (**Hananta**) (**Hananta Agreement**). Hananta, in turn, has entered into an Option and Purchase Agreement (**Option Agreement**) with the registered legal and beneficial owner (**Owner**) of applications for exploitation concessions (totalling ~12,000 ha) currently being processed before the Administrative Mining Court of the Province of Jujuy (**Mining Properties**) which comprise the Solaroz Lithium Brine Project (**Solaroz**) located in northern Argentina.

With effect on 31 December 2020, LEOPL capitalised a \$196,893 (US\$140,000) loan into a 90% shareholding in Hananta.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2021

20. Contingencies (continued)

(d) Deferred Payments Relating to Acquisition of Solaraz Lithium (Argentina) (continued)

On 22 March 2021, Strike assigned its rights, obligations and interests under the Hananta Agreement (with the consent of all other counterparties to the same) to Lithium Energy Limited.

Under the Option Agreement, Hananta is required to make a series of payments in cash and (at the election of Hananta, shares) over 4 years totalling US\$6,590,000 to the Owner according to the schedule below:

| Hananta's Payments to the Owner | Cash US\$ | Cash or Shares US\$ | Total US\$ |
|---------------------------------------------------------------------------------|------------------|------------------------|------------------|
| On execution of the Agreement (paid in April 2019) | 140,000 | - | 140,000 |
| 6 months after the approval of the Environmental Impact Assessment (EIA) Report | 120,000 | - | 120,000 |
| 12 months after EIA approval | 330,000 | - | 330,000 |
| 18 months after EIA approval | 880,000 | 750,000 | 1,630,000 |
| 30 months after EIA approval | 1,180,000 | 1,000,000 | 2,180,000 |
| 42 months after EIA approval | 1,190,000 | 1,000,000 | 2,190,000 |
| Total | 3,840,000 | 2,750,000 | 6,590,000 |

At the completion of the payments to the Owner, registered title to the Mining Properties will be transferred to Hananta. The Consolidated Entity can elect to terminate the Option Agreement with the Owner at any time, with no penalty. LEOPL will fund 100% of the development costs for Solaroz (including the abovementioned payments to the Owner) to the completion of a bankable feasibility study, with such funding to be provided as loans to Hananta, to be repaid to LEOPL as a priority prior to any distributions to shareholders of Hananta. Thereafter, Hanaq Argentina S.A. (**Hanaq**) (as the other 10% shareholder in Hananta) will contribute pro-rata or dilute. Hanaq can at any time elect to convert its holding in Hananta to a 1% Net Smelter Royalty.

In light of the above circumstances, the Consolidated Entity regards these future payment obligations as contingencies.

21. Events Occurring After the Reporting Period

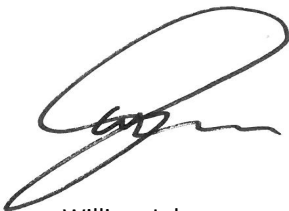
No matter or circumstance has arisen since the end of the financial period that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (1) The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 20 to 41 are in accordance with the *Corporations Act 2001 (Cth)* and:
 - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of their performance for the period ended on that date;
- (2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (3) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* by the Managing Director (the person who, in the opinion of the Directors, performs the Chief Executive Officer function) and Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and
- (4) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

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



William Johnson
Executive Chairman

21 September 2021



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LITHIUM ENERGY LIMITED**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lithium Energy Limited (“the Company”) and its controlled entities (“the Group”) which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from incorporation on 14 January 2021 to 30 June 2021 and notes to the financial statements, including a summary of significant accounting policies and the directors’ declaration of the Company.

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

- (i) giving a true and fair view of the Group’s financial position as at 30 June 2021 and of its financial performance for the period ended on that date; and
- (ii) 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 these standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (Including Independence Standards)* (the “Code”) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

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





**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LITHIUM ENERGY LIMITED (continued)**

| <i>Key Audit Matter - Cash and Cash Equivalents</i> | <i>How our Audit Addressed the Key Audit Matter</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Group's cash and cash equivalents make up 98% of total current assets by value and are considered to be the key driver of the Group's operations and exploration activities.</p> <p>We do not consider cash and cash equivalents to be at a high risk of significant misstatement, however due to the materiality in the context of the financial statements as a whole, this is considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.</p> | <p>Our procedures over the existence of the Group's cash and cash equivalents included but were not limited to:</p> <ul style="list-style-type: none"> • Documenting and assessing the processes and controls in place to record cash transactions; • Testing a sample of cash payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and • Agreeing significant cash holdings to independent third-party confirmations. <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p> |
| <i>Key Audit Matter - Exploration and Evaluation Expenditure</i> | <i>How our Audit Addressed the Key Audit Matter</i> |
| <p>The Group incurred significant exploration and evaluation expenditure during the period.</p> <p>We do not consider exploration and evaluation expenditure to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, this is considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.</p> | <p>Our procedures in assessing exploration and evaluation expenditure included but were not limited to the following:</p> <ul style="list-style-type: none"> • We assessed the reasonableness of capitalising exploration and evaluation expenditure in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. • We tested a sample of exploration and evaluation expenditure to supporting documentation to ensure they were bona fide payments; and • We documented and assessed the processes and controls in place to record exploration and evaluation transactions. <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p> |



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LITHIUM ENERGY LIMITED (continued)**

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the period ended 30 June 2021, 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 there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the 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 cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx.

We communicate with the directors regarding, amongst 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LITHIUM ENERGY LIMITED (continued)

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 those 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 communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the period ended 30 June 2021.

In our opinion the remuneration report of Lithium Energy Limited for the period ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Rothsay Auditing

Dated 21 September 2021

Daniel Dalla
Partner

SECURITIES INFORMATION

as at 30 June 2021

SECURITIES ON ISSUE

| Class of Security | Quoted on ASX | Unlisted | Total |
|---------------------------------------------------------|---------------|------------|-------------------|
| Fully paid ordinary shares | 45,000,000 | 35,010,000 | 80,010,000 |
| Executive Options (\$0.30, 18 March 2024) ¹³ | - | 10,000,000 | 10,000,000 |
| Broker Options (\$0.30, 4 May 2024) ¹⁴ | - | 4,000,000 | 4,000,000 |

RESTRICTED SECURITIES

| Class of Security | Number | Escrow Period |
|-------------------------------------------|-------------------|---------------------------------------------------|
| Fully paid ordinary shares | 34,860,000 | 19 May 2023 (24 months from date of quotation) |
| Fully paid ordinary shares | 150,000 | 10 May 2022 (12 months from date of issue) |
| Total | 35,010,000 | |
| Executive Options (\$0.30, 18 March 2024) | 10,000,000 | 19 May 2023 (24 months from quotation) |
| Broker Options (\$0.30, 4 May 2024) | 4,000,000 | 19 May 2023 24 months from quotation |

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

DISTRIBUTION OF FULLY PAID ORDINARY SHARES

| Spread | of | Holdings | Number of Holders | Number of Shares | % of Total Issued Capital |
|--------------|----|----------|-------------------|-------------------|---------------------------|
| 0 | - | 1,000 | 38 | 24,126 | 0.03% |
| 1,001 | - | 5,000 | 418 | 1,038,154 | 1.30% |
| 5,001 | - | 10,000 | 314 | 2,861,380 | 3.58% |
| 10,001 | - | 100,000 | 377 | 12,979,157 | 16.22% |
| 100,001 | - | and over | 107 | 63,107,183 | 78.87% |
| TOTAL | | | 1,254 | 80,010,000 | 100.00% |

¹³ Refer Section 16.3 (Rights Attaching to Executive Options) of the Company's Prospectus (dated 30 March 2021) for terms and conditions of the Executive Options

¹⁴ Refer Section 16.2 (Rights Attaching to Broker's Options) of the Company's Prospectus (dated 30 March 2021) for terms and conditions of the Broker Options

SECURITIES INFORMATION

as at 30 June 2021

TOP TWENTY, ORDINARY FULLY PAID SHAREHOLDERS

| Rank | Holder name | Shares Held | % Issued Capital |
|------|-------------------------------------------------|-------------------|------------------|
| 1 | STRIKE RESOURCES LIMITED | 34,410,000 | 43.01 |
| 2 | RUBI HOLDINGS PTY LTD | 1,548,750 | 1.94 |
| 3 | MR ADAM WILLIAM CONNON + MRS BELINDA ANN CONNON | 1,500,000 | 1.87 |
| 4 | BENTLEY CAPITAL LIMITED | 1,250,000 | 1.56 |
| 5 | RECO HOLDINGS PTY LTD | 900,000 | 1.12 |
| 6 | IRIS SYDNEY HOLDINGS PTY LTD | 700,000 | 0.87 |
| 7 | HONGZE GROUP LTD | 641,500 | 0.8 |
| 8 | CHARLIE BOMB PTY LTD | 500,000 | 0.62 |
| 9 | GREAT SOUTHERN FLOUR MILLS PTY LTD | 500,000 | 0.62 |
| 10 | PINGHUA LIU | 491,500 | 0.61 |
| 11 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 464,625 | 0.58 |
| 12 | MR ROBERT VELLETRI + MRS FRANCINE LEE VELLETRI | 464,625 | 0.58 |
| 13 | PETER CRAIG SMITH | 450,000 | 0.56 |
| 14 | MR MICHAEL OWEN SHERRY | 418,163 | 0.52 |
| 15 | STATION NOMINEES PTY LTD | 400,000 | 0.5 |
| 16 | UPSKY EQUITY PTY LTD | 375,000 | 0.47 |
| 17 | CITICORP NOMINEES PTY LIMITED | 372,349 | 0.47 |
| 18 | SOL SAL INVESTMENTS PTY LTD | 364,750 | 0.46 |
| 19 | RAINMAKER HOLDINGS (WA) PTY LTD | 360,000 | 0.45 |
| 20 | O'SHEA & BROWN PTY LTD | 350,000 | 0.44 |
| | TOTAL | 46,461,262 | 58.05% |

SUBSTANTIAL SHAREHOLDERS

| Substantial Shareholders | Registered Shareholder | Shares Held | % Voting Power (as at 30 June 2021) |
|----------------------------------------|--------------------------|-------------|----------------------------------------|
| Strike Resources Limited ¹⁵ | Strike Resources Limited | 34,410,000 | 43.01% |
| Bentley Capital Limited ¹⁶ | Strike Resources Limited | 34,410,000 | 44.57% |
| | Bentley Capital Limited | 1,250,000 | |

¹⁵ Refer Strike's ASX Announcement dated 19 May 2021: Notice of Initial Substantial Holder

¹⁶ Refer Bentley's ASX Announcement dated 19 May 2021: Notice of Initial Substantial Holder