HALL CHADWICK
MELBOURNE AUDIT

PATAGONIA LITHIUM LIMITED

ABN 37 654 004 403

Audited Financial Statements for the year ended 31 December 2022

PrimeGlobal

Patagonia Lithium Ltd
Corporate directory
31 December 2022

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

Patagonia Lithium Ltd
Chairman's letter
31 December 2022

I am delighted to report to fellow shareholders of Patagonia Lithium that the company's progress towards its listing on ASX has been positive.

Patagonia Lithium has recently completed the acquisition of its three Argentina properties – Formentera, Cilon and Tomas III – which the company is seeking to explore for lithium, borates and/or base metals. The company is making good progress to soon undertake exploration activities on its Argentina properties as well as obtain the necessary permits to undertake a drilling campaign.

Lithium Carbonate prices remain high and the number of electric vehicles and motorbikes continues to increase year on year. Estimates for demand of lithium carbonate and lithium chloride continues to increase. Developments such as solid state lithium batteries are now on the horizon and the number of gigafactories has exceed 200 building battery power.

Our lithium properties Formentera and Cilon located 43km from the town of Catua cover almost the entire salar and are well positioned close to a major sealed highway. Through the hard work of our Argentinian geology team we were able to complete environmental monitoring studies in October 2022 which enabled us to conduct a UGAMP presentation to the government and indigenous community in Jujuy Province for our work plans that include drilling. This was completed in December 2022. A request for further archaeological and drill program information was requested by the authority, which is currently being addressed by the Argentinian team and should soon be submitted.

Tomas III on the Incahuasi salar, 45km from the township of Tolar Grande also has a surface exploration permit and is waiting on the grant of the work plan. Incahuasi is a large salar and well-known companies such as Ganfeng and Power minerals are exploring and getting very good results.

Patagona Lithium has engaged three geologists, a logistics and administration manager and lawyers registered in both provinces to manage our tenements. We have also engaged with external consultants to assist with geophysics and ASX reporting.

My fellow directors Gino and Paul are pleased with the response we received to the capital raising reflecting the quality of the properties and the expertise we have amassed to explore and develop our projects. We are hopeful to list on ASX soon and look forward to welcoming new shareholders to our journey of becoming a successful lithium explorer.

Phillip Thomas
Executive Chairman

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Patagonia Lithium Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2022.

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

Phillip Thomas (appointed 27 April 2022)
Paul Boyatzis (appointed 27 April 2022)
Gino D'Anna (appointed 27 April 2022)
Rodrigo Martin Nordmann (resigned 28 July 2022)
Niv Dagan (resigned 27 April 2022)
Carlos Maria Ramon Sorentino (resigned 27 April 2022)

Principal activities
During the financial period the principal continuing activities of the consolidated entity consisted of:
- pursuing lithium exploration projects in Argentina; and
- working towards the company's listing on the Australian Securities Exchange.

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $1,469,060.

Refer to the Chairman's letter that directly precedes this Directors' report.

Significant changes in the state of affairs
During the period the company issued 29,315,000 fully paid ordinary shares raising $3,556,700 before costs.

During the period the consolidated entity completed the acquisition of the below exploration projects in Argentina:-

- Formantera - consideration was an option fee of US$100,000 plus a completion payment of US$2,000,000
- Tomas III - consideration was an option fee of US$100,000 plus a completion payment of US$340,000
- Cilon - consideration was an option fee of US$35,000 plus a completion payment of US$145,000

The company continued to work towards listing on the Australian Securities Exchange.

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

Matters subsequent to the end of the financial period
On 11 January 2023, the company converted the issued convertible notes, with a face value of $1,700,000, into 8,500,000 Shares at a conversion price of $0.20.

On 16 January 2023, the company lodged a supplementary prospectus to vary and supplement the replacement prospectus dated 24 November 2022 issued by the company (which replaced the company’s original prospectus dated 10 November 2022).

On 16 February 2023, Patagonia Lithium Argentina S.A. and Mr Oscar Zeballos subscribed the public transfer deed for the transfer 100% right, title and interest in the Cilon project (Case File No. 121-1-1983) and thereby the project acquisition of the Cilon project completed pursuant to the option agreement entered by the company and the project vendor.

On 16 February 2023, Patagonia Lithium Argentina S.A. and Mr Sebastian Virgili San Millan subscribed the public transfer deed for the transfer 100% right, title and interest in the Tomas III project (Case File No. 24,142) and thereby the project acquisition of the Tomas III project completed pursuant to the option agreement entered by the company and the project vendor.

On 24 February 2023, Patagonia Lithium Argentina S.A. and Mr Luis Party subscribed the public transfer deed for the transfer 100% right, title and interest in the Formentera project (Case File No. 518-P-2006 Rec 875-P-2007) and thereby the project acquisition of the Formentera project completed pursuant to the option agreement entered by the company and the project vendor.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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

Information on directors

Name:	Phillip Thomas
Title:	Executive Chairman (appointed 27 April 2022)
Qualifications:	Phillip graduated from Australian National University majoring in Geology and received his Master’s Degree in Business from Monash University. He is a Fellow of the AusIMM, a Member of the Australian Institute of Geoscientists and Director and Member of Australasian Institute of Mineral Valuers and Appraisers and is a Certified Mineral Valuer.
Experience and expertise:	Phillip has extensive experience in lithium exploration, geochemistry, geophysics, process design and production. He has more than 20 years’ experience working in Argentina on Pocitos, Guayatayoc, Salinas Grandes, Pozuelos, Rincon and Incahuasi salars. He is President, CEO of A.I.S. Resources Ltd (TSXv:AIS) and past CEO and chairman of Admiralty Resources NL (ASX:ADY) where he and his team explored and developed a pilot plant at the Rincon Salar. Phillip is President of Panopus Plc a Singapore based resources and banking consultancy that specialises in valuations and appraisals of mining projects, exploration programs for lithium, advisory, capital raising, and banking feasibility studies. He is a Competent Person for JORC reporting having more than 5 years’ experience in lithium brine style of mineralisation.
Other current directorships:	He is Non-Executive Chairman of copper producer, Austral Resources Australia Ltd (ASX:AR1)
Former directorships (last 3 years):	Nil
Interests in shares:	1,000,000 fully paid ordinary shares
Interests in options:	1,500,000 options over ordinary shares

Name:	Paul Boyatzis
Title:	Non-Executive Director (appointed 27 April 2022)
Qualifications:	Paul is a member of the Australian Institute of Company Directors, the Securities and Derivatives Industry Association and the Australian Society of Accountants.
Experience and expertise:	Paul has over 35 years' experience in the investment and equity markets specifically within emerging growth companies in the resources and financial services sector in Australia and internationally. He has significant experience in the Australian capital markets and in the strategic development of ASX listed companies. Paul was instrumental in the formation of Nexus Minerals Ltd and as founding Chairman has played a pivotal role in the development of the company.
Other current directorships:	Nexus Minerals Ltd and VRX Silica Ltd
Former directorships (last 3 years):	Aruma Resources Ltd
Interests in shares:	Nil
Interests in options:	1,000,000 options over ordinary shares

Name:	Gino D'Anna
Title:	Non-Executive Director (appointed 27 April 2022)
Experience and expertise:	Gino has significant primary and secondary capital markets experience and has extensive experience in resource exploration, public company operations, administration and financial management. Gino has experience in Canadian Government and First Nations relations in the mining sector and has worked in numerous jurisdictions including Australia, Botswana, Namibia and Canada. In addition, he has been involved in the exploration and development of many projects including new discoveries and the continued development of existing discoveries.
Other current directorships:	Gino is currently an executive director of MetalsTech Limited (ASX: MTC) which is developing the Sturec Gold Mine in Slovakia, and a director of Metals Australia Ltd (ASX: MLS) which is developing the high-grade open cut Lac Rainy Graphite Mine located in Quebebc, Canada.
Former directorships (last 3 years):	Tennant Minerals NL (ASX: TMS)
Interests in shares:	Nil
Interests in options:	1,000,000 options over ordinary shares

Name:	Rodrigo Martin Nordmann (resigned 28 July 2022)
Title:	Non-Executive Director (resigned 28 July 2022)
Experience and expertise:	Rodrigo has extensive experience working as a legal advisor in Argentina specialising in the mining and exploration sector.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A
Interests in options:	N/A

Name:	Carlos Maria Ramon Sorentino
Title:	Non-Executive Director (resigned 27 April 2022)
Experience and expertise:	Carlos is a chemical engineer with more than 40 years' experience in extractive metallurgy. He proposed and developed the concept of the Ekosolve® Direct Lithium Extraction Solvent Extraction Method. Carlos was involved with the design, operation and testing of the original SX test and prototype units. Carlos' experience includes the design and operation of SX Plants for the recovery of several metals.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A
Interests in options:	N/A

Name:	Niv Dagan
Title:	Non-Executive Director (resigned 27 April 2022)
Experience and expertise:	Prior to founding Peak in 2013, Niv headed up HC Securities; spent three years growing its capital markets division and worked on the wholesale desk at Macquarie Bank, servicing a wide range of institutional, intermediary and offshore clients. Niv takes an active approach in managing client funds and is passionate about backing strong management teams that deliver shareholder value. Niv's focus is identifying great companies that are traditionally not offered to retail & institutional investors and sees a large opportunity in assisting Australian companies expand their presence in the North American markets.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A
Interests in options:	N/A

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

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

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

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

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the period ended 31 December 2022, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Phillip Thomas	-	-
Paul Boyatzis	-	-
Gino D'Anna	-	-
Rodrigo Martin Nordmann	-	-
Niv Dargan	-	-

Held: represents the number of meetings held during the time the director held office.

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

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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

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

ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The shareholders will approve an aggregate limit at the company's upcoming annual general meeting.

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

The executive remuneration and reward framework has the following components:
- base pay and non-monetary benefits
- share-based payments

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

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

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

Use of remuneration consultants
During the financial period, the consolidated entity has not used remuneration consultants.

Details of remuneration

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

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

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

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

Service agreements

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

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

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

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

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

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the period ended 31 December 2022.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial period or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Phillip Thomas	1,500,000	5 October 2022	5 October 2022	4 October 2025	$0.270	$0.143
Paul Boyatzis	1,000,000	5 October 2022	5 October 2022	4 October 2025	$0.270	$0.143
Gino D'Anna	1,000,000	5 October 2022	5 October 2022	4 October 2025	$0.270	$0.143

Options granted carry no dividend or voting rights.

Additional information
The earnings of the consolidated entity since listing are summarised below:

	2022 $
Loss after income tax	(1,469,060)

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

	2022
Basic earnings per share (cents per share)	(10.67)
Diluted earnings per share (cents per share)	(10.67)

Additional disclosures relating to key management personnel

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

	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
Ordinary shares					
Phillip Thomas	-	-	1,000,000	-	1,000,000
Paul Boyatzis	-	-	-	-	-
Gino D'Anna	-	-	-	-	-
	-	-	1,000,000	-	1,000,000

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

	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
Options over ordinary shares					
Phillip Thomas	-	1,500,000	-	-	1,500,000
Paul Boyatzis	-	1,000,000	-	-	1,000,000
Gino D'Anna	-	1,000,000	-	-	1,000,000
	-	3,500,000	-	-	3,500,000

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise price	Number under option
5 October 2022	4 October 2025	$0.270	3,500,000

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

Shares issued on the exercise of options
There were no ordinary shares of Patagonia Lithium Ltd issued on the exercise of options during the period ended 31 December 2022 and up to the date of this report.

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

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

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

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in note 18 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 18 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

Auditor
Hall Chadwick Audit Melbourne was appointed in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Phillip Thomas
Executive Chairman

1 March 2023

PATAGONIA LITHIUM LIMITED
ABN 37 654 004 403

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

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Patagonia Lithium Limited. As the lead audit partner for the audit of the financial report Patagonia Lithium Limited for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

____

Anh (Steven) Nguyen
Director
Date: 1 March 2023
Hall Chadwick Melbourne
Level 14 440 Collins Street
Melbourne VIC 3000

Statement of profit or loss and other comprehensive income	14
Statement of financial position	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18
Directors' declaration	34
Independent auditor's review report to the members of Patagonia Lithium Ltd	35

General information

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

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

Level 6, 505 Little Collins Street
Melbourne VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 1 March 2023. The directors have the power to amend and reissue the financial statements.

Patagonia Lithium Ltd
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2022

	Note	Consolidated 27 Sep 2021 to 31 Dec 2022 $
Expenses		
Corporate and administration expenses		(258,378)
Depreciation and amortisation expense	8	(140,100)
IPO costs expensed	9	(182,567)
Foreign exchange losses		(267,248)
Share based payment expenses	27	(501,217)
Other expenses		(3,451)
Finance costs	4	(116,099)
Loss before income tax expense		(1,469,060)
Income tax expense	5	-
Loss after income tax expense for the period attributable to the owners of Patagonia Lithium Ltd		(1,469,060)
Other comprehensive income for the period, net of tax		-
Total comprehensive income for the period attributable to the owners of Patagonia Lithium Ltd		(1,469,060)
		Cents
Basic earnings per share	26	(10.67)
Diluted earnings per share	26	(10.67)

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

Patagonia Lithium Ltd
Statement of financial position
As at 31 December 2022

	Note	Consolidated 31 Dec 2022 $
Assets		
Current assets		
Cash and cash equivalents	6	684,476
Trade and other receivables	7	30,818
Other	9	217,681
Total current assets		932,975
Non-current assets		
Exploration and evaluation	10	4,002,618
Total non-current assets		4,002,618
Total assets		4,935,593
Liabilities		
Current liabilities		
Trade and other payables	11	903,606
Borrowings	12	1,614,426
Total current liabilities		2,518,032
Total liabilities		2,518,032
Net assets		2,417,561
Equity		
Issued capital	13	3,342,347
Reserves	14	544,274
Accumulated losses		(1,469,060)
Total equity		2,417,561

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

Patagonia Lithium Ltd
Statement of changes in equity
For the period ended 31 December 2022

Consolidated	**Issued capital $**	**Reserves $**	**Retained profits $**	**Total equity $**
Balance at 27 September 2021	-	-	-	-
Loss after income tax expense for the period	-	-	(1,469,060)	(1,469,060)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(1,469,060)	(1,469,060)
Equity portion of convertible notes	-	43,057	-	43,057
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 13)	3,342,347	-	-	3,342,347
Share-based payments (note 27)	-	501,217	-	501,217
Balance at 31 December 2022	3,342,347	544,274	(1,469,060)	2,417,561

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

Patagonia Lithium Ltd
Statement of cash flows
For the period ended 31 December 2022

	Note	Consolidated 27 Sep 2021 to 31 Dec 2022 $
Cash flows from operating activities		
Payments to suppliers (inclusive of GST)		(279,855)
Net cash used in operating activities	25	(279,855)
Cash flows from investing activities		
Payments for exploration and evaluation rights		(4,263,517)
Net cash used in investing activities		(4,263,517)
Cash flows from financing activities		
Proceeds from issue of shares	13	3,556,700
Proceeds from convertible notes issued		1,700,000
Share issue transaction costs relating to IPO		(28,852)
Net cash from financing activities		5,227,848
Net increase in cash and cash equivalents		684,476
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	6	684,476

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

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

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

Going concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity incurred a loss from ordinary activities of $1,469,060 for the period ended 31 December 2022, had negative cash flows from operating activities of $279,855.

The directors have reviewed the cashflow forecasts and believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern due to the following factors:

- Patagonia Lithium Ltd entered into a subscription agreement with Certane Ct Pty Ltd ACF Richlink High-Tech Investment Trust on 17 October 2022 whereby the cornerstone investor committed to subscribe for 1,250,000 shares in the company (at $0.20 per share). Patagonia Lithium Ltd has received $250,000 to the company's nominated bank account held in trust transferred by this cornerstone investor. The parties have mutually agreed for completion under this subscription agreement to take place on or about the date which Patagonia Lithium Ltd receives conditional approval from the ASX to list; and
- Patagonia Lithium Ltd has made offer to the public to subscribe for 19,500,000 offer shares at an issue price of $0.20 per share pursuant to the replacement prospectus dated 24 November 2022 (which replaced the company's original prospectus dated 10 November 2022) issued by the company, as varied by its supplementary prospectus dated 16 January 2023. The offer has been fully subscribed for by applicants (totalling $3,900,000), although the applications have not been processed and the monies are being held in trust.

Accordingly, the directors believe that the Consolidated Entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. In the event that the Consolidated Entity is unsuccessful in implementing the above-stated initiatives, a material uncertainty exists, that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern and its ability to recover assets and discharge liabilities in normal course of business and at the amounts shown in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the company not continue as a going concern.

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

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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

Note 1. Significant accounting policies (continued)

Reporting period

The company was incorporated on 27 September 2021. The financial report covers the period from that date up to 31 December 2022, and does not include comparative information.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Patagonia Lithium Ltd ('company' or 'parent entity') as at 31 December 2022 and the results of all subsidiaries for the period then ended. Patagonia Lithium Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

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

Income tax

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

Issued capital
Ordinary shares are classified as equity.

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

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

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

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

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

Convertible notes
On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond, a rate of 8% per annum has been used.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segment, being pursuing lithium exploration projects in Argentina.

Note 4. Expenses

	Consolidated 27 Sep 2021 to 31 Dec 2022 $
Loss before income tax includes the following specific expenses:	
Finance costs	
Interest and finance charges paid/payable on borrowings	8,701
Unwinding of deferred borrowings costs	107,398
Finance costs expensed	116,099

Note 5. Income tax expense

	Consolidated 27 Sep 2021 to 31 Dec 2022 $
Numerical reconciliation of income tax expense and tax at the statutory rate	
Loss before income tax expense	(1,469,060)
Tax at the statutory tax rate of 25%	(367,265)
Current period tax losses not recognised	143,663
Argentina losses not recognised	21,712
Impact of permanent and timing differences	201,890
Income tax expense	-

Note 5. Income tax expense (continued)

	Consolidated 31 Dec 2022 $
Tax losses not recognised	
Unused tax losses for which no deferred tax asset has been recognised	574,531
Potential tax benefit @ 25%	143,633

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

Note 6. Current assets - cash and cash equivalents

	Consolidated 31 Dec 2022 $
Cash at bank	684,476

Note 7. Current assets - trade and other receivables

	Consolidated 31 Dec 2022 $
BAS receivable	30,818

Note 8. Current assets - exploration and evaluation rights

	Consolidated 31 Dec 2022 $

Reconciliation
Reconciliation of the carrying value at the beginning and end of the current period are set out below:

Opening balance	-
Additions	469,395
Amortisation	(140,100)
Transfer to exploration and evaluation - non-current (note 10)	(329,295)
Closing balance	-

Note 9. Current assets - other

	Consolidated 31 Dec 2022 $
Prepayments	126,549
Prepaid IPO costs	91,132
	217,681

Total costs of $273,699 have been incurred up to 31 December 2022 in relation the company's planned IPO. Of this total $182,567 has been recognised as an expense and $91,132 has been recognised as a prepayment. The prepayment relates to the amount that will be recognised as a cost of capital raised on completion of the IPO.

Note 10. Non-current assets - exploration and evaluation

	Consolidated 31 Dec 2022 $
Exploration and evaluation - at cost	4,002,618

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

Consolidated	Exploration & evaluaiton $
Balance at 27 September 2021	-
Additions	3,673,323
Transferred from exploration rights (note 8)	329,295
Balance at 31 December 2022	4,002,618

During the period the consolidated entity completed the acquisition of the below exploration projects in Argentina:-

- Formantera - consideration was an option fee of US$100,000 plus a completion payment of US$2,000,000
- Tomas III - consideration was an option fee of US$100,000 plus a completion payment of US$340,000
- Cilon - consideration was an option fee of US$35,000 plus a completion payment of US$145,000

Note 11. Current liabilities - trade and other payables

	Consolidated 31 Dec 2022 $
Trade payables	246,969
Payable to Peak Asset Management *	47,099
Payable to Phil Thomas *	47,099
Other payables and accruals	562,439
	903,606

Refer to note 16 for further information on financial instruments.

* No interest is payable on the balances and they will be settled in full out of proceeds from the IPO.

Note 12. Current liabilities - borrowings

	Consolidated 31 Dec 2022 $
Convertible notes payable	1,614,426

Refer to note 16 for further information on financial instruments.

The convertible notes have a face value of $1,700,000 and repayment term of 31 March 2023. Interest is payable at 8%. The notes can be converted into a total of 8,500,000 fully paid ordinary shares. An amount of $43,057 has been recognised in reserves, refer to note 14.

Note 13. Equity - issued capital

	Consolidated	
	31 Dec 2022 Shares	31 Dec 2022 $
Ordinary shares - fully paid	29,315,000	3,342,347

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	27 September 2021	-		-
Issue of shares	27 September 2021	3,000,000	$0.010	30,000
Issues of shares	27 September 2021	1,700,000	$0.001	1,700
Issue of shares	22 December 2021	4,000,000	$0.100	400,000
Issue of shares	22 December 2021	5,500,000	$0.050	275,000
Shares issued as remuneration for equity raising costs	3 May 2022	240,000	$0.100	24,000
Issue of shares	25 July 2022	1,000,000	$0.100	100,000
Issue of shares	1 December 2022	13,750,000	$0.200	2,750,000
Issue of shares relating to tenement acquisitions	6 December 2022	125,000	$0.200	25,000
Less cost of capital raised		-	$0.000	(263,353)
Balance	31 December 2022	29,315,000		3,342,347

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

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

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

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

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

Note 13. Equity - issued capital (continued)

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

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

Note 14. Equity - reserves

	Consolidated 31 Dec 2022 $
Share-based payments reserve	501,217
Convertible note reserve	43,057
	544,274

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

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

Movements in reserves
Movements in each class of reserve during the current financial period are set out below:

Consolidated	Convertible notes $	Share-based payments $	Total $
Balance at 27 September 2021	-	-	-
Equity portion of convertible note *	43,057	-	43,057
Share based payments	-	501,217	501,217
Balance at 31 December 2022	43,057	501,217	544,274

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

Note 15. Equity - dividends

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

Note 16. Financial instruments

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

Note 16. Financial instruments (continued)

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

Market risk

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The only significant foreign exchange currency transactions during the period related to acquisitions of the consolidated entity's projects, refer to note 10.

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

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

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

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

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

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

Consolidated - 31 Dec 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-	903,606	-	-	-	903,606
Interest-bearing - fixed rate						
Convertible notes payable	8.00%	1,708,701	-	-	-	1,708,701
Total non-derivatives		2,612,307	-	-	-	2,612,307

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

Note 17. Key management personnel disclosures

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

	Consolidated 27 Sep 2021 to 31 Dec 2022 $
Short-term employee benefits	26,520
Share-based payments	501,217
	527,737

Note 18. Remuneration of auditors

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

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

Note 19. Contingent liabilities

The consolidated entity has no contingent liabilities.

Note 20. Commitments

The consolidated entity has no commitments.

Note 21. Related party transactions

Parent entity
Patagonia Lithium Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 23.

Key management personnel
Disclosures relating to key management personnel are set out in note 17 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the financial period.

Note 21. Related party transactions (continued)

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

	Consolidated 31 Dec 2022 $
Current payables:	
Accrued directors fees payable	26,520
Amount payable to Phil Thomas *	47,099

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

Note 22. Parent entity information

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

Statement of profit or loss and other comprehensive income

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

Statement of financial position

	Parent 31 Dec 2022 $
Total current assets	932,975
Total assets	4,900,992
Total current liabilities	2,396,583
Total liabilities	2,396,583
Equity	
Issued capital	3,342,347
Share-based payments reserve	501,217
Convertible note reserve	43,057
Accumulated losses	(1,382,212)
Total equity	2,504,409

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2022.

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

Note 22. Parent entity information (continued)

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

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Note 23. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 31 Dec 2022 %
Patagonia Lithium Argentina S.A	Argentina	100.00%

On 13 June 2022, the company incorporated Patagonia Lithium Argentina S.A.

Note 24. Events after the reporting period

On 11 January 2023, the company converted the issued convertible notes, with a face value of $1,700,000, into 8,500,000 Shares at a conversion price of $0.20.

On 16 January 2023, the company lodged a supplementary prospectus to vary and supplement the replacement prospectus dated 24 November 2022 issued by the company (which replaced the company's original prospectus dated 10 November 2022).

On 16 February 2023, Patagonia Lithium Argentina S.A. and Mr Oscar Zeballos subscribed the public transfer deed for the transfer 100% right, title and interest in the Cilon project (Case File No. 121-1-1983) and thereby the project acquisition of the Cilon project completed pursuant to the option agreement entered by the company and the project vendor.

On 16 February 2023, Patagonia Lithium Argentina S.A. and Mr Sebastian Virgili San Millan subscribed the public transfer deed for the transfer 100% right, title and interest in the Tomas III project (Case File No. 24,142) and thereby the project acquisition of the Tomas III project completed pursuant to the option agreement entered by the company and the project vendor.

On 24 February 2023, Patagonia Lithium Argentina S.A. and Mr Luis Party subscribed the public transfer deed for the transfer 100% right, title and interest in the Formentera project (Case File No. 518-P-2006 Rec 875-P-2007) and thereby the project acquisition of the Formentera project completed pursuant to the option agreement entered by the company and the project vendor.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 27 Sep 2021 to 31 Dec 2022 $
Loss after income tax expense for the period	(1,469,060)
Adjustments for:	
Depreciation and amortisation	140,100
Share-based payments	501,217
Foreign exchange differences	267,248
Non-cash finance costs	116,099
Change in operating assets and liabilities:	
Increase in trade and other receivables	(30,818)
Increase in prepayments	(126,549)
Increase in trade and other payables	321,908
Net cash used in operating activities	(279,855)

Note 26. Earnings per share

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

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

Note 27. Share-based payments

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

Note 27. Share-based payments (continued)

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

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

31 Dec 2022

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
05/10/2022	04/10/2025	$0.270	-	3,500,000	-	-	3,500,000
			-	3,500,000	-	-	3,500,000

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

Grant date	Expiry date	31 Dec 2022 Number
05/10/2022	04/10/2025	3,500,000
		3,500,000

The weighted average remaining contractual life of options outstanding at the end of the financial period was 2.76 years.

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
05/10/2022	04/10/2025	$0.200	$0.270	131.00%	-	3.16%	$0.143

Patagonia Lithium Ltd
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial period ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Phillip Thomas
Executive Chairman

1 March 2023

PATAGONIA LITHIUM LIMITED
ABN 37 654 004 403

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Report on the Financial Report

Opinion

We have audited the financial report of Patagonia Lithium Limited, which comprises the statement of financial position as at 31 December 2022, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm the independence declaration required by the *Corporations Act 2001*, has been given to the directors of the company.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of $1,469,060 during the year ended 31 December 2022 and net operating cash outflows of $279,855, as of that date; As stated in Note 1 these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Information Other Than The Financial Report And Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 19 of the directors' report for the year ended 31 December 2022.

In our opinion, the remuneration report of Patagonia Lithium Limited, for the year ended 31 December 2022, complies with 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.

Anh (Steven) Nguyen

Director

Date: 1 March 2023

Hall Chadwick Melbourne Audit

Level 14 440 Collins Street

Melbourne VIC 3000