



ANNUAL REPORT 2022

ABN 70 638 065 068

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mr Rick Crabb
Non-Executive Chairman

Mr Simon Hay
Managing Director & Chief Executive Officer

Mr Brendan Borg
Non-Executive Director

Mr Rod Baxter
Non-Executive Director

Ms Amber Banfield
Non-Executive Director

Mr Alan Rule
Non-Executive Director

CHIEF FINANCIAL OFFICER

Mr Ron Chamberlain

COMPANY SECRETARIES

Mr Ron Chamberlain
Mr Nathan Bartrop

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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LEGAL ADVISERS

Thomson Geer
Level 27, Exchange Tower, 2 The Esplanade
Perth WA 6000
Australia

AUDITORS

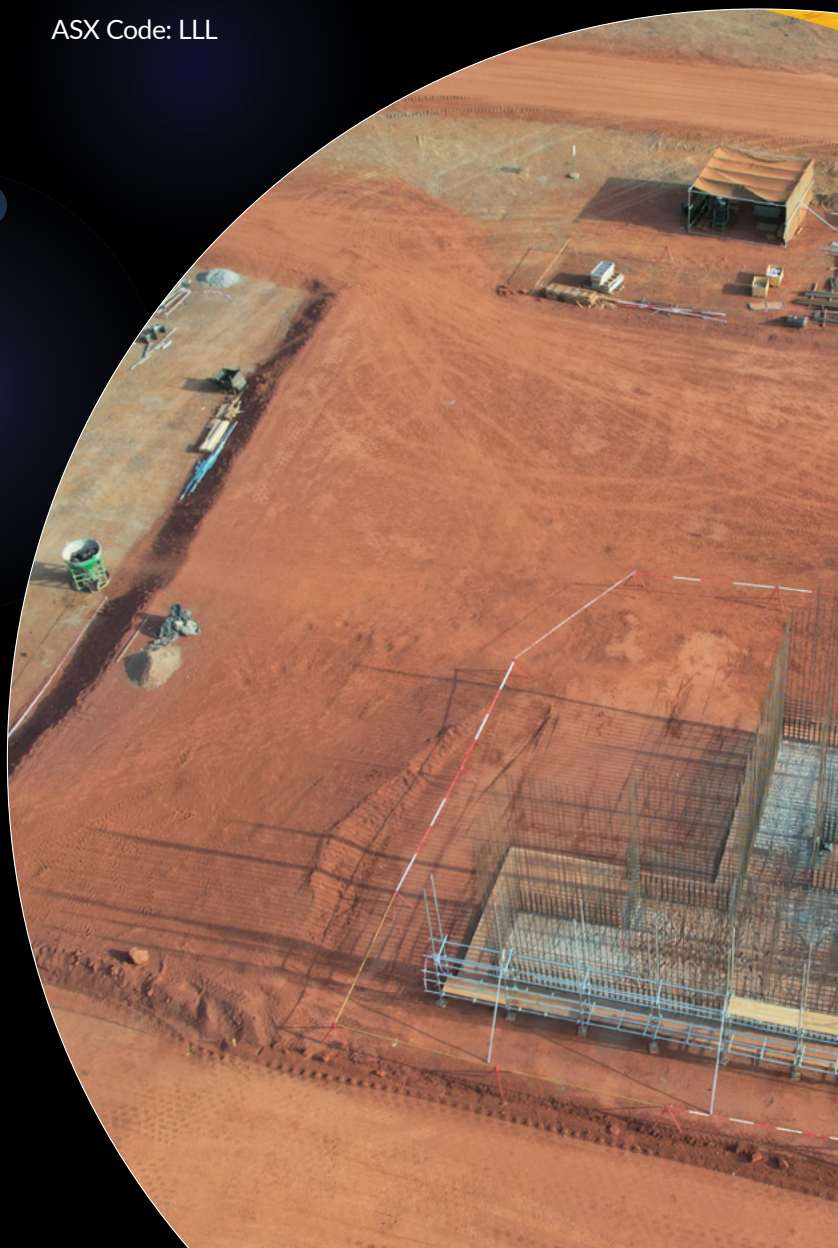
PricewaterhouseCoopers
Level 15, 125 St Georges Terrace
Perth WA 6000
Australia

AUSTRALIAN BUSINESS NUMBER

70 638 065 068

Leo Lithium Limited shares are listed on the
Australian Securities Exchange (ASX)

ASX Code: LLL



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2022 HIGHLIGHTS

We have made great progress with construction activities on schedule and budget, and with EPCM and contractor teams mobilised to site.

Simon Hay
Managing Director

Bolstered the leadership team with high-calibre appointments that possess African mining experience.
Culminated in the 2023 appointments of Ron Chamberlain as CFO and Tim Richards as COO.



Successfully listed on the ASX

with the goal of supplying the booming lithium-ion battery industry and becoming West Africa's first spodumene producer.

First port services agreement secured

for the export of spodumene concentrate. The 10-year contract is at the Abidjan Port in Côte d'Ivoire.

A circular inset image showing a construction site at night. The scene is illuminated by artificial lights, highlighting a concrete mixer truck and various construction equipment and workers on a site with rebar structures.

Construction activities for the Goulamina Project commenced.

All development work and construction is progressing in line with schedule and budget.



Funding for production secured

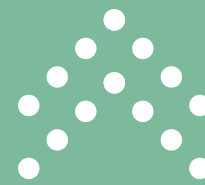
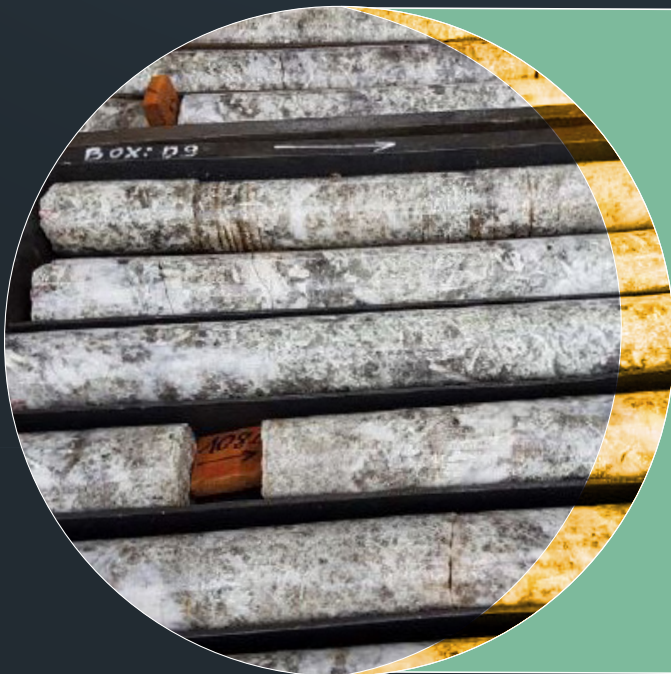
US\$130 million in equity funding received from tier-one JV partner Ganfeng Lithium Group and US\$40 million in arranged debt by Ganfeng Lithium Group.



Goulamina Project

Proactively signed the Engineering & Procurement and Project Management Services contract for Stage 1 of Goulamina.

Leo Lithium is on track to deliver first spodumene in H1 2024.



Goulamina Project

Considerable resource upgrade at Goulamina following a successful drilling campaign in H2 2022. **In early 2023, the total Goulamina resource base increased by 31% from 108.5 Mt at 1.45 % Li₂O to 142.3 Mt @ 1.38% Li₂O.**

Early revenue opportunity unlocked

following prudent project assessment throughout 2022. Direct Shipped Ore export is targeted for the second half of 2023.



Established strong community relationships in Mali.

By the end of 2022, 130 local community members were employed on the Project and 100% of unskilled jobs were held by Malians. On average 80% of the skilled jobs were held by Malians and 70% of supervisors were Malians.

LETTER FROM THE CHAIRMAN

Leo Lithium has hit the ground running since listing on the ASX in June 2022, with our flagship Goulamina Lithium Project well on track to come online in mid-2024 to supply the booming lithium-ion battery industry and become West Africa's first spodumene producer.



Funding for the construction of the Project has been sourced completely independently from Firefinch Limited. Soon after listing, we finalised agreed terms on a US\$40 million expandable debt facility with our 50/50 Joint Venture partner Jiangxi Ganfeng Lithium Co., China's largest lithium chemicals producer by capacity. In addition to the US\$130 million provided as Joint Venture funds by Ganfeng to acquire its 50% interest and the \$100 million raised by Leo Lithium from institutional and other investors at time of listing, the debt facility with Ganfeng places the Company in the optimal position of having sufficient funds to cover its share of the Stage 1 development capital costs for Goulamina. It also ensures that the interests of Leo Lithium and Ganfeng to deliver long-term value from the Project, are fully aligned.

Additionally, an early revenue opportunity has emerged with the export of direct shipped ore (DSO) targeted for the second half of 2023, further reinforcing the Company's funding strength.

Having a robust financial position enabled the Joint Venture to considerably expand Goulamina's lithium resource to 142 million tonnes in January. Significant potential exists for further resource growth, particularly as (last month) the Joint Venture acquired highly prospective mineral concessions that will triple the Goulamina Lithium Project area.

Meanwhile, Leo Lithium's experienced team have been progressing the construction of the Project on budget and schedule, with the recent successful first concrete pour and installation of key crushing and magnetic separation equipment marking a major step in de-risking Goulamina's development.

To achieve this during a period of major global macroeconomic volatility is a testament to the pragmatic leadership of our executive team led by Managing Director and CEO Simon Hay and the diligence of all our employees. On behalf of the Board and shareholders I thank Simon and the team for their great work.

We have also had a strong focus on building relationships with the Malian government, local businesses and the communities situated near the project, as we solidify our social license to operate. Mali is a high-quality mining jurisdiction, with a well-established Mining Code as evidenced by the numerous international mining companies operating in the country with stability over a long period of time.

The Malian Minister of Mines as well local businesses and communities around Goulamina have all been very supportive of the Project and recognise the local opportunities it will provide across its mine life, which will span at least 23 years. We are proactively endeavoring to maximise the economic and social benefits Malian

“The year ahead will be transformational for the Company, and I believe we are in a great position to deliver shareholder value both in the near and long term.”

stakeholders can receive throughout the Project's mine life, initiatives which Simon will outline in his address in this Annual Report.

These local initiatives are part of our broader commitment to operate sustainably, which subsequently ensures that we are an attractive long-term investment proposition. I encourage you to read our inaugural Environmental, Social and Governance (Sustainability) section in this Annual Report. The Sustainability section outlines the early important steps we are taking in this area and the strategic plan developed for the future.

I would like to conclude by thanking our shareholders for your support as we emerge as a leader in the ASX lithium landscape. The year ahead will be transformational for the Company, and I believe we are in a great position to deliver shareholder value both in the near and long term.



Rick Crabb
Non-Executive Chairman
Leo Lithium Ltd



CHIEF EXECUTIVE OFFICER'S ADDRESS

Since beginning our journey as a publicly listed Company in June last year, Leo Lithium has made major strides in building a business platform conducive to sustainable growth.



We have enhanced the scale and mineral resource quality of our flagship Goulamina Lithium Project in Mali, made great progress in constructing the Goulamina mine, and unlocked new value-accretive opportunities both in the near-term and long-term.

Our key initiative to enhance the scale and mineral resource quality of Goulamina was underpinned by the successful Danaya domain drilling program, which revealed thick zones of high-grade spodumene mineralisation. This ultimately led to a substantial upgrade of the Goulamina Mineral Resource, increasing by 31% to 142.3Mt @ 1.38% Li₂O.

We have made significant progress on the construction phase for Stage 1 of the Project, with the overall engineering works now over two thirds complete, on budget and on schedule.

In 2022, we signed an agreement with leading engineering and project delivery consultant, Lycopodium, for the Engineering and Procurement and associated Project Management services for Stage 1 of the Project, as we remain on track to deliver first spodumene in H1-2024 with initial production of 506,000 tonnes of spodumene concentrate per year.

However, our first revenue from Goulamina will likely be even sooner because we have identified, prudently assessed, and swiftly progressed a DSO opportunity targeted for the second half of this year.

We already have a Port Services agreement in place, after inking a deal with SEA-Invest in November last year to export spodumene produced at Goulamina through the Port of Abidjan, Côte d'Ivoire.

But beyond just developing the mineral resource and mining infrastructure of the Goulamina Lithium Project we are developing the positive impact the Project will have to the local communities around Goulamina, and Mali more broadly.

Among the Sustainability initiatives our Chairman Rick Crabb alluded to in his address, our JV with Gangfeng has committed to numerous local water and road projects within the communities that surround the Project, particularly the village of Goulamina itself, which will directly improve the quality of life for those residents. We are also strongly focused on training and providing employment opportunities in the local region, with approximately 120 locals and 250 other Malians employed on site at year end. We are committed to ensuring these numbers will only grow as the Project advances and that our positive relationship with the local community is strengthened even further.

On the environmental side of the ESG equation, we are also currently assessing the viability of renewable energy sources to power Goulamina to produce the lithium that will help shape a more sustainable planet and these are likely to be implemented into Stage 1, commencing in the first year of operations.

I echo Rick's sentiments that the year ahead is shaping up to be an exciting one for the Company, with major milestones and value-accretive opportunities on the horizon. To best leverage this momentum, we have bolstered our executive team, with the appointments of Ron Chamberlain as Chief Financial Officer and Tim Richards as Chief Operating Officer earlier this year.

Ron is a seasoned ASX100 and ASX200 resources-based CFO, and Tim has extensive managerial experience in West Africa, across both operating and project environments.

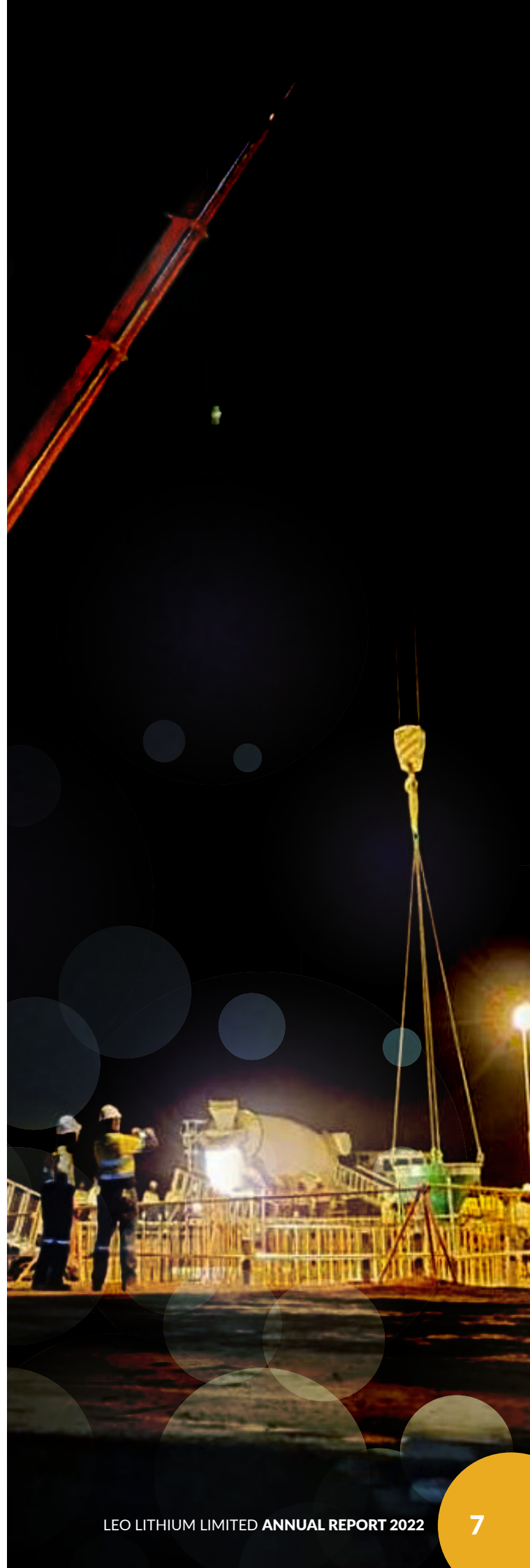
“We have enhanced the scale and mineral resource quality of our flagship Goulamina Lithium Project in Mali, made great progress in constructing the Goulamina mine, and unlocked new value-accretive opportunities both in the near-term and long-term.”

The two appointments give Leo Lithium an extra layer in the breadth and depth of its collective leadership capability, driving the Company towards its next phase of growth.

I would like to end my address by thanking you, our shareholders, for your ongoing support and I look forward to updating you on our continued positive progress in the year ahead.



SIMON HAY
Chief Executive Officer
Leo Lithium Ltd



Goulamina Project OVERVIEW

The Goulamina Lithium Project is one of the world's largest undeveloped high-quality spodumene deposits.

The Goulamina Lithium Project comprises a land holding of 100 square kilometres in the Bougouni Region of southern Mali, approximately 150km by road from Mali's capital, Bamako. The land holding encompasses the Goulamina mineral deposit and is sparsely populated.

The deposit consists of steeply-dipping sub-parallel spodumene pegmatite dykes all of which intrude the Goulamina Granite. The Pegmatites are dipping to the East and generally trending NNW-SSE. The Deposit is up to 1.8km in length and still open along strike and at depth. Individual dyke's are varying in average thicknesses between 10 and 80 m, with individual Pegmatite widths of up to 100 m.



The expected quality of spodumene concentrate product from Goulamina is a key competitive advantage relative to many other lithium mining developments, as the concentrate is high in grade whilst being low in iron and mica impurities.

The Goulamina Lithium Project is set to achieve low strip ratios and is not dependant on credits from other minerals to achieve robust financial performance.

Subsequently, on a fundamental financial level, it is one of the world's leading hard rock lithium assets, underpinned by its substantial scale and expected low cost of production relative to other current operations and prospective projects.

It is set to deliver outstanding returns with a post-tax Net Present Value of US\$2.94 billion at conservative prices.

As manager of the 50/50 Goulamina Lithium Project Joint Venture with Gangfeng, Leo has commenced development activities to bring the Project into production, which is on track and budget to occur in H1-2024.

However, first revenue from the Project is expected to occur prior to this, in the second half of 2023, following the prudent identification of the Direct Shipped Ore opportunity and proactive signing of the first port services agreement.

By value, approximately 80% of Engineering and Procurement tender packages had been issued to vendors by the end of the 2022, which has significantly de-risked the mine infrastructure development process.

Post-year end, this development process was de-risked further with the successful maiden concrete pour.



Furthermore, all relevant mining approvals have been obtained under the Malian Mining Code, including the Environmental and Social Impact Assessment (ESIA), which was approved as part of the Exploitation Permit in 2019 and has a validity period of 30 years. The Mali Government has the right to a 10% free-carried interest in the Goulamina, with a further right to an additional 10% stake at fair market value.

Planning and development of non-process infrastructure at the Goulamina Lithium Project is also already well advanced.

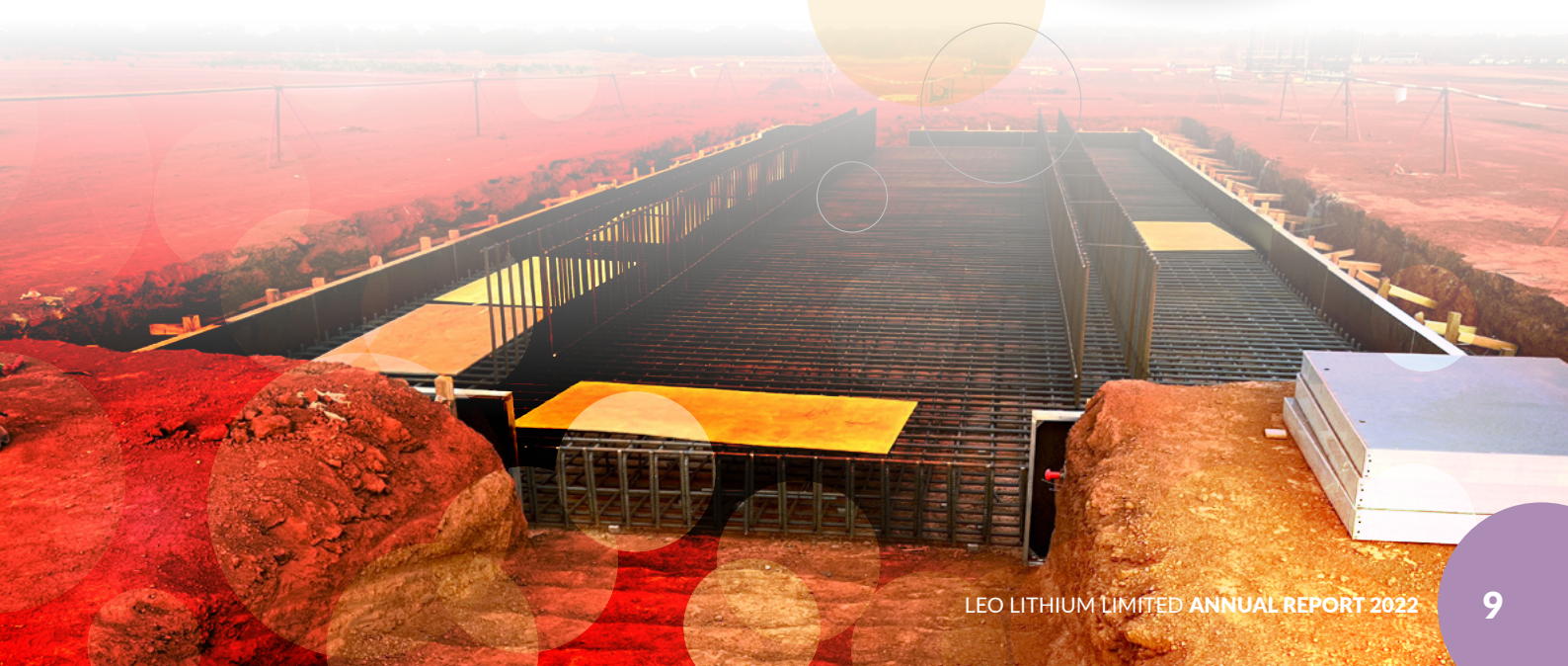
This non-process infrastructure will include a power station with later renewable or hybrid energy options, a 200-room camp, a tailings facility, and water will be supplied via the Sélingué Dam located to the west of the site through a 25-kilometre-long pipeline.

The development of all infrastructure on site takes into consideration Goulamina's long initial mine life of at least 23 years and substantial potential for this to be expanded further. There is potential to increase the size of open pit Mineral Resources and Ore Reserves through both infill and extension drilling.

The areas of highest potential for additional Indicated Mineral Resources are North and South of the Resource already identified in the Danaya domain. Other areas of note include the down dip portions of Sangar I and Sangar II, and the confluence between the North-eastern and Danaya domains.

With a world-class Resource, secured funding to cover construction, strong project fundamentals and latent additional value potential, the Goulamina Lithium Project underpins Leo's compelling investment proposition.

Mineral Resources Reporting The information on pages 4 to 11 that relates to production targets and Ore Reserves is extracted from the Company's replacement prospectus dated 6 May 2022 (**Prospectus**) which is available on the Company website. The information in relation to Mineral Resources is extracted from the ASX announcement dated 17 January 2023 (**Announcement**). The Company confirms that all material assumptions and technical parameters underpinning the production targets, Mineral Resources and Ore Reserve estimates in the Prospectus and Announcement continue to apply and have not materially changed and it is not aware of any new information or data that materially affects the information included in the Prospectus or Announcement.



RESOURCES & RESERVES STATEMENT

Leo's Exploration Results, Mineral Resources and Ore Reserves estimates are reported in accordance with the ASX Listing Rules and the requirements and guidelines of the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves – the JORC Code.



Leo's Mineral Resources and Ore Reserves estimates for the Goulamina Lithium Project as of 17 January 2023 are listed in the tables below. The Company's Mineral Resource inventory increased since the Replacement Prospectus was published on 6 May 2022. The Increase was due to an update of the Danaya Mineral Resource estimate which was a result of a successful Exploration campaign in 2022. The resource update was reported to the ASX on 17 January 2023. No new economic evaluations were undertaken and therefore no changes to the Ore Reserves. No Mining activities took place in the reporting year and therefore no depletion of resources and reserves.

The Goulamina Mineral Resource inventory stands at 142.3 Mt @ 1.38% Li₂O and the Open pit Mineral Reserve stands at 52 Mt @ 1.51% Li₂O.

Table1: Total Goulamina JORC Mineral Resource (no cut-off applied) – January 2023

Classification	Domain	Tonnes (Mt)	Li ₂ O (Mt)	Li ₂ O (%)	Fe ₂ O ₃ (%)	SG (t/m ³)
Measured	Main	4.3	0.06	1.47	0.98	2.75
	West I	3.5	0.06	1.67	1.01	2.75
	Sangar II	0.6	0.01	1.69	0.79	2.75
	Subtotal	8.4	0.13	1.57	0.98	2.75
Indicated	Main	7.2	0.09	1.21	1.00	2.75
	West I	9.9	0.14	1.43	1.01	2.75
	West II	1.9	0.03	1.43	0.63	2.75
	Sangar I	19.3	0.31	1.61	0.69	2.75
	Sangar II	10.1	0.16	1.54	0.71	2.75
	Danaya	24.4	0.33	1.34	1.04	2.73
	Subtotal	72.8	1.05	1.44	0.88	2.74
Inferred	Main	2.6	0.03	1.05	1.03	2.75
	West I	6.6	0.10	1.48	0.89	2.75
	West II	3.5	0.04	1.26	0.85	2.75
	Sangar I	11.9	0.18	1.54	0.29	2.75
	Sangar II	4.8	0.07	1.45	0.27	2.75
	Danaya	31.7	0.37	1.16	1.12	2.73
	Subtotal	61.1	0.79	1.29	0.85	2.74
Total		142.3	1.97	1.38	0.87	2.74

Table 2: Goulamina open pit Ore Reserve estimate – October 2020.

Classification	Tonnes (Mt)	Li ₂ O (%)	Li ₂ O (t)
Proved	8.1	1.55	125,000
Probable	44	1.50	660,000
Total	52.0	1.51	785,000

Notes:

- Mineral Resources and Reserves are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition).
- Data is reported to significant figures and differences may occur due to rounding.
- Mineral Resources and Reserves have been reported at a 0% Li₂O cut-off grade.

The complete JORC Code compliant reports for the Mineral Resources and Reserves can be found in the Company's Replacement Prospectus dated 6 May 2022 and the ASX announcements from 17 January 2023.

COMPETENT PERSON STATEMENTS

The Information in this report that relates to Exploration results, Mineral Resources and Ore Reserves is based on information compiled by the Competent Persons listed in the table below. Each competent person:

- Is a Member or Fellow of the The Australasian Institute of Mining and Metallurgy, or a Member or a Fellow of the Australian Institute of Geoscientists.
- Has sufficient experience that is relevant to the style of mineralisation and type of deposits under their consideration and to the reporting activity being undertaken, to qualify as a Competent Person as defined in the JORC Code.
- Consents to the inclusion in this statement of matters based on their information in the form and context in which it appears.

Competent Person	Activity	Employer	Membership
Sebastian Kneer	Exploration results	Leo, full-time employee	Australian Institute of Geoscientists
Matt Clark	Danaya Mineral Resources	CSA Global	Australasian Institute of Mining and Metallurgy
Simon McCracken	NE Domains Mineral Resources	Former full-time employee of Leo (retired)	Australian Institute of Geoscientists
Quinton de Klerk	Ore Reserves	Cube Consulting	Australasian Institute of Mining and Metallurgy

MINERAL RESOURCES AND ORE RESERVES GOVERNANCE

A summary of the governance, internal controls and estimation process applicable to Mineral Resources and Ore Reserves estimates is as follows:

MINERAL RESOURCES

- Review and validation of drilling and sampling methodology and data spacing, geological logging, data collection and storage, sampling and analytical quality control.
- Geological interpretation – review of interpretation of Pegmatite dykes, structures and weathering surfaces.
- Mineral Resource Estimation – Estimates are prepared using accepted industry methods which are relevant to the style of mineralisation and proposed open pit mining methodology.
- Comparison and validation of estimation results with results using alternate modelling methodologies.
- Visual validation of block model against raw sample composites
- Use of external Competent Persons to assist in preparation of Mineral Resources estimate updates.

ORE RESERVES

- Review of the open pit mining methodology to suit the Pegmatite deposit and its mineralogical characteristics.
- Collation of input parameters, open pit optimisation studies on the Measured and Indicated Mineral Resources of the deposit, open pit designs and pit production scheduling.
- Ore Reserves estimate updates initiated following material changes in the relevant Modifying Factor assumptions.
- Ore Reserve Estimates are in accordance with the guidelines in the JORC Code (2012 Edition). Proved Ore Reserves are derived from the Measured Mineral Resources and the Probable Ore Reserves have been derived from the Indicated Mineral Resources contained within the optimised pit design and scheduled to be processed through the planned processing facility.
- Use of external Competent Persons to assist in preparation of Ore Reserves estimates.

OUR VALUES

At Leo success is achieved through shared goals and shared values.

Our values guide us in the way we work together and with our partners.



RESPECT

We will always show respect to others including the communities we work in



UNITY

We deliver on our commitments through teamwork and collaboration



HONESTY

We say what needs to be said and do the right thing every time



EXCELLENCE

We set and strive to achieve stretch targets for our stakeholders



OUR SUSTAINABILITY

Leo recognises that it is part of an industry that has an important role to play in improving the standard of living of current and future generations through meeting the global demand for lithium in a responsible and sustainable way. Leo understands that sustainable business development is essential for our ongoing success. We strive to ensure that our activities are financially profitable, technically appropriate, environmentally sound, socially responsible and ultimately create long-term sustainable returns for all stakeholders.



Over the past year we have been working hard on establishing our approach to sustainability. Embedding environmental, social and governance (ESG) considerations into all aspects of our business has been a key first step in determining our longer-term sustainability ambitions. At Leo, we have adopted a measured and pragmatic approach to identifying, analysing and understanding the impacts The Goulamina Lithium Project has, and the risks posed by our activities on the environments and communities in which we operate. How we can eliminate these risks and mitigate our impact is central to our business philosophy. This philosophy is vital in ensuring we maintain our social licence to operate.

Leo's approach to sustainability is supported by its board of directors who acknowledge that actively managing sustainability related issues is paramount to the success of the business. The board recognises the importance of Leo's management team in executing its business strategy including the development and implementation of specific ESG programs to enable the success of the overall business strategy



CORPORATE POLICIES AND PROCEDURES

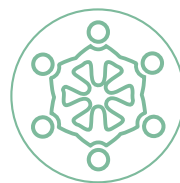
In 2022 the Company developed and implemented a number of key corporate policies and procedures designed to ensure the business conducts itself in an open and transparent manner. This includes a Code of Conduct, an Anti-Bribery and Corruption policy and a Diversity and Inclusion policy. All of these policies are posted on the Company's website and are made available to all employees, contractors and shareholders. The Company also developed and aligned its core values of honesty, unity, excellence and respect to its commitment of openness and transparency. At Leo, we see transparency as essential to good governance practices and in the best interest of our stakeholders. Improvements to, and formalisation of, our governance framework will continue in 2023.



HEALTH AND SAFETY

The health, safety and security of all our employees and contractors is of utmost importance to the Company. Therefore, the establishment of a robust safety management system and adherence to the principle that all injuries are preventable was a key priority for the business in 2022. Throughout 2022, Leo made significant progress towards embedding this principle throughout the organisation, by actively refining its safety management system and, the establishment of risk registers and risk mitigation plans to support our overall health, safety and security objectives.

The success of our early approach to health, safety and security is indicated by recording zero medical treatment or lost time injuries from when the project commenced in February 2022, resulting in 334 days without a recordable injury in 2022. In addition, zero significant security incidents were also recorded. Whilst we acknowledge and celebrate this early success, we are acutely aware of the need to continually learn, improve and be proactive in the management of safety across the business. This will remain a key priority for the business in 2023 and beyond.



COMMUNITY ENGAGEMENT

At Leo we recognise that our people are our most important asset. In a short space of time, we have established a track record of working closely with our local communities to provide employment opportunities. As of 31 December 2022, Leo's subsidiary Malian Company Lithium Du Mali SA (LMSA) had a total workforce, including contractors, of 514 with twenty five percent of the workforce coming from local communities. Given the current education and skill level of residents within local communities, all of these roles are either unskilled or low skilled. However, as the project grows and we ramp up towards operations, we will continue our efforts to promote opportunities for local villagers including implementing training and development programs aimed at upskilling and providing clear career pathways for local community residents.



SOCIAL RESPONSIBILITIES

Leo is committed to conducting its activities in a socially responsible manner, supportive of fundamental human and traditional rights and values, and respectful of the cultural heritage of the communities we work in. To honour this commitment, in 2022 the Company worked in close partnership with villages and local authorities to establish relationships, understand their concerns and determine ways in which the Company could contribute to improvements in the standard of living of local communities.





COMMUNITY DEVELOPMENT PROGRAMMES

To support our initial foray into building long term sustainable partnerships with local communities the Company implemented several community development programmes in 2022. In response to community concerns, the Company contributed to improvements of food security and incomes with the construction of a cereal storage warehouse for the women of Goulamina village.

Access to drinking water in local communities is another key concern. In response to the critical need for potable water in Torakoro village, where the water supply system had broken down, the Company funded the repair of the water system. The Company also commenced a study into the development of additional water sources for the 4 most impacted communities with the objective of providing greater certainty of access to water, reducing the risks of waterborne diseases and improving the health conditions of these communities. This project will be completed in 2023.

OUR SUSTAINABILITY (continued)



ENVIRONMENTAL AND SOCIAL IMPACT

An updated Environmental and Social Impact Assessment (ESIA) was also completed in 2022 which entailed extensive consultation with local communities and the establishment of socio-economic baseline data that will inform our community development plans for subsequent years and, assist in meeting the development aspirations of local communities.

Leo acknowledges that the environmental challenges for mining companies are significant, yet excellence in environmental performance is an essential component of success. The Company is, therefore, committed to minimising its impact on the natural landscape, waterways and flora and fauna in a manner consistent with international leading practice. In 2022, the Company commenced development of an Environmental Management System focused on using risk management processes to identify and prioritise key environmental risks and opportunities. As the Company expands its footprint, adoption of further management systems that support international best practice environmental performance will be implemented including an extensive environmental monitoring program in 2023.



SUSTAINABILITY ROADMAP

Leo's sustainability aspirations are high. To this end, in 2023 the Company plans to develop a strategic sustainability roadmap, which the Company and our stakeholders can measure progress against. Central to this will be undertaking a materiality assessment and the adoption of appropriate global sustainability frameworks. From this work, the establishment of targets aligned with these frameworks and the outcome of the materiality assessment will be completed. These will form the basis of our future reporting efforts.

Establishment of a community investment strategy that provides clarity and facilitates meaningful investments will also be a key component of the roadmap. Building on our governance framework to align with our long-term ambitions and further development of our environmental and social management systems to ensure we have the procedures required to deliver on these ambitions, will be another critical element of the roadmap.

Leo recognises the growing demand for transparency in sustainability performance. We have identified a number of actions moving forward to ensure we deliver on our commitment to be open and honest. In the year to come we will focus on identifying opportunities to further reduce risk and improve our business practices.

While we are proud of our achievements towards sustainability in 2022, our commitment to excellence in this aspect of business is ongoing and as we evolve as a Company, so too will our sustainability credentials.



DIRECTORS' REPORT

Your Directors present their report on the consolidated financial statements of Leo Lithium Limited (**Leo Lithium or Company**) and the entities it controlled (**Group**) during the 12 months ended 31 December 2022 (**Full-Year**).

Leo Lithium is a lithium-focussed company and contains one of the world's largest undeveloped high-quality spodumene (lithium) deposits which is anticipated to enter production in H1 2024.

DIRECTORS

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

Current Directors

Rick Crabb	Non-Executive Chairman (appointed 1 November 2022)
Simon Hay	Managing Director & Chief Executive Officer (appointed 10 January 2022)
Brendan Borg	Non-Executive Director (appointed 13 October 2021)
Rod Baxter	Non-Executive Director (appointed 21 April 2022)
Amber Banfield	Non-Executive Director (appointed 21 April 2022)
Alan Rule	Non-Executive Director (appointed 1 January 2023)

Former Directors

Alistair Cowden	Non-Executive Chairman (resigned 1 November 2022)
Mark Hepburn	Non-Executive Director (appointed 21 April 2022, resigned 15 November 2022)
Michael Anderson	Executive Director (resigned 21 April 2022)

Information on Directors

The names, qualifications, experience and special responsibilities of the Directors in office during or since the end of the financial year are as follows.

Name:	Rick Crabb
Title:	Non-Executive Chairman
Qualifications:	Mr Crabb holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia.
Experience and expertise:	Mr Crabb has been involved over the last 30 years as a director and strategic shareholder in many public companies operating in Australia, Asia and Africa (including Mali and Burkina Faso). For over 20 years he was chairman of ASX/TSX listed uranium miner Paladin Energy Ltd which built 2 uranium mines (in Namibia and Malawi) and at various times had advanced projects in Australia, Niger and Canada. Mr Crabb's executive level mining experience is strengthened by his legal background which has centred on mining, corporate and commercial law. Mr Crabb has been a WA Councillor of the Australian Institute of Company Directors (AICD). He was awarded the AICD Gold Medal in 2021 for services to the business community and AICD.
Other current directorships:	Eagle Mountain Mining Limited Ora Gold Limited
Former directorships (last 3 years):	None
Board Committees:	Remuneration and Nomination Committee member

DIRECTORS' REPORT (continued)

Name:	Simon Hay
Title:	Managing Director & Chief Executive Officer
Qualifications:	Mr Hay holds a Bachelor of Science with Honours (Chemistry), a Master of Applied Science (Metallurgy) from the University of Melbourne and a Graduate Diploma of Business from the Australian Graduate School of Management.
Experience and expertise:	Mr Hay is a high achieving mineral professional with extensive management and technical experience built up over a career spanning 30 years in Australia and internationally. Prior to joining Leo Lithium in January 2022, Mr Hay was Chief Executive Officer of ASX-listed lithium company, Galaxy Resources Limited. In addition to his broad functional experience in executive and management roles, Mr Hay's technical experience covers functions of smelting, refining, project commissioning and life cycle of capital works across various commodities.
Other current directorships:	Battery Future Acquisition Corp
Former directorships (last 3 years):	None
Board Committees:	None

Name:	Brendan Borg
Title:	Non-Executive Director
Qualifications:	Mr Borg holds a Master of Science in Hydrogeology and Groundwater Management (University of Technology Sydney), a Bachelor of Science in Geology/Environmental Science (Monash University) and is a member of AusIMM and IAH.
Experience and expertise:	Mr Borg is a consultant geologist who has specialised in the "battery materials" sector including lithium, graphite and cobalt mineralisation, participating in numerous successful projects, in an investment and/or operational capacity. Mr Borg has more than 20 years' experience gained working in management, operational and project development roles in the exploration and mining industries, with companies including Rio Tinto Iron Ore, Magnis Resources Limited, IronClad Mining Limited, Lithex Resources Limited and Sibelco Australia Limited. Brendan operates a geological consulting business Borg Geoscience Pty Ltd.
Other current directorships:	Kuniko Limited Sarytogan Graphite Limited
Former directorships (last 3 years):	Celsius Resources Limited (18 April 2017 - 17 March 2021) Tempus Resources Limited (18 April 2018 - 1 February 2021) Firefinch Limited (14 November 2018 - 31 May 2022)
Board Committees:	Remuneration and Nomination Committee member

Name:	Rod Baxter
Title:	Non-Executive Director
Qualifications:	Mr Baxter holds Bachelor of Science (Hons) and a PhD (Thermodynamics) from Rhodes University and a Master of Business Administration from University of the Witwatersrand.
Experience and expertise:	Mr Baxter is an experienced Director and Business Executive with extensive international and multi-sector experience in the mining and resources, engineering and construction, and manufacturing sectors in Australia and overseas. He brings valuable global business experience, strong commercial acumen, and a wide contact network. He has been Managing Director of listed and private companies, and he has operated and led businesses across a number of different industry sectors, in Australia and internationally. Mr Baxter's career has delivered substantial company growth and transformation strategies and overseen IPO's and a number of transactions including acquisitions, takeovers, JV's and strategic investments.
Other current directorships:	Podium Minerals Limited Trigg Mining Limited
Former directorships (last 3 years):	WA Kaolin Limited (15 March 2022 - 20 September 2022)
Board Committees:	Remuneration and Nomination Committee - Chair Audit & Risk Committee member

DIRECTORS' REPORT (continued)

Name:	Amber Banfield
Title:	Non-Executive Director
Qualifications:	Ms Banfield holds a Bachelor of Engineering (Environmental) degree and a Master of Business Administration, both from the University of Western Australia.
Experience and expertise:	Ms Banfield has more than 20 years' experience in management positions with Worley Limited (ASX: WOR), supporting its growth to become the world's largest energy and resources engineering services provider. Ms Banfield's roles at Worley Limited related to operations, strategy, sustainability, mergers and acquisitions, servicing the sectors of mining, infrastructure, oil and gas, hydrogen, solar and wind power. Ms Banfield has consulted to leading resource and energy companies providing strategy and project development support to energy transition, decarbonisation and sustainability-related investments.
Other current directorships:	Perseus Mining Ltd SRG Global Limited
Former directorships (last 3 years):	None
Board Committees:	Audit & Risk Committee - Chair

Name:	Alan Rule
Title:	Non-Executive Director
Qualifications:	Mr Rule holds a Bachelor of Commerce and a Bachelor of Accounting degree.
Experience and expertise:	Mr Rule has more than 25 years experience as Chief Financial Officer and Company Secretary in the mining industry in Australia and Africa. Mr Rule has considerable experience in international debt and equity financing of mining projects, implementation of accounting controls and systems, governance and regulatory requirements, and in mergers and acquisitions. Mr Rule was the CFO at Galaxy Resources Limited, an ASX listed lithium company, for 4 years until it merged with Orocobre Limited in August 2021. Prior to joining Galaxy, Mr Rule was with ASX-listed African iron ore company Sundance Resources Limited, where he had been Chief Financial Officer since July 2014. Mr Rule's previous positions have also included CFO of Paladin Energy Limited, Mount Gibson Limited, Western Metals Limited and St Barbara Mines Limited.
Other current directorships:	Yellow Cake plc Ora Banda Mining Limited
Former directorships (last 3 years):	None
Board Committees:	Audit and Risk Committee Member

'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.

Joint Company secretaries

Mr Nathan Bartrop is a corporate governance professional with over 10 years' experience in ASX Listing Rules compliance, corporate advisory and corporate governance. Nathan has assisted numerous listed and dual listed entities across a wide range of industries as Company Secretary. During his career Mr Bartrop has also worked as an ASX listings compliance adviser at ASX in Perth and Sydney, where he was actively involved in the new listing of companies on ASX and advising listed entities on their compliance with ASX listing rules. Nathan holds a Bachelor of Laws and Commerce from the University of Western Australia and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia. Mr Bartrop is a Fellow and WA State Council member of the Governance Institute of Australia and a Fellow of the Chartered Governance Institute.

Mr Ron Chamberlain was appointed as Chief Financial Officer and joint Company Secretary on 6 February 2023. Mr Chamberlain is a seasoned Perth based ASX 100 and 200 resources-based CFO and Company Secretary. He has extensive offshore experience including the US, Africa (South Africa, Namibia, Malawi) in both operating and project environments. He has a strong background in finance including tax, treasury, risk, legal and regulatory reporting and compliance in an international environment. Ron has experience in off market commodities including

DIRECTORS' REPORT (continued)

uranium and lithium, having worked for two years most recently, as CFO and Company Secretary for Peninsula Energy. Ron spent three years with Vimy Resources and four years at Paladin Energy as CFO. Prior to Paladin Ron was VP Finance, US Operations at Iluka Resources. Ron holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand.

Meetings of Directors

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

	Directors' Meetings		Remuneration and Nomination Committee		Audit and Risk Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Rick Crabb	1	1	1	1	-	-
Simon Hay	6	6	-	-	-	-
Brendan Borg	6	6	2	2	1	1
Rod Baxter	6	4	2	2	1	-
Amber Banfield	6	6	-	-	1	1
Alan Rule	-	-	-	-	1	1
Alistair Cowden	5	5	1	1	-	-
Mark Hepburn	5	5	-	-	1	1
Michael Anderson	-	-	-	-	-	-

DEMERGER AND IPO

Leo Lithium commenced trading on the Australian Securities Exchange (**ASX**) on 23 June 2022 following the demerger from Firefinch Limited (**Firefinch**), and after a strongly supported and oversubscribed capital raise.

On 29 April 2022, Firefinch announced to the ASX its plan to demerge its interest in the Goulamina Lithium Project in Mali by making an in-specie distribution of 80% of its shares in its wholly-owned subsidiary, Leo Lithium, to Firefinch shareholders on a pro rata basis (**Demerger**).

As part of the demerger and IPO, Leo Lithium raised A\$100 million, with the proceeds used to:

- fund Stage 1 development capital costs for the Goulamina Lithium Project, being the construction and operation of a plant with a 2.3 million tonne per annum throughput rate for the production of spodumene concentrate, and associated infrastructure;
- repay a loan to Firefinch which was advanced to Leo Lithium to facilitate the implementation of the Goulamina Joint Venture;
- transaction costs associated with the Demerger and Offer; and
- provide working capital, exploration and other expenses.

Following the oversubscribed initial public offering, combined with funding from JV partner Ganfeng Lithium Co. Ltd, Leo Lithium is substantially funded through to Stage 1 production.

Firefinch remains as a 17.6% shareholder in Leo Lithium.

GOULAMINA JOINT VENTURE WITH GANFENG

On 16 June 2021, Firefinch announced to ASX the execution of a binding term sheet (**Term Sheet**) with a subsidiary of the world's largest lithium producer by production capacity, Jiangxi Ganfeng Lithium Co. Ltd (**Ganfeng**), to establish a 50:50 incorporated joint venture (**JV**) to develop and operate the world-class Goulamina Lithium Project in Mali (**Goulamina JV**).

Ganfeng agreed to make a cash equity investment of US\$130 million into Mali Lithium BV (a company incorporated in the Netherlands) (**MLBV** or the **Goulamina JV company**) to earn a 50% JV interest in MLBV that in turn owns 100% of Lithium du Mali SA (a company incorporated in Mali) (**LMSA**) which owns 100% of the Goulamina Lithium Project.

As part of the agreement, Leo Lithium is the operator and manager of the Goulamina Lithium Project.

All agreements with Ganfeng were executed in August 2021 and were subject to the satisfaction of relevant conditions precedent including:

- On 1 December 2021, following receipt of Chinese regulatory approvals, and on the advice of non-objection from the Government of Mali, the first tranche of equity (US\$39 million) was deposited by Ganfeng into an escrow account.
- On 6 December 2021, Firefinch released the DFS update which revised the project base case to include a Stage 2 expansion from 2.3Mtpa to 4.0Mtpa, which is expected to come online 18 months post commissioning of Stage 1.
- On 4 January 2022, the boards of both Firefinch and Ganfeng approved a Final Investment Decision (**FID**) for the Project. The parties agreed to waive the FID condition to the payment of the final US\$91 million upon the formation of the incorporated JV.

All conditions precedent were satisfied on 30 March 2022 and Ganfeng's cash equity investment of US\$130 million was released from escrow and received in full by MLBV. Ganfeng thereby completed the acquisition of its 50% JV interest in the incorporated JV entity, MLBV.

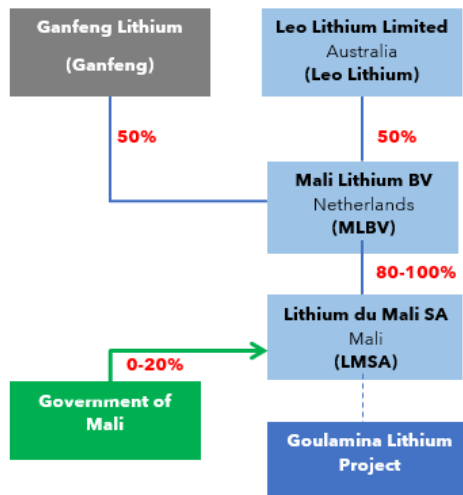
In July 2022, Leo Lithium announced that LMSA and GFL International Co., Ltd (**GFL**), a wholly owned subsidiary of Ganfeng had entered into a Facility Agreement for a US\$40M debt facility (**Ganfeng Debt**). These funds, together with the US\$130 million equity investment by Ganfeng will be used to fund Goulamina into production.

To provide further support for Goulamina, Ganfeng entered into an offtake agreement for up to 100% of spodumene concentrate product produced at Goulamina across the life of mine. Ganfeng received offtake rights to 50% of the offtake from Stage 1 of Goulamina on FID and the receipt of the US\$130 million equity investment. The remaining 50% of offtake from Stage 1 of Goulamina will be assigned to Ganfeng, subject to the provision of the Ganfeng Debt (condition satisfied) and Goulamina reaching commercial production within four years of FID (i.e. by 4 January 2026).

Pursuant to Malian law, the State of Mali is entitled to a free carried 10% equity interest in LMSA with an option to acquire an additional 10% equity interest at fair market value via the LMSA Option. At present, the Government has not exercised its option to the first 10% interest. If the State of Mali exercises the LMSA Option:

- the funds required to exercise the LMSA Option will be provided by way of a loan from Leo Lithium and Ganfeng to the Government of Mali, reducing Leo Lithium's funds; and
- the interests of Leo Lithium and Ganfeng in the Goulamina Lithium Project will be diluted.

The structure is summarised below:



PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group are:

- Exploration for lithium minerals in Mali; and
- Development of the Goulamina lithium project in Mali in joint venture with Ganfeng.

OPERATIONAL AND FINANCIAL REVIEW

Goulamina Lithium Project

Overview

The Goulamina Lithium Project is one of the world's largest undeveloped high quality spodumene deposits.

All material permits are in place and construction has commenced. The updated DFS in December 2021 confirmed the Goulamina Lithium Project as a long life, large scale and low-cost open pit project expected to produce an average of 831,000 tonnes of spodumene concentrate per annum at an average cash cost of US\$312 per tonne (FOB) at Stage 2. An initial mine life of 21 years is underpinned by a high grade, low impurity Ore Reserve of 52 million tonnes at 1.51% Li₂O for 0.79 million tonnes contained Li₂O.

The Goulamina Lithium Project's investment highlights include:

- among the world's largest spodumene projects, with anticipated annual spodumene concentrate production of 506,000 tonnes in Stage 1, increasing up to 831,000 tonnes in Stage 2 (subject to ramp up of Stage 1 and a final investment decision);
- a top 7 global hard rock Mineral Resource at 142.3 million tonnes at 1.38% Li₂O and Ore Reserve of 52 million tonnes at 1.51% Li₂O;
- one of the few lithium projects globally where development is underway and it is substantially funded to production, with US\$130 million in equity funding received from Ganfeng and US\$40 million in arranged debt by Ganfeng;
- high quality concentrate, with test work validating 6% Li₂O grade spodumene concentrate;
- joint venture with Ganfeng (a leading producer of lithium chemicals globally), providing funding, offtake and operational support with the aim of de-risking the development of the Goulamina Lithium Project;
- social licence to operate in Mali and strong relationships with the Malian government; and
- exposure to the electric vehicle and decarbonisation thematic, providing critical metals for a clean energy future.

As Manager of the Goulamina JV, Leo Lithium has commenced initial development activities to bring the Goulamina Lithium Project into production.

Resource & Reserve

Mineral Resource Estimate

A Measured, Indicated and Inferred Mineral Resource Estimate for Goulamina increased by 31% from 108.5 million tonnes at 1.45% Li₂O to 142.3 million tonnes at 1.38% Li₂O. The table was published in an ASX release dated 17 January 2023:

Estimate	Classification	Tonnes (Millions)	Contained Tonnes (Li ₂ O) (Millions)	Li ₂ O(%)
January 2023	Measured	8.4	0.13	1.57
	Indicated	72.8	1.05	1.44
	Inferred	61.1	0.79	1.29
	Total	142.3	1.97	1.38

Table 1: Goulamina Mineral Resource Estimate - January 2023

Ore Reserves

Proven and Probable Ore Reserves have been derived from Measured and Indicated Mineral Resources and are contained within the final pit design and scheduled to be processed through the planned processing facility. The Ore Reserves do not include any material classified as Inferred.

Category	Cut-off grade (Li ₂ O%)	Tonnes (millions)	Grade (Li ₂ O%)	Tonnes (Li ₂ O)
Proven	0.00	8.0	1.55	125,000
Probable	0.00	44.0	1.50	660,000
Total	0.00	52.0	1.51	785,000

Table 2: Goulamina Open Pit Ore Reserve Estimate - October 2020

The Ore Reserve is contained within an open pit containing 169 million tonnes of waste resulting in a waste to ore strip ratio of 3.26:1 with a total of 222 million tonnes of ore plus waste mined over the life of mine. Included in the waste material is 1.8 million tonnes of Inferred Mineral Resource which is not reported to Ore Reserves and is an opportunity to provide additional reserves with further drilling.

Key events

The Full-Year consolidated financial statements include the following key items:

Corporate

- Leo Lithium commenced trading on the ASX on 23 June 2022, following an oversubscribed initial public offering which raised A\$100 million.
- A US\$40 million debt facility was finalised with JV partner Ganfeng.
- Recruitment of key executives and senior project personnel has completed, including the recent appointments of Rick Crabb as Non-Executive Chairman, Alan Rule as Non-Executive Director, Tim Richards as Chief Operating Officer and Ron Chamberlain as Chief Financial Officer.

Project Development

- Leo Lithium made substantial progress in the year on the development of the Goulamina Project. Post the year end, the Company received the results from a considerable resource upgrade, which increases the total Goulamina resource base by 31% from 108.5 Mt at 1.45 % Li₂O to 142.3 Mt @ 1.38% Li₂O. Since the last published Mineral Resource Estimate (**MRE**) on 20 July 2020, the Danaya Mineral Resource has increased by over 150% to 56.1 Mt @ 1.24% Li₂O. The Indicated resource classification at Danaya expanded by 213% to 24.4 Mt @ 1.34% Li₂O. During the 2022 resource definition drilling campaign, 60 reverse circulation (**RC**) holes (including 6 Pre-Collar RC holes) were drilled for a total of 9,292 m and 17 Diamond (**DD**) holes (including 6 diamond tails) for a total of 3,428 m.
- The results confirm the large-scale, high-grade resource at Danaya, and create new drilling targets for the Company. The results also support the possible extension of the current 23-year mine life of the Goulamina Project.
- With a 27-month construction and commissioning timeline, commenced in February 2022, all development work and construction is progressing in line with schedule and budget.
- Key engineering deliverables have advanced with a safety-in-design review (**HAZOP**) submitted. Engineering and drafting continue in accordance with the baseline plan and progress was approximately 50% complete at the end of 2022.
- Major site works commenced, and key activities included installation of the pioneer camp, continuation of the drilling program, completion of the initial site access road, commencement of fencing, installation of a water bore and installation of a communications tower. As part of the pioneer camp construction, 73 modular buildings were built, and the mobilisation of the first teams occurred.
- Earthworks activities have advanced in the plant area and the tailings storage facility is in line with the plan.
- As of the end of the year, 130 community members were employed on the Project and 100% of unskilled jobs were held by Malians, on average 80% of the skilled jobs were held by Malians and 70% of supervisors were Malians.
- In total, ~80% (by value) of Engineering and Procurement (**EP**) tender packages have been issued to vendors at the end of the year.

DIRECTORS' REPORT (continued)

- Contracts have been awarded for the bulk earthworks activities, involving the civil preparation of site for the plant and the construction of the tailings facility, and concrete installation. Both packages were approved to mobilise to site in the December 2022 quarter.
- Lycopodium Minerals was awarded the contract for EP and associated Project Management (**PM**) services for the Goulamina Project Stage 1 valued at approximately A\$22.7 million.
- The Environmental and Social Impact Assessment (**ESIA**) was also approved as part of the Exploitation Permit in 2019 and has a validity period of 30 years.
- Leo Lithium's first port services agreement was secured for the export of spodumene concentrate at the Abidjan Port in Côte d'Ivoire. The 10-year contract is with Terminal Vraquier Abidjan (**SEA-Invest**), a privately-owned international port operator. The agreement stipulates a minimum product throughput of 250,000 tonnes per annum, with product receipt and export to commence from 1 July 2023. The next priority is to secure a second port as a means of risk mitigation.
- Post year end, the Goulamina JV successfully poured first concrete in the primary crushing area of the Project. This is an important construction milestone, de-risking the Project further and enabling to ramp up plant and equipment installation activities on site.
- Manufacturing of the ball mill and other key crushing and magnetic separation equipment is complete or nearing completion with final inspections completed. Other construction activities continue as per the plan, including tailings storage facility (**TSF**), temporary construction offices and permanent employee accommodation.
- Early revenue is on track from targeted export of the DSO in H2 2023.

Mineral Resources Reporting

The information in this operational and financial review that relates to production targets and Ore Reserves is extracted from the Company's replacement prospectus dated 6 May 2022 (**Prospectus**) which is available at leolithium.com. The information in relation to Mineral Resources is extracted from the ASX announcement dated 17 January 2023 (**Announcement**). The Company confirms that all material assumptions and technical parameters underpinning the production targets, Mineral Resources and Ore Reserve estimates in the Prospectus and Announcement continue to apply and have not materially changed and it is not aware of any new information or data that materially affects the information included in the Prospectus or Announcement.

Outlook

- The Project remains on schedule and on budget, with engineering and design advancing. Site activities are ramping up with the award and mobilisation of contractors for the various construction and installation packages.
- Drilling activity at the Northeast Domain is ongoing with one RC rig and one diamond rig. Further Mineral Resource updates are targeted for H1 2023.
- All areas of the plant are planned to undergo mineral commissioning in Q2 2024, culminating in early revenue from the targeted export of Direct Shipped Ore (**DSO**) in H2 2023; and first spodumene concentrate product on track for Q2 2024. The Company is targeting two 30,000t shipments of DSO in CY 2023.

Safety Performance

Safety and security are a priority for Leo Lithium and the Project has no recordable safety or environmental incidents to date.

The Total Recordable Injury Frequency rate for the rolling 12 months ending 31 December 2022 was zero.

The Lost Time Injury Frequency rate for the rolling 12 months ending 31 December 2022 was zero.

Sustainability

Leo Lithium is committed to undertaking operations transparently, ethically, and responsibly. The Company has recently commenced alignment of its environmental, social and governance practices with international best practice, and is in the process of developing a Sustainability Strategy. This includes conducting a materiality assessment, choosing an ESG framework and preparing systems and processes to enable publication of the Company's sustainability statement later this year, with the intent to develop its inaugural Sustainability Report in

2024. Leo Lithium's Waste & Hazardous Substance Management Plan continues to be under review, and the purchase of Environmental Monitoring Equipment has commenced to ensure robust environmental controls are in place prior to operations commencing.

Leo Lithium continues to build on the excellent relationship with the Government of Mali, through regular interactions with ministers, regional leaders including the Governor of Bougouni, and the local community. Developing strong ties with local communities is of key importance to Leo Lithium. Company representatives from the Community Department meet regularly with the communities to provide updates on the Project including upcoming impacts as well as opportunities for employment and supply of goods and services.

Through this consultation process, the first major Community Development Project to be undertaken by the Goulamina JV has been selected with a potable water supply to be installed in the four nearest communities in 2023.

Operating Results for the year

The Group's profit after tax for the Year was A\$66.3 million (31 December 2021: loss A\$0.02 million) including the following key items:

- The completion of the Goulamina JV resulted in a gain of A\$77.1 million to reflect the uplift in the carrying value of Leo Lithium's interest in the Goulamina JV. The carrying value comprised the implied fair value of a 50% interest in the Goulamina JV based on Ganfeng's US\$130.0 million Ganfeng equity investment in MLBV (the Goulamina JV company) less Leo Lithium's existing cost base of the Goulamina JV - see note 4.
- Joint Venture management fees of A\$0.4 million received as per the Joint Venture Agreement for management of the JV.
- Fees payable to Macquarie Capital (Australia) Limited for:
 - advisory success fee of A\$0.9 million in relation to the Ganfeng Direct Debt of US\$40.0 million; and
 - Demerger completion fee of A\$1.35 million.
- Costs assigned by Firefinch to Leo Lithium including corporate administration costs and costs associated with the formation of the Goulamina JV of A\$1.75 million.
- Administration expenses of A\$7.1 million.
- Share based payment expenses of A\$1.3 million.
- Finance expenses on the loan from Firefinch of A\$0.3 million.
- Share in Joint Venture Loss of A\$0.08 million.

Cash Flow - Leo Lithium

Operating Cash Flows

Operating cash outflows for the year end were A\$8.4 million (31 December 2021: A\$0.03 million) including payment of employees and suppliers.

Financing Cash Flows

Cash inflows relating to financing activities totalled A\$86.4 million (31 December 2021: Nil) including the following key items:

- The issue of 142,917,008 Shares at an issue price of A\$0.70 to raise \$100.0 million pursuant to the Offer.
- Offer cash costs of A\$2.4 million.
- Offer cash costs incurred by Firefinch of A\$1.0 million repaid to Firefinch.
- Receipt of A\$0.4 million loan funds from Firefinch.
- Repayment of the loan payable to Firefinch of A\$10.6 million (including interest of A\$0.3 million) following Leo Lithium's admission on ASX.

Closing Cash

Closing cash at 31 December 2022 was A\$70.8 million (31 December 2021: A\$0.02 million). In addition to this the Goulamina JV's closing cash at 31 December 2022 was US\$108.5 million.

Cash Flow - Goulamina JV

As the Goulamina JV is not consolidated in Leo Lithium's financial statements, the cash impacts of the Goulamina JV are not included in Leo Lithium's cash flows apart from any equity or loan funds provided by Leo Lithium to the Goulamina JV. The Goulamina JV arrangement is a 50:50 joint venture between Leo Lithium and Ganfeng and accordingly, Leo Lithium accounts for the arrangement as an investment utilising the equity method as per the Accounting Standards. (see note 4)

The Goulamina JV's closing cash at 31 December 2022 was US\$108.5 million.

The Goulamina JV's major cash flow items during the full-year were:

- *Cash Inflows*: Receipt of US\$130.0 million equity injection from Ganfeng; and
- *Cash Outflows*: Project development costs of US\$19.97 million.

Leo Lithium also announced that LMSA and GFL, a wholly owned subsidiary of Jiangxi Ganfeng Lithium Co., Ltd entered into a Facility Agreement for a US\$40.0 million debt facility which remains undrawn at 31 December 2022.

Dividends for the period

No dividends have been paid by the Company during the year, nor have the Directors recommended that any dividends be paid (2021: none).

COVID-19 Impact

The Company continues to follow recommendations from State and Federal Government authorities to provide a COVID-19 safe workplace.

COVID-19 impacts have not been significant to the Company during the year. The Company does not expect any negative impacts to the financial statements nor triggers for any significant uncertainties with respect to events or conditions which may adversely impact the Company as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Business risks and external factors

Leo Lithium's business, operating and financial performance are subject to various risks and uncertainties, some of which are beyond Leo Lithium's reasonable control. The identification and, where possible, mitigation and management of these risks is central to achieving the objectives of the Company.

The Prospectus published by the Company in 2022 contained comprehensive disclosure of the potential risk factors associated with the Company's business and the industry and markets in which it operates. The matters that have the potential to materially impact Leo Lithium's operating and/or financial results are set out below and are not listed in order of importance and are not intended as an exhaustive list of all the risks and uncertainties associated with Leo Lithium's business.

Political and security instability in Mali

The Company's properties in Mali may be subject to the effects of political changes, war and civil conflict, changes in government policy, lack of law enforcement, labour unrest and the creation of new laws. These changes may impact the profitability and viability of projects. The effect of unrest and instability on political, social or economic conditions in Mali could result in the impairment of exploration, development and mining operations.

Development and operational risk

Mineral development and production are high-risk activities. The ability of the Goulamina JV to commercially exploit the Goulamina Lithium Project depends, among other things, on successful mining, maintaining title to the exploitation permit, obtaining all necessary consents and approvals, successful design, construction, commissioning and operating of mining and processing infrastructure, logistics (including road haulage) and effective management of operations. Mineral development and production activities may be affected by force majeure (being catastrophic events beyond the control of Leo Lithium) and other unforeseen risks.

Licences, permits and approvals

Companies engaged in the development and operation of mines and related facilities are subject to increased costs, and delays in production and other schedules because of the need to comply with applicable environment and planning laws, regulations and permitting requirements.

Commodity prices

The Goulamina Lithium Project does not yet produce spodumene concentrate. Demand for, and pricing of, spodumene concentrate is sensitive to a variety of external factors, most of which are beyond Leo Lithium's control. There is a risk that the growth in electric vehicle production and battery storage technology more generally does not proceed at a sufficient or similar rate to support future growth in spodumene concentrate supply. Declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project or expansion. Spodumene concentrate is not a commodity for which hedging or derivative transactions can be used to manage commodity price risk.

Foreign exchange movements

Once the Goulamina Lithium Project is successfully developed, Leo Lithium's revenue will be derived from in United States dollars. Costs will mainly be incurred by its business in Australian dollars, United States dollars and West African CFA Francs. As revenue and costs will be incurred in multiple currencies, Leo Lithium is exposed to foreign exchange risk. Therefore, movements in the AUD:USD and AUD:XOF exchange rates may adversely or beneficially affect Leo Lithium's results of operations and cash flows.

Significant changes in the state of affairs

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year, other than those described in this report under 'Operational and financial review'.

Significant events after the balance date

Other than as stated below, no matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

- On 17 January 2023, the Company announced an increase in the total Goulamina resource base by 31% from 108.5 Mt at 1.45 % Li₂O to 142.3 Mt @ 1.38% Li₂O after completing a resource definition drilling campaign undertaken in the second half of 2022 on pegmatite dykes in the south-west of the Goulamina Lithium Project, part of the Danaya Domain.
- On 16 February 2023, the Company announced key construction milestones at the Goulamina Lithium Project, with successful pouring of first concrete in the primary crushing area, and manufacturing of the ball mill and other crucial crushing equipment successfully completed and undergoing final factory inspection tests before the equipment is readied for transport to the project site.

Likely developments and expected results

The Group will continue to monitor developments and impacts from the COVID-19 pandemic to our operations and business practices. Further comments on likely developments and expected results of operations of the Group are included in this financial report under 'Operational and financial review'.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
16 June 2022	16 June 2025	\$0.644	6,770,000
1 November 2022	31 October 2025	\$0.7631	590,000

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.

Performance rights over unissued capital

At the date of this report, there are 1,901,251 performance rights to acquire ordinary shares as follows:

Outstanding	Performance Period End Date	Incentive Plan
1,675,860	31 December 2024	2022-2024 LTI
225,391	31 December 2022	2022 STI

No person entitled to exercise the performance rights 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 Leo Lithium issued on the exercise of options during the year ended 31 December 2022 and up to the date of this report.

Environmental regulation

The Group's site activities under the Exploitation Permit are governed by the Mining Code and environmental regulation. To the best of the Directors' knowledge the Group believes it has adequate systems in place to ensure the compliance with the requirements of applicable environmental legislation and is not aware of any material breach of those requirements during the year and up to the date of the Directors' Report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

The Company's auditor is PricewaterhouseCoopers (PwC). The terms of engagement of PwC includes an indemnity in favour of the external auditor. This indemnity is in accordance with PwC's standard terms of business and is conditional upon PwC acting as external auditor. No payment has been made to PwC by the Company pursuant to this indemnity, either during or since the end of the financial year. The Company has not otherwise indemnified or agreed to indemnify PwC at any time during the financial year.

Non-audit services

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

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

The Directors are of the opinion that the services as disclosed in note 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.

Remuneration report (audited)

The remuneration report details the key management personnel (**KMP**) remuneration arrangements for the group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

KMPs of the Company during the financial year ended 31 December 2022:

Non-Executive KMP

KMP	Position	Commenced / Resigned
Rick Crabb	Non-Executive Chairman	Appointed 1 November 2022
Brendan Borg	Non-Executive Director	Appointed 13 October 2021
Rod Baxter	Non-Executive Director	Appointed 21 April 2022
Amber Banfield	Non-Executive Director	Appointed 21 April 2022
Alistair Cowden	Non-Executive Chairman	Resigned 1 November 2022
Mark Hepburn	Non-Executive Director	Appointed 21 April 2022 / Resigned 15 November 2022
Michael Anderson	Executive Director	Resigned 21 April 2022
Alan Rule	Non-Executive Director	Appointed 1 January 2023
	Interim Chief Financial Officer	Appointed 8 May 2022 / Resigned 8 September 2022

Executive KMP

KMP	Position	Commenced / Resigned
Simon Hay	Managing Director & Chief Executive Officer	Appointed 10 January 2022
Tom Blackwell	Project Director	Appointed 6 June 2022
Ron Chamberlain	Chief Financial Officer	Appointed 6 February 2023
Tim Richards	Chief Operating Officer	Appointed 30 January 2023
Joseph Belladonna	Chief Financial Officer	Appointed 1 August 2022 / Resigned 30 November 2022

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 Group'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 (**Board**) ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- fair, consistent and inclusive
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

DIRECTORS' REPORT (continued)

The Remuneration and Nomination Committee (**RNC**) is primarily responsible for making decisions and recommendations on the remuneration policy to enable the Company to attract and retain key management personnel who will create value for shareholders, having consideration to the amount considered to be commensurate for a company of its size and level of activity.

The reward framework is designed to align executive reward to shareholders' interests. 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 are separate.

Non-executive Directors' remuneration

Fees and payments to Non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the RNC. The RNC may, from time to time, receive advice from independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other Non-executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate Non-executive Directors' remuneration be determined periodically by a general meeting. Until a different amount is determined by shareholders at a general meeting, the maximum aggregate Non-executive Directors' fee pool approved by shareholders is \$800,000 per annum, pursuant to the Company's Constitution.

The following fees applied during the year:

Position	Base salary
Chair	\$160,000
Other Non-executive Directors	\$95,000
<i>Additional fees</i>	
Committee - chair	\$10,000
Committee - member	\$5,000

All Non-executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Executive remuneration

The Board aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- Total Fixed Remuneration (**TFR**) comprising base pay and superannuation
- at-risk share based and cash short-term incentive (**STI**)
- at-risk share-based long-term incentive (**LTI**)

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

Remuneration element	Description	Performance metrics	Potential opportunity
Fixed remuneration	Inclusive of base pay, Superannuation and allowances.	Nil	Positioned against Market
STI	Award is a combination of cash bonus and performance rights on achievement of individual and Company key performance indicators (KPIs)	KPIs used span across key focus areas of the business (sustainability, capacity, value and growth.)	30% to 50% of fixed remuneration
LTI	Performance Rights and Options	Achievement of project schedule, achievement of project budget and relative TSR over a 3-year period measured against a custom peer group consisting of 15 companies	60% to 100% of fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the RNC. Fixed remuneration is linked to the market rate of the role and is intended to compensate for fulfilling the scope of the employees' roles and responsibilities and the employees' skills, experience, and qualifications.

The primary purpose of the STI is to incentivise executives to achieve the annual STI performance objectives set in the annual Corporate Scorecard and individual performance objectives for the year. The STI corporate performance objectives and individual objectives clearly set out the annual performance targets required from executives. Achievement of the corporate scorecard objectives and MD's individual objectives is determined by the Board at the end of the annual period. The STI comprises an annual award which is measured over a 12-month performance period and is payable in 100% equity to the MD and 50% cash and 50% equity to the KMPs. The performance targets are contained in a balanced scorecard with financial and non-financial measures, as well as a mixture between corporate and individual measures. At the Boards' absolute discretion, in the event of a major incident which results in a fatality, significant injury or reputational damage, the Board may decide to make no or partial payment under the STI plan.

The LTI - share-based payments, is designed to incentivise executives in the creation of long-term shareholder value as evidenced by market and non-market measures, by rewarding executives for the achievement of long-term performance targets set by the Board at the beginning of the performance period. The long-term targets are set out by the Board to provide clear and measurable direction as to what the Board and shareholders require from executives.

2022 Short term incentive plan terms

Performance Rights

The STI Rights vest based on achievement of the following conditions:

- i. Satisfactory completion of the corporate scorecard objectives and the personal performance objectives set by the board;
- ii. The relevant person must be employed by the Company or its subsidiary in order for STI Rights to vest; and
- iii. Participants must meet the requirements of the role and adhere to Leo Lithium core values as a minimum.

2022 Long term incentive plan terms

Options

Managing Director Options

The Managing Director Options are capable of vesting on the date that represents 30 months of continuous service by the Managing Director following the date of issue of the Managing Director Options and will vest on satisfaction of the following:

- i. 3,000,000 Managing Director Options vest on declaration of commercial production at the Goulamina Lithium Project, with project delivery in accordance with Board approved budget and schedule. Board discretion of external factors.
- ii. 1,000,000 Managing Director Options vest if there are no fatalities and Leo Lithium's total recordable injury frequency rate is in the lowest quartile for similar construction operations in Africa.

DIRECTORS' REPORT (continued)

- iii. 1,000,000 Managing Director Options vest if the Board approves production growth or associated opportunity beyond Stage 1 of the Goulamina Lithium Project,

Company Options

Company Options are issued to the Directors of the company other than the Managing Director. The Company Options held by a holder of Company Options will vest on the date that represents 30 months of continuous service by the relevant holder of Company Options following the date of issue of the Company Options (Vesting Date).

Performance Rights

The number of Tranche 1 LTI Rights that vest is based on the achievement of the approved project schedule for first production from Goulamina Lithium Project Stage 1. Should the vesting condition be achieved on a date that is between performance levels, the award outcome will be determined on a linear basis. The vesting schedule is as follows:

Weighting	35% of the total number of Performance Rights granted to the employee	
Performance Level	Date	Award Outcome
Maximum	If on or before 28 February 2024	100%
Target	If on or before 30 April 2024	75%
Threshold	If on or before 30 June 2024	50%
Below Threshold	If on or before 1 September 2024	Nil

The number of Tranche 2 LTI Rights that vest is based upon the achievement of the project budget for Goulamina Lithium Project Stage 1. Should the performance measure be between performance levels, the award outcome will be determined on a linear basis. The vesting schedule is as follows:

Weighting	15% of the total number of Performance Rights granted to the employee	
Performance Level	Date	Award Outcome
Maximum	5% below budget	100%
Target	2% below budget	75%
Threshold	If on budget	50%
Below Threshold	Over budget	Nil

The number of Tranche 3 LTI Rights that vest is based on the relative Total Shareholder Return (TSR) ranking of Leo Lithium over the performance period, relative to the TSR performance of the Peer Group, whereby TSR will be determined based on the 20-day VWAP of Leo Lithium shares following its listing on the Australian Securities Exchange. A minimum share price appreciation of 40% over the performance period must be achieved. The Tranche 3 LTI Rights will vest according to the following schedule:

Weighting	50% of the total number of Performance Rights granted to the employee	
Company's TSR performance relative to the Peer Group	Percentage of Rights eligible to vest	
At or above the 75 th percentile	100%	
Between the 50 th percentile and 75 th percentile	Progressive pro-rate vesting between 50% to 100%	
Below the 50 th percentile	Nil	
Peer group		
Argosy Minerals Limited	Lake Resources NL	
Atlantic Lithium Limited	Liontown Resources Limited	
AVZ Minerals Limited	Lithium Americas Corp.	
Core Lithium Limited	Piedmont Lithium Inc.	
Critical Elements Lithium Corp.	Sayona Mining Limited	
Frontier Lithium Inc	Sigma Lithium Corp.	
Galan Lithium Limited	Vulcan Energy Resources Limited	
Ioneer Limited		

Remuneration mix and incentive opportunity

The remuneration mix and incentive opportunity includes a fixed remuneration component, an STI and LTI.

The table below outlines the incentive opportunity as a percentage of fixed remuneration.

Incentive Opportunity	STI Target	STI Stretch	LTI	Maximum Incentive Opportunity
Managing Director	30%	50%	100%	150%
KMP	30%	45%	60%	105%
Directors	-	-	-	-

The chart below shows the remuneration mix when maximum 'at risk' remuneration is earned for both the MD and KMPs under the incentive plan.

Incentive Opportunity	TFR	STI	LTI
Managing Director	40%	20%	40%
KMP	48.8%	22%	29.3%

Executive KMP overall STI scorecard

STI outcomes are based off a weighted average of 60% of the Corporate scorecard and 40% off the Individual scorecard.

Corporate Scorecard

	Sustainability	Capacity	Value	Growth
Objective	Develop and implement plans to maintain social licence to operate	Build & enhance Leo's corporate capacity across people, finance and stakeholder functions	Execute project activities on budget and schedule	Establish a foundation for future growth at Goulamina and beyond
Weighting	20%	15%	50%	15%

Individual Scorecard

Mr S Hay

	Sustainability	Capacity	Value	Growth
Objective	Safety performance, community and development program and long-term stakeholder relationships	Capable executive and project leadership team, remuneration system, funding and investor relations	Project activities on plan, early mobilisation. Secure port access and storage and identify contingency transport routes	Progress plans for future growth at Goulamina and beyond
Weighting	20%	15%	50%	15%

DIRECTORS' REPORT (continued)

Executive KMP overall STI scorecard (continued)

Mr T Blackwell

	Value - EPCM Contract	Value - Acceleration opportunities	Value - Project Schedule and Budget	Sustainability
Objective	Conclude negotiations on the EPCM to an acceptable outcome	Set out and execute a plan of activities for schedule acceleration	Ensure that the baseline project schedule and cost expenditure remain as per the approved plan at year end	Ensure site Health, Safety, Security, Environment and Community (HSSEC) Management plans are issued and implemented
Weighting	40%	10%	30%	20%

Executive KMP overall STI outcome

Executive KMP	Scorecard outcome	Individual outcome	Weighted total outcome	Total Outcome
S Hay ¹	92.80%	101.75%	108.40%	The outcome represented 64% of the maximum STI opportunity
T Blackwell ²	92.80%	85.00%	101.70%	The outcome represented 68% of the maximum STI opportunity

¹ Mr Hay has elected to have 100% of his STI outcome issued as equity subject to shareholder approval.

² Mr Blackwell's STI mix is 50% cash and 50% equity. The equity portion is subject to Board approval in early 2023.

The following table presents the outcomes of the STI award attributed to the performance period commencing from the date of employment to 31 December 2022.

Executive KMP	Maximum STI Opportunity	% of maximum STI earned	% of maximum STI forfeited	Cash STI outcome inclusive of superannuation	Equity STI outcome	Total STI outcome inclusive of superannuation
S Hay ¹	\$325,146	64%	36%	-	\$209,714	\$209,174
T Blackwell	\$103,932	68%	32%	\$35,226	\$35,226	\$70,452

¹ As Mr Hay's STI is subject to shareholder approval, the value of the STI's have been estimated as at 31 December 2022.

Statutory performance indicators

The Group aims to align executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance for 2022 (first year of listing) as required by the Corporations Act 2001. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. Consequently, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	Year ended 31 December 2022
Profit for the period, \$	66,277,984
Dividends paid, \$	Nil
Net assets, \$	183,171,196
Listing share price, \$	0.52
Closing share price, \$	0.49

DIRECTORS' REPORT (continued)

Use of remuneration consultants

The RNC has access to adequate resources to perform its duties and responsibilities including the authority to seek and consider advice from independent remuneration professionals to ensure that they have all of the relevant information at their disposal to determine KMP remuneration.

The RNC has established protocols to ensure that if remuneration recommendations, as defined by the Corporates Act 2001, are made by independent remuneration consultants they are free from bias and undue influence by members of the KMP to whom the recommendations relate.

During 2022, the RNC engaged the services of BDO to review the Company's Non-Executive Director remuneration framework and later Executive Remuneration. The fees paid to BDO for remuneration recommendations in 2023 were \$19,000 (excluding GST).

During 2022 the RNC engaged the services of The Reward Practice to review the design of the employee incentive scheme and support the development of documentation. The fees paid to The Reward Practice for the remuneration benchmarking were \$26,000 (excluding GST).

Details of remuneration

Amounts of remuneration

Details of the remuneration of KMP's are set out in the following tables:

	Short-term benefits		Post-employment benefits	Equity-settled share-based payments		Total remuneration
	Salary and fees (ii)	Cash bonus	Superannuation	Options	Rights	
2022	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Rick Crabb	27,500	-	2,888	13,187	-	43,575
Brendan Borg	75,000	-	7,750	71,772	-	154,522
Rod Baxter	82,500	-	8,525	71,772	-	162,797
Amber Banfield	78,750	-	8,137	71,772	-	158,659
Alistair Cowden (1)	96,250	-	9,900	-	-	106,150
Mark Hepburn (2)	66,667	-	6,875	-	-	73,542
Michael Anderson (3)	-	-	-	-	-	-
<i>Executive Directors:</i>						
Simon Hay (i)	627,976	-	24,430	608,238	151,672	1,412,316
<i>Other KMP:</i>						
Tom Blackwell	215,545	34,909	14,610	-	57,873	322,937
Joseph Belladonna (4)	159,653	-	8,431	-	-	168,084
Alan Rule (5)	177,301	-	12,954	-	-	190,255
TOTAL	1,607,142	34,909	104,500	836,741	209,545	2,792,837

(1) Mr Cowden resigned on 1 November 2022.

(2) Mr Hepburn resigned on 15 November 2022.

(3) Mr Anderson resigned on 15 April 2022.

(4) Mr Belladonna was appointed as CFO on 1 August 2022 and resigned on 30 November 2022.

(5) Mr Rule was appointed as interim CFO on 8 May 2022 and resigned on 8 September 2022.

(i) The STI equity award for 2022 for the MD & CEO is subject to securityholder approval at the 2023 Annual General Meeting. The fair value of the MD & CEO's award has been estimated by reference to the closing share price at 31 December 2022 and preliminary modelling. Any differences between the estimated fair value at 31 December 2022 and the final fair value will be trued-up in the 2023 financial year.

(ii) Included within the Salaries and Fees column is the annual leave benefit which is expected to be wholly utilised within 12 months from the reporting date.

Details of remuneration (continued)

As the company was not a disclosing entity in the previous year, Section 300A of the Companies Act for KMP only applies for the 2022 year, so comparative disclosures have not been made.

Service agreements

Executive service agreements

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

Name:	Simon Hay
Title:	Managing Director & Chief Executive Officer
Agreement commenced:	10 January 2022
Remuneration and other benefits:	\$625,000 per annum plus statutory superannuation STI comprising 30% of fixed annual remuneration with a stretch target of 50% of fixed annual remuneration LTI comprising 100% of fixed annual remuneration
Termination:	Termination by either party by giving six months' notice

Name:	Tom Blackwell
Title:	Project Director
Agreement commenced:	10 June 2022
Remuneration and other benefits:	\$380,000 per annum plus statutory superannuation STI comprising 30% of fixed annual remuneration with a stretch target of 45% of fixed annual remuneration LTI comprising 60% of fixed annual remuneration
Termination:	Termination by either party by giving six months' notice

Name:	Joseph Belladonna
Title:	Chief Financial Officer and Joint Company Secretary
Agreement commenced:	1 August 2022
Agreement terminated:	30 November 2022
Remuneration and other benefits:	\$475,000 per annum plus statutory superannuation STI comprising 45% of fixed annual remuneration LTI comprising 60% of fixed annual remuneration
Termination:	Termination by either party by giving six months' notice

Name:	Alan Rule
Title:	Interim Chief Financial Officer
Agreement commenced:	10 March 2022
Contract term concluded:	8 September 2022
Remuneration and other benefits:	\$370,000 per annum plus statutory superannuation
Termination:	Termination by either party by giving 4 weeks' notice

KMP 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 KMP as part of compensation during the year ended 31 December 2022.

Options

During the year, the Company has established the Leo Lithium Limited Awards Plan (**Awards Plan**) to assist in the motivation, retention and reward of certain employees and Executive Directors engaged by the Company or any of its subsidiaries. The Awards Plan is designed to align the interests of participants more closely with the interests of Shareholders. All awards granted under the Awards Plan to participants will be Performance Rights or Options.

DIRECTORS' REPORT (continued)

Share-based compensation (continued)

The below details the award and conditions of a long-term incentive award made to Directors and KMP's during 2022. The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other KMP in this financial year 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
Rick Crabb	590,000	1 November 2022	29 April 2025	31 October 2025	\$0.763	\$0.339
Simon Hay	5,000,000	16 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455
Brendan Borg	590,000	16 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455
Rod Baxter	590,000	16 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455
Amber Banfield	590,000	16 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455
Alistair Cowden	1,000,000	16 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455
Mark Hepburn	590,000	16 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by Directors and other KMP as part of compensation during the year ended 31 December 2022 are set out below:

Name	Number of options granted during the year	Number of options vested during the year	Number of options lapsed/cancelled during the year	Number of options at the end of the year
Rick Crabb	590,000	-	-	590,000
Simon Hay	5,000,000	-	-	5,000,000
Brendan Borg	590,000	-	-	590,000
Rod Baxter	590,000	-	-	590,000
Amber Banfield	590,000	-	-	590,000
Alistair Cowden	1,000,000	-	(1,000,000)	-
Mark Hepburn	590,000	-	(590,000)	-
	8,950,000	-	(1,590,000)	7,360,000

No options were issued during the 2021 financial year.

Values of options over ordinary shares granted, exercised and lapsed for Directors and other KMP as part of compensation during the year ended 31 December 2022 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed/cancelled during the year \$	Value of options at the end of the year \$
Rick Crabb	200,010	-	-	200,010
Simon Hay	2,275,000	-	-	2,275,000
Brendan Borg	268,450	-	-	268,450
Rod Baxter	268,450	-	-	268,450
Amber Banfield	268,450	-	-	268,450
Alistair Cowden	455,000	-	(455,000)	-
Mark Hepburn	268,450	-	(268,450)	-
Tom Blackwell	-	-	-	-
	4,003,810	-	(723,450)	3,280,360

DIRECTORS' REPORT (continued)

Share-based compensation (continued)

Performance Rights

Short Term Incentives - Performance Rights

The below details the award and conditions of a short-term incentive award made to KMP's during 2022. The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of Performance rights granted	Grant date	Testing date	Vesting date	Expiry date	Fair value per right at grant date	Fair value of rights granted	Maximum value yet to vest
S Hay *	426,885	*	31/12/22	*	-	\$0.490	\$209,174	\$57,502
T Blackwell	104,919	07/09/22	31/12/22	#	30/06/23	\$0.725	\$51,563	\$20,676

* STI rights for Simon Hay will be granted and vest upon approval by shareholders at the 2023 Annual General Meeting. Indicatively, 426,885 has been valued to be granted based on remuneration mix.

STI rights for Tom Blackwell will vest upon Board approval in early 2023.

For eligibility, KMP's need to be employed with the Company until the approval of the STI.

Performance Rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by Directors and other KMP as part of compensation during the year ended 31 December 2022 are set out below:

Name	Number of rights granted during the year 2022	Number of rights granted during the year 2021	Number of rights vested during the year 2022	Number of rights vested during the year 2021
Simon Hay	-	-	-	-
Tom Blackwell	104,919	-	-	-

Values of performance rights over ordinary shares granted, exercised and lapsed for Directors and other KMP as part of compensation during the year ended 31 December 2022 are set out below:

Name	Value of rights granted during the year \$	Value of rights exercised during the year \$	Value of rights lapsed during the year \$
Simon Hay	-	-	-
Tom Blackwell	76,066	-	-

Long Term Incentives - Performance Rights

The below details the award and conditions of a long-term incentive award made to Directors and KMP's during 2022. The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other KMP in this financial year or future reporting years are as follows:

Type	Grant date	Vesting date	Expiry date	Number of shares issued	Fair value at grant date	Total fair value at grant date	Maximum value yet to vest
T Blackwell							
Tranche 1	7/9/22	31/12/2024	30/06/2025	147,357	\$0.585	\$86,204	\$75,131
Tranche 2	7/9/22	31/12/2024	30/06/2025	63,153	\$0.585	\$36,945	\$32,199
Tranche 3	7/9/22	31/12/2024	30/06/2025	210,510	\$0.413	\$86,941	\$75,773

Share-based compensation (continued)

Performance Rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by KMP as part of compensation during the year ended 31 December 2022 are set out below:

Name	Number of rights granted during the year 2022	Number of rights granted during the year 2021	Number of rights vested during the year 2022	Number of rights vested during the year 2021
Simon Hay	-	-	-	-
Tom Blackwell	421,020	-	-	-

Values of performance rights over ordinary shares granted, exercised and lapsed for KMP as part of compensation during the year ended 31 December 2022 are set out below:

Name	Value of rights granted during the year \$	Value of rights exercised during the year \$	Value of rights lapsed during the year \$	Maximum Value of rights yet to vest \$
Simon Hay	-	-	-	-
Tom Blackwell	210,089	-	-	180,252

Additional information

Loans to Directors and KMP

There were no loans outstanding at the reporting date to Directors or other KMP.

Other transactions with KMP and or their related parties

There were no other related party transactions with KMP for the year ended 31 December 2022 (2021: Nil).

Additional disclosures relating to key management personnel

Shareholding

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

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Rick Crabb	-	-	160,000	-	160,000
Simon Hay	-	-	726,590	-	726,590
Brendan Borg	-	-	10,100,000	-	10,100,000
Rod Baxter	-	-	41,536	-	41,536
Amber Banfield	-	-	873,737	-	873,737
Tom Blackwell	-	-	95,760	-	95,760
Alistair Cowden *	-	-	7,228,180	(1,135,110)	6,093,070
Mark Hepburn *	-	-	1,273,675	-	1,273,675
	-	-	20,499,478	(1,135,110)	19,364,368

* Represents KMP who has resigned and balance of shares on last day of employment.

DIRECTORS' REPORT (continued)

Additional disclosures relating to key management personnel (continued)

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

Options over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Rick Crabb	-	590,000	-	-	590,000
Simon Hay	-	5,000,000	-	-	5,000,000
Brendan Borg	-	590,000	-	-	590,000
Rod Baxter	-	590,000	-	-	590,000
Amber Banfield	-	590,000	-	-	590,000
Alistair Cowden	-	1,000,000	-	(1,000,000)	-
Mark Hepburn	-	590,000	-	(590,000)	-
Alan Rule	-	-	-	-	-
Tom Blackwell	-	-	-	-	-
	-	8,950,000	-	(1,590,000)	7,360,000

Performance Rights holding - STI

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of KMP's of the Group, including their personally related parties, is set out below:

Performance Rights over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Rick Crabb	-	-	-	-	-
Simon Hay	-	-	-	-	-
Brendan Borg	-	-	-	-	-
Rod Baxter	-	-	-	-	-
Amber Banfield	-	-	-	-	-
Alan Rule	-	-	-	-	-
Tom Blackwell	-	104,919	-	-	104,919
	-	104,919	-	-	104,919

Performance Rights holding - LTI

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of KMP's of the Group, including their personally related parties, is set out below:

Performance Rights over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Rick Crabb	-	-	-	-	-
Simon Hay	-	-	-	-	-
Brendan Borg	-	-	-	-	-
Rod Baxter	-	-	-	-	-
Amber Banfield	-	-	-	-	-
Alan Rule	-	-	-	-	-
Tom Blackwell	-	421,020	-	-	421,020
	-	421,020	-	-	421,020

This concludes the remuneration report, which has been audited.

Rounding

The amounts contained in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) pursuant to the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the class order applies.

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.

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



Simon Hay
Managing Director

28 March 2023

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Leo Lithium Limited for the year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Ian Campbell', is written over a light grey horizontal line.

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
28 March 2023

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FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$'000	2021 \$'000
Income			
Gain on formation of the Goulamina JV	4	77,098	-
JV management and administration fee		450	-
Other income		129	26
Expenses			
Administration expenses	5	(7,113)	(1)
Employee benefits expense	5	(2,143)	-
Share-based payments expense		(1,262)	-
Finance costs	5	(308)	-
Forex loss		(490)	-
Share of Joint Venture loss	4	(83)	-
Profit before income tax expense		66,278	25
Income tax expense	6	-	-
Profit after income tax expense for the year		66,278	25
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation - investment in the Goulamina JV	14	9,684	-
Other comprehensive income for the year, net of tax		9,684	-
Total comprehensive income for the year		75,962	25
		Cents	Cents
Basic earnings per share	26	6.37	-
Diluted earnings per share	26	6.36	-

FINANCIAL REPORT (continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	70,834	23
Loans and other receivables	8	6,953	-
Other current assets	9	1,026	-
Total current assets		<u>78,813</u>	<u>23</u>
Non-current assets			
Investments accounted for using the equity method	10	105,916	-
Property, plant and equipment		36	-
Total non-current assets		<u>105,952</u>	<u>-</u>
Total assets		<u>184,765</u>	<u>23</u>
Liabilities			
Current liabilities			
Trade and other payables	11	1,491	-
Employee benefits	12	103	-
Total current liabilities		<u>1,594</u>	<u>-</u>
Total liabilities		<u>1,594</u>	<u>-</u>
Net assets		<u>183,171</u>	<u>23</u>
Equity			
Contributed equity	13	105,924	-
Reserves	14	10,946	-
Retained earnings		66,301	23
Total equity		<u>183,171</u>	<u>23</u>

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

FINANCIAL REPORT (continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Contributed equity \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2021	-	-	-	(2)	(2)
Profit for the year	-	-	-	25	25
Total comprehensive income for the year	-	-	-	25	25
Balance at 31 December 2021	-	-	-	23	23
Balance at 1 January 2022	-	-	-	23	23
Profit after income tax expense for the year	-	-	-	66,278	66,278
Other comprehensive income for the year, net of tax	-	9,684	-	-	9,684
Total comprehensive income for the year	-	9,684	-	66,278	75,962
Shares issued (note 13)	109,313	-	-	-	109,313
Share issue costs (note 13)	(3,389)	-	-	-	(3,389)
Share-based payments (note 27)	-	-	1,262	-	1,262
Balance at 31 December 2022	105,924	9,684	1,262	66,301	183,171

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

FINANCIAL REPORT (continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(8,633)	-
Interest received		129	-
Joint venture management fees		110	-
		<hr/>	<hr/>
Net cash (used in) operating activities	25	<u>(8,394)</u>	<u>-</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(36)	-
Payments made on behalf of JV partner		(14,674)	-
Receipts from JV partners		8,061	-
		<hr/>	<hr/>
Net cash (used in) investing activities		<u>(6,649)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issue of shares	13	100,042	-
Transaction costs related to share issue		(3,389)	-
Proceeds from loan from Firefinch		350	-
Interest and other finance costs paid		(308)	-
Repayment of loan from Firefinch*		(10,296)	-
		<hr/>	<hr/>
Net cash from financing activities		<u>86,399</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		71,356	-
Cash and cash equivalents at the beginning of the financial year		23	24
Effects of exchange rate changes on cash and cash equivalents		(545)	(1)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	7	<u>70,834</u>	<u>23</u>

*As part of Goulamina JV transaction, Firefinch transferred the ownership and intellectual property of both the Original DFS and the Updated DFS for the Goulamina Lithium Project to Leo Lithium. In addition, Firefinch transferred its 359 shares in MLB to Leo Lithium. Consideration for these transfers comprised a loan of \$9.9 million repaid to Firefinch and the issue of 4,635,540 new ordinary fully paid shares (see Note 13) in Leo Lithium to Firefinch, valued at \$9.3 million.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These are the consolidated financial statements and notes of Leo Lithium Limited (**Leo Lithium** or the **Company**) and controlled entities (collectively the **Group**). Leo Lithium is a Company limited by shares, domiciled and incorporated in Australia.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated. Where necessary, comparative information is reclassified and restated for consistency with current period disclosures.

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.

Compliance with IFRS

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

Going Concern

The Directors believe it is appropriate to prepare the financial statements on a 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.

At 31 December 2022, the Company had \$70.8 million in cash and cash equivalent assets and no borrowings and the Goulamina JV had US\$108.5 million in cash and cash equivalent assets and an undrawn US\$40 million debt facility agreement with 50/50 joint venture partner Jiangxi Ganfeng Lithium Co.

Management have prepared cashflow forecasts for the period covering at least 12 months from the date of this report to support the assessment of going concern, which anticipates that the Company will be able to pay its debts as and when they fall due during this period. Noting the inherent risks associated with achieving the cashflow forecast, key assumptions in the cashflow forecast include:

- The Goulamina Lithium Project is planned to be executed based on early commissioning of mining and logistics with DSO sales commencing in the second half of 2023, and first lithium concentrate production scheduled in the second quarter of 2024;
- The cash held by the Goulamina JV, its available undrawn debt facility and further equity contributions from the joint venture partners are forecast to provide sufficient funds to cover Goulamina Stage 1 development capital, operating and other expenditure for the period; and
- The Company's share of forecast equity contributions through this period can be funded from the Company's existing cash reserves.

The Directors have a reasonable expectation that these assumptions can be satisfied and believe it is appropriate to prepare the financial statements on a going concern basis. In the event that the key assumptions noted above are not achieved and additional funding is required the Company can alter the Goulamina operational plans or seek alternative sources of funding for the Goulamina JV or the Company which the Directors believe would be available.

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment, and investment property measured at fair value or revalued amount.

FINANCIAL REPORT (continued)

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141].

The Group also elected to adopt the following amendments early:

- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112].

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 Group'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.

b) Parent entity information

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

c) Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where 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 Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint Arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Leo Lithium has an investment in a joint venture which is accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet. A joint venture (JV) is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the net assets of the arrangement. A separate vehicle (not the parties) will have the rights to the assets and obligations for the liabilities, relating to the arrangement.

Equity method

Investments in JV's are accounted for using the equity method. Under the equity method, the share of the profits or losses of the JV is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in JV's are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the JV. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

FINANCIAL REPORT (continued)

The Group's share of the JV post-acquisition profits or losses is recognised in the Consolidated Income Statement and Statement of Other Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a JV equals or exceeds its interest in the JV, including any unsecured long-term receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the JV.

Goodwill relating to the JV is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from the JV reduce the carrying amount of the investment. After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the JV.

The Group discontinues the use of the equity method upon the loss of joint control over the JV and recognises any retained investment at its fair value.

Changes in ownership interests

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

When the Group ceases to consolidate or equity account for an investment because of a loss joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a JV. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a JV is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

d) Foreign currency translation

The financial statements are presented in Australian dollars, which is Leo Lithium's functional and presentation currency. The Goulamina JV has a functional currency of United States dollars (**US\$**).

Foreign currency transactions

Transactions in a currency other than the functional currency are translated into the functional currency using the exchange rate at the date of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting date are recognised in the profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Foreign exchange differences arising from the translation are recognised in the Consolidated Income Statement and Statement of Other Comprehensive Income.

Foreign operations

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

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

e) 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.

FINANCIAL REPORT (continued)

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

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

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

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

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

f) 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 Group'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 Group'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.

Deferred tax assets and liabilities are always classified as non-current.

g) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

h) Loans and other receivables

Loans and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

i) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is

derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives which is assessed to be 3-7 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset might be impaired. If an indication exists or when annual impairment testing is required, the Group makes an estimate of the asset's recoverable amount.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell or the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating units (**CGU**) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit or loss.

k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

l) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

m) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

FINANCIAL REPORT (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

n) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefits obligations

In some countries, the Group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Share-based payments

The Group provides benefits to employees (including Directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares (including options) (equity-settled transactions). The cost of these equity-settled transactions with employees (including Directors) is measured by reference to fair value at the date they are granted.

Under AASB 2 Share-based Payment, the Group must recognise the fair value of shares and options granted to Directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the Consolidated Income Statement and Statement of Other Comprehensive Income with a corresponding adjustment to equity.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. In relation to the valuation of the share-based payments, these are valued using an appropriate option valuation method. Once a valuation is obtained management use an assessment as to the probability of meeting non-market based conditions. Market conditions are vested over the period in which management assesses it will take for these conditions to be satisfied.

Share-based payments (continued)

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the equity instrument (vesting date). At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met and (iii) the expired portion of the vesting period. The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

o) Contributed Equity

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. 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.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

p) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

q) 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.

NOTE 2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Valuation of share-based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using option pricing models (as appropriate) taking into account the terms and conditions upon which the instruments were granted.

Demerger capital gains tax

Under the Malian Mining Code, the Government has the right to collect tax on a direct or indirect change in control of tenements in Mali. The in-specie distribution of shares by Firefinch may give rise to a change in control by a foreign entity that could result in a capital gain for Firefinch. There is no guidance or precedents available to determine how any potential capital gain may be determined by the Mali tax authorities.

Under the Demerger Deed, Leo Lithium has indemnified Firefinch for any loss or damage (including tax liabilities) incurred in connection with the Demerger and the reorganisation of assets and liabilities required to implement the Goulamina Joint Venture, and any other loss or damage incurred by Firefinch (including tax liabilities) relating to the Leo Lithium business. Leo Lithium is also required to indemnify Ganfeng for similar liabilities.

As a result of this indemnification, Leo Lithium would be obligated to reimburse any capital gains tax liability incurred by Firefinch. Given the current uncertainty of the calculation of any potential capital gain, it is not possible to reliably estimate any potential exposure at this time. (refer to Note 19).

Accounting for formation of Goulamina joint venture

The Group considers the substance of the arrangement to be the contribution of a non-monetary asset, being the exploration assets, into a joint venture, in exchange for an equity interest in that joint venture. Where an owner or seller contributes an asset to a joint venture, AASB 128 'Investments in Associates and Joint Ventures' requires that a gain can only be recognised to the extent of external ownership in the entity. Accordingly, the Group can only recognise 50% of the gain generated from the contribution of the asset to the joint venture.

In the absence of a liquid market, the Group considers the purchase price paid by Ganfeng to be the best indicator of fair value of the exploration assets and of a 50% interest in the entity. The gain on formation of the joint venture reflects the value of the Group's 50% interest in the entity implied by Ganfeng, less the total cost base of the joint venture. The gain is recognised only to the extent of the 50% ownership.

NOTE 3. OPERATING SEGMENTS

Identification of reportable 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.

During the year the Group has managed its businesses by geographic location, which resulted in two operating and reportable segments which consist of its Corporate and Mali operations as set out below. This is consistent with the way in which information is reported internally to the Group's Chief Executive Officer (Chief Operating Decision Maker) for the purposes of resource allocation and performance assessment:

- The Corporate operation includes the Perth Head Office and Project Team; and
- The Mali operation includes the development of the Goulamina JV and exploration for minerals.

Segment performance is evaluated based on Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) which is allocated to the reportable segments according to the geographic location in which the item arose or relates to. This includes both directly attributable items and those that can be allocated on a reasonable basis. EBITDA is a non-IFRS measure that has been included to assist management in better understanding the performance of the business.

For the purposes of resource allocation and performance assessment, the Group's Chief Executive Officer monitors the results and assets attributable to each reportable segment on the following basis:

- Segment results are measured by allocating EBITDA (defined as earnings before interest, tax, depreciation and amortisation) to the reportable segments according to the geographic location in which they arose or relate to; and
- Segment assets include the Investment in the Goulamina JV, receivables and other assets. The geographical location of the segment assets is based on the physical location of the assets.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

	Corporate \$'000	Mali \$'000	Total \$'000
31 December 2022			
Income			
Segment income	450	-	450
Total income	450	-	450
EBIT	(10,641)	77,098	66,457
Finance costs	(179)	-	(179)
Profit before income tax expense	(10,820)	77,098	66,278
Income tax expense			-
Profit after income tax expense			66,278
Assets			
Segment assets	1,062	112,869	113,931
Unallocated assets:			
Cash and cash equivalents			70,834
Total assets			184,765
Total assets includes:			
Investments in joint ventures	-	105,916	105,916
Liabilities			
Segment liabilities	(1,594)	-	(1,594)
Total liabilities			(1,594)

NOTE 3. OPERATING SEGMENTS (CONTINUED)

	Corporate \$'000	Mali \$'000	Total \$'000
Other Disclosures			
Capital expenditure	-	-	-
31 December 2021			
EBITDA	(1)	26	25
Profit/(loss) before income tax expense	(1)	26	25
Income tax expense			-
Profit after income tax expense			25
Assets			
Segment assets	-	23	23
Total assets			23

NOTE 4. INTERESTS IN JOINT VENTURES

The Goulamina JV arrangement is a 50:50 joint venture between Leo Lithium and Ganfeng via an incorporated joint venture entity, MLBV (a company registered in the Netherlands). MLBV owns 100% of LMSA (a company registered in Mali) which owns 100% of the Goulamina Lithium Project. All agreements with Ganfeng to form the Goulamina JV were executed in August 2021 with all conditions precedent satisfied on 28 March 2022.

Ganfeng's cash investment of US\$130.0 million was received in full on 30 March 2022. Therefore, Ganfeng has earned its 50% JV interest in MLBV. Refer to note 1(c) for details about the accounting policy for Investments in Joint Ventures.

The Group considers the substance of the arrangement to be the contribution of a non-monetary asset, being the exploration assets, into a joint venture, in exchange for an equity interest in the Goulamina JV. Where an owner or seller contributes an asset to a JV, AASB 128 'Investments in Associates and Joint Ventures' requires that a gain can only be recognised to the extent of external ownership in the entity. Accordingly, the Group can only recognise 50% of the gain generated from the contribution of the asset to the JV.

In the absence of a liquid market, the Group considers the purchase price paid by Ganfeng to be the best indicator of fair value of the exploration assets and of a 50% interest in the entity. The gain on the formation of the Goulamina JV reflects the value of the Group's 50% interest in the entity implied by Ganfeng, less the total cost base of the joint venture. The gain is recognised only to the extent of the 50% ownership.

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to the joint venture that is material to the Group is set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Goulamina JV	Netherlands	50.00%	-

FINANCIAL REPORT (continued)

NOTE 4. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information

	Goulamina JV	
	2022 U\$'000	2021 U\$'000
<i>Summarised statement of financial position</i>		
Cash and cash equivalents	108,455	-
Other current assets	908	-
Non-current assets		
Exploration and evaluation expenditure	20,671	-
Assets under construction	18,279	-
Mine development assets	6,170	-
Other fixed assets	236	-
Total assets	154,719	-
Current financial liabilities	11,147	-
Other current liabilities	212	-
Non-current financial liabilities	-	-
Non-current liabilities	-	-
Total liabilities	11,359	-
Net assets	143,360	-

Summarised statement of profit or loss and other comprehensive income

Forex gain	262	-
Interest revenue	64	-
Other revenue	17	-
Management fees	(338)	-
Overheads and other expenses	(116)	-
Finance costs	(1)	-
Loss before income tax	(112)	-
Other comprehensive income	-	-
Total comprehensive loss	(112)	-
Total comprehensive loss in A\$ (Fx rate of 0.6812)	(164)	-
Share in JV loss (50%)	(83)	-

Commitments

Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	82,073	-
Exploration expenditure	-	-
	82,073	-

To maintain current rights of tenure to mining tenements, the Goulamina JV is required to perform minimum exploration work to meet the minimum expenditure requirements. This expenditure will only be incurred should the Goulamina JV retain its existing level of interest in its various exploration areas and provided access to mining tenements is not restricted. These obligations will be fulfilled in the normal course of operations, which may include exploration and evaluation activities. The Goulamina JV has sufficient funds to meet these obligations and is not expected to require any financial support from the Group for these obligations.

FINANCIAL REPORT (continued)

NOTE 4. INTERESTS IN JOINT VENTURES (CONTINUED)

	Leo Lithium Limited	
	2022	2021
	\$'000	\$'000
<i>Breakdown of the carrying amount of group's equity investment</i>		
Opening carrying amount	-	-
Receipt of MLBV shares from Firefinch	13,817	-
Transfer of Original DFS and Updated DFS to MLBV from Firefinch	5,400	-
Gain on formation of the Goulamina JV	77,098	-
Gain on foreign currency translation recognised in other comprehensive income	9,684	-
Share of joint venture loss	(83)	-
Share of other comprehensive income	-	-
	<u>-</u>	<u>-</u>
Closing carrying amount	105,916	-

NOTE 5. EXPENSES

	2022	2021
	\$'000	\$'000
Administration expenses		
Costs assigned by Firefinch to Leo including corporate administration and other pre-demerger activities	1,750	-
Costs of the demerger	1,350	-
Debt facility fee	869	-
Costs of the offer not directly attributable to the capital raising	377	-
Transition fee	250	-
Other expenses	2,517	1
	<u>7,113</u>	<u>1</u>
Employee benefits expense		
Salaries and wages	2,025	-
Superannuation	118	-
	<u>2,143</u>	<u>-</u>
Finance cost		
Interest and finance charges paid/payable on borrowings	<u>308</u>	<u>-</u>

NOTE 6. INCOME TAX EXPENSE

	2022	2021
	\$'000	\$'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	66,278	25
Tax at the statutory tax rate of 30%	19,883	8
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments and other permanent differences	442	-
Formation of Goulamina JV	(23,129)	-
Temporary differences relating to foreign operations	300	(8)
Deferred tax assets not brought to account	2,504	-
	<u>-</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>

FINANCIAL REPORT (continued)

NOTE 6. INCOME TAX EXPENSE (CONTINUED)

	2022 \$'000	2021 \$'000
Deferred tax assets not recognised:		
Deferred tax assets not recognised comprises:		
Carry forward losses	1,821	-
Business related costs	646	-
Other temporary differences	37	-
	<u>2,504</u>	<u>-</u>
Total deferred tax assets not recognised	<u>2,504</u>	<u>-</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

NOTE 7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2022 \$'000	2021 \$'000
Cash at bank	<u>70,834</u>	<u>23</u>

NOTE 8. CURRENT ASSETS - LOANS AND OTHER RECEIVABLES

	2022 \$'000	2021 \$'000
Receivable from Goulamina JV ¹	<u>6,953</u>	<u>-</u>

¹ At 31 December 2022, the Group has a receivable from the Goulamina JV of A\$7.0m (31 Dec 2021: nil) that includes Goulamina JV project costs incurred by Leo Lithium and also Goulamina JV project costs reimbursed by Leo Lithium to Firefinch from September 2021.

The Group did not have any receivables that were past due as at 31 December 2022.

NOTE 9. CURRENT ASSETS - OTHER

	2022 \$'000	2021 \$'000
Prepayments	360	-
GST refund due	666	-
	<u>1,026</u>	<u>-</u>

FINANCIAL REPORT (continued)

NOTE 10. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2022 \$'000	2021 \$'000
Investment - Mali Lithium BV	105,916	-
	105,916	-

Refer to note 4 for further information on interests in joint ventures.

NOTE 11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2022 \$'000	2021 \$'000
Trade payables and accruals ¹	518	-
Payable to Firefinch ²	296	-
Other payables ³	677	-
	1,491	-

¹ Trade payables are non-interest bearing and are normally settled on 30-day terms. Accrual includes professional fees and short-term incentives for employees.

² This relates predominantly to office rental.

³ Other payables include PAYG and Superannuation.

NOTE 12. CURRENT LIABILITIES - EMPLOYEE BENEFITS

	2022 \$'000	2021 \$'000
Annual leave	103	-

NOTE 13. EQUITY - ISSUED CAPITAL

	2022 Shares	2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares - fully paid	1,197,598,455	1	105,924	-

NOTE 13. EQUITY - ISSUED CAPITAL (CONTINUED)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2020	1		-
Balance	31 December 2021	1		-
Issue of shares to Firefinch for transfer of Original and Updated DFS and shares in MLBV		4,635,540	-	9,271
Share capital reorganisation (a)&(b)		1,050,045,906	-	-
Issue of shares pursuant to the Offer at A\$0.70 per share (c)		142,917,008	\$0.70	100,042
Costs of the Offer directly attributable to the capital raising (d)		-	-	(3,389)
Balance (d)	31 December 2022	1,197,598,455		105,924

- a) Prior to the Demerger, the Company underwent a share split such that the 4,635,541 shares on issue following the transfer by Firefinch to Leo Lithium of the ownership and intellectual property of both the Original DFS and the Updated DFS and the shares it held in MLBV increased to 1,054,681,447 shares (inclusive of the 1 share on issue at 31 December 2021).
- b) The Firefinch shareholders voted in favour of the Demerger on 31 May 2022 and the Demerger became effective on 1 June 2022. The in-specie distribution of Leo Lithium shares to eligible Firefinch shareholders was completed on 9 June 2022.
- c) On 29 April 2022 Leo Lithium lodged a Prospectus with ASX for an IPO of Shares to raise up to \$100.0 million, comprising:
- a pro-rata priority offer to Eligible Firefinch Shareholders of up to 114.35 million fully paid ordinary shares in Leo Lithium on the basis of 1 Leo Lithium Share for every 10.33 Firefinch Shares held by Eligible Firefinch Shareholders on 5 May 2022, at an issue price of \$0.70 per Share to raise up to \$80.0 million (before expenses);
 - an additional offer to Eligible Firefinch Shareholders and Eligible Institutional Investors of Shares from any Shortfall under the Pro-rata Offer at an issue price of \$0.70 per Share; and
 - an offer to Firefinch of up to 28.57 million Shares at an issue price of \$0.70 per Share to Firefinch to raise up to \$20.0 million.
- The IPO was successfully completed in June with the Offer raising \$100.0 million (before costs of \$3.4 million) and the 142,917,008 Offer shares were issued and allotted on 16 June 2022.
- d) The Company commenced trading on ASX on 23 June 2022.

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.

NOTE 13. EQUITY - ISSUED CAPITAL (CONTINUED)

Capital risk management

The Group'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. Due to the nature of the Group's activities, being mineral exploration and development on the Goulamina lithium project, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration and development programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The net working capital position of the Group at 31 December 2022 was \$77.3 million (2021: \$0.02 million) and the net increase in cash held during the year was \$70.8 million (2021: Nil).

The Group had \$70.8 million of cash and cash equivalents at 31 December 2022 (2021: \$0.02 million).

NOTE 14. EQUITY - RESERVES

	2022 \$'000	2021 \$'000
Foreign currency reserve	9,684	-
Share-based payments reserve	1,262	-
	10,946	-

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

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.

Movements in reserves

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

	Foreign currency reserve \$'000	Share based payments reserve \$'000	Total \$'000
Balance at 1 January 2020	-	-	-
Balance at 31 December 2021	-	-	-
Foreign currency translation difference - Investment in Goulamina JV (see note 4)	9,684	-	9,684
Share-based payment transactions	-	1,262	1,262
Balance at 31 December 2022	9,684	1,262	10,946

Refer to note 27 for further details on options issued during the period.

NOTE 15. EQUITY - DIVIDENDS

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

NOTE 16. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group'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 Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk to determine market risk.

Risk management is carried out by senior finance executives (**Finance**) under policies approved by the Board. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies and evaluates financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group 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 risk is measured using sensitivity analysis and cash flow forecasting.

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

	Assets		Liabilities	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
US dollars	4,302	-	-	-

The Group had net assets denominated in foreign currencies of US\$4.3m (assets of US\$4.3m less liabilities of nil as at 31 December 2022 (2021: nil)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2021: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the group's profit before tax for the year would have been \$708k higher/\$580k lower (2021: \$- Nil) and equity would have been \$708k higher/\$580k lower (2021: Nil). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 2022 was \$490k (2021: nil).

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant 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 Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

FINANCIAL REPORT (continued)

NOTE 16. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

The Group's significant concentration of credit risk is cash, which is held with a major Australian Bank with A+ credit rating and accordingly the credit risk exposure is minimal.

Liquidity risk

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

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

Due to the nature of the Group's activities, being mineral exploration and development, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities for the period (2021: not applicable, as no financial liabilities were recorded). 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.

	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	90	-	-	-	90
Other payables	-	1,105	-	-	-	1,105
Total non-derivatives		1,195	-	-	-	1,195

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments are materially consistent with their fair value.

NOTE 17. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,642	-
Post-employment benefits	105	-
Share-based payments	1,046	-
	2,793	-

NOTE 18. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

	2022 \$'000	2021 \$'000
Audit services -		
Audit or review of the financial statements	118	-
	118	-

NOTE 19. CONTINGENCIES

The Group had no material contingent assets or contingent liabilities at the reporting date (2021: nil) other than as set out below.

Under the Malian Mining Code, the Government has the right to collect tax on a direct or indirect change in control of tenements in Mali. The in-specie distribution of shares by Firefinch may give rise to a change in control by a foreign entity that could result in a capital gain for Firefinch. There is no guidance or precedents available to determine how any potential capital gain may be determined by the Mali tax authorities.

Under the Demerger Deed, Leo Lithium has indemnified Firefinch for any loss or damage (including tax liabilities) incurred in connection with the Demerger and the reorganisation of assets and liabilities required to implement the Goulamina Joint Venture, and any other loss or damage incurred by Firefinch (including tax liabilities) relating to the Leo Lithium business. Leo Lithium is also required to indemnify Ganfeng for similar liabilities.

As a result of this indemnification, Leo Lithium would be obligated to reimburse any capital gains tax liability incurred by Firefinch. Given the current uncertainty of the calculation of any potential capital gain, it is not possible to reliably estimate any potential exposure at this time. The relevant tax returns and documentation will be lodged by the Group on behalf of Firefinch with the Mali tax authorities in due course for assessment.

NOTE 20. COMMITMENTS

	2022 \$'000	2021 \$'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Exploration and evaluation	-	-
JV project development costs	-	-
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	-
One to five years	-	-
	-	-

FINANCIAL REPORT (continued)

NOTE 21. RELATED PARTY TRANSACTIONS

Parent entity

Leo Lithium Limited is the parent entity.

Subsidiaries

No Interests in subsidiaries.

Joint ventures

Interests in joint ventures are set out in note 4.

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

The following transactions occurred with related parties:

	2022	2021
	\$'000	\$'000
Other income:		
Other income from joint venture	450	-
Payment for other expenses:		
Other expenses paid to joint venture	-	-
Other expenses paid to Firefinch	8,269	-
Repayment of Firefinch loan including interest	10,604	-

Receivable from and payable to related parties

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

	2022	2021
	\$'000	\$'000
Current receivables:		
Receivables from joint venture	<u>6,953</u>	<u>-</u>
Current payables:		
Payable to Firefinch	<u>296</u>	<u>-</u>

Firefinch lost Board representation at the end of the financial year and will no longer be a related party from the next financial year.

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

	2022 \$'000	2021 \$'000
Profit after income tax	66,278	25
Other comprehensive income	9,684	-
Total comprehensive income	75,962	25

Statement of financial position

Total current assets	78,813	23
Total assets	184,765	23
Total current liabilities	1,594	-
Total liabilities	1,594	-
Equity		
Issued capital	105,924	-
Foreign currency reserve	9,684	-
Share-based payments reserve	1,262	-
Retained profits	66,301	23
Total equity	183,171	23

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

Leo Lithium The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2022 and 31 December 2021.

Contingent liabilities

Refer to note 19 for details on the parent entity's contingent liabilities as at 31 December 2022 and 31 December 2021.

NOTE 23. INTERESTS IN SUBSIDIARIES

The Company did not have any interests in subsidiaries at 31 December 2022.

NOTE 24. EVENTS AFTER THE REPORTING PERIOD

Other than as set out below, in the interval between 31 December 2022 and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years:

- On 17 January 2023, the Company announced an increase in the total Goulamina resource base by 31% from 108.5 Mt at 1.45 % Li₂O to 142.3 Mt @ 1.38% Li₂O after completing a resource definition drilling campaign undertaken in the second half of 2022 on pegmatite dykes in the south-west of the Goulamina Lithium Project, part of the Danaya Domain.
- On 16 February 2023, the Company announced key construction milestones at the Goulamina Lithium Project, with successful pouring of first concrete in the primary crushing area, and manufacturing of the ball mill and other crucial crushing equipment successfully completed and undergoing final factory inspection tests before the equipment is readied for transport to the project site.

FINANCIAL REPORT (continued)

NOTE 25. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM/(USED IN) OPERATING ACTIVITIES

	2022 \$'000	2021 \$'000
Profit after income tax expense for the year	66,278	25
Adjustments for:		
Share-based payments	1,262	-
Loss on foreign exchange differences	490	-
Other	76	(25)
Gain on formation of the Goulamina JV	(77,098)	-
Non-cash transactions with related parties	(8,992)	-
Change in operating assets and liabilities:		
Increase in trade debtors and receivables	(340)	-
Increase in prepayments	(360)	-
Increase in trade and other payables	1,195	-
Increase in employee benefits	103	-
Net cash from/(used in) operating activities	<u>(8,394)</u>	<u>-</u>

NOTE 26. EARNINGS PER SHARE

	2022 \$'000	2021 \$'000
Profit after income tax	<u>66,278</u>	<u>25</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,039,743,827	1
Adjustments for calculation of diluted earnings per share:		
Options and rights over ordinary shares	<u>2,585,391</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,042,329,218</u>	<u>1</u>
	Cents	Cents
Basic earnings per share	6.37	-
Diluted earnings per share	6.36	-

NOTE 27. SHARE-BASED PAYMENTS

Expenses arising from share based transactions

	2022 \$'000	2021 \$'000
Year ended 31 December 2022	<u>1,262</u>	<u>-</u>
Total expense recognised as employee costs	<u>1,262</u>	<u>-</u>

Options

A share option plan has been established by the Group, whereby the Group may grant options over ordinary shares in the company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board of Directors.

NOTE 27. SHARE-BASED PAYMENTS (CONTINUED)

The Managing Director Options are subject to various non-market-related vesting conditions including continuous service conditions of 30 months following the date of issue and the Company Options are subject to continuous service conditions of 30 months following the date of issue.

Set out below are summaries of options granted under the plan:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Rick Crabb	590,000	1 November 2022	29 April 2025	31 October 2025	\$0.763	\$0.339
Simon Hay	5,000,000	21 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455
Brendan Borg	590,000	21 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455
Rod Baxter	590,000	21 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455
Amber Banfield	590,000	21 June 2022	21 December 2024	16 June 2025	\$0.644	\$0.455
Tom Blackwell	-	-	-	-	-	-

For the options granted during the current financial year, the Black-Scholes 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	Fair value at grant date
21/06/2022	16/06/2025	\$0.495	\$0.644	100%	0%	\$0.455
1/11/2022	31/10/2025	\$0.625	\$0.763	90%	0%	\$0.339

Performance Rights - Long Term Incentive Plan

Under the Performance Rights plan, executives and senior management are granted a right to be issued a share in the future subject to the performance based vesting conditions being met. These performance conditions are set out below:

The number of Tranche 1 LTI Rights that vest is based on the achievement of the approved project schedule for first production from Goulamina Lithium Project Stage 1. Should the vesting condition be achieved on a date that is between performance levels, the award outcome will be determined on a linear basis. The vesting schedule is as follows:

Performance Level	Date	Award Outcome
Maximum	If on or before 28 February 2024	100%
Target	If on or before 30 April 2024	75%
Threshold	If on or before 30 June 2024	50%
Below Threshold	If on or before 1 September 2024	Nil

The number of Tranche 2 LTI Rights that vest is based upon the achievement of the project budget for Goulamina Lithium Project Stage 1. Should the performance measure be between performance levels, the award outcome will be determined on a linear basis. The vesting schedule is as follows:

Performance Level	Date	Award Outcome
Maximum	5% below budget	100%
Target	2% below budget	75%
Threshold	If on budget	50%
Below Threshold	Over budget	Nil

The number of Tranche 3 LTI Rights that vest is based on the relative TSR ranking of Leo Lithium over the performance period, relative to the TSR performance of the Peer Group, whereby TSR will be determined based on the 20-day VWAP of Leo Lithium shares following its listing on the Australian Securities Exchange. A minimum share price appreciation of 40% over the performance period must be achieved. The Tranche 3 LTI Rights will vest according to the following schedule:

NOTE 27. SHARE-BASED PAYMENTS (CONTINUED)

Company's TSR performance relative to the Peer Group	Percentage of Rights eligible to vest
At or above the 75 th percentile	100%
Between the 50 th percentile and 75 th percentile	Progressive pro-rate vesting between 50% to 100%
Below the 50 th percentile	Nil

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSRs for the peer group companies, is at or above the 50th percentile.

Performance Rights - Short Term Incentive Plan

Under the Performance Rights plan, executives and senior management are granted a right to be issued a share in the future subject to the performance based vesting conditions being met. These performance conditions are set out below:

- i) Satisfactory completion of the corporate scorecard objectives and the personal performance objectives set by the board;
- ii) The relevant person must be employed by the Company or its subsidiary in order for STI Rights to vest; and
- iii) Participants must meet the requirements of the role and adhere to Leo Lithium core values as a minimum.

The valuation inputs used in determining the fair value of STI and LTI performance rights issued during the year are detailed below:

Item	STI Rights	LTI Rights		
		Tranche 1	Tranche 2	Tranche 3
Grant date	14-Sep-22	07-Sep-22	07-Sep-22	07-Sep-22
Underlying security spot price	\$0.725	\$0.585	\$0.585	\$0.585
Exercise price	Nil	Nil	Nil	Nil
Commencement of performance period	01-Jan-22	01-Jan-22	01-Jan-22	23-Jun-22
Performance measurement/vesting date	31-Dec-22	31-Dec-24	31-Dec-24	31-Dec-24
Performance/vesting period (years)	1.00	3.00	3.00	2.53
Remaining performance period (years)	0.30	2.32	2.32	2.32
Expiry date	30-Jun-23	30-Jun-25	30-Jun-25	30-Jun-25
Life of the Instruments (years)	0.79	2.81	2.81	2.81
Volatility	90%	90%	90%	90%
Risk-free rate	3.130%	3.135%	3.135%	3.135%
Dividend yield	Nil	Nil	Nil	Nil
Valuation per Instrument	\$0.725	\$0.585	\$0.585	\$0.413

Name	Number of Performance rights granted	Grant date	Vesting date	Expiry date	Fair value per right at grant date
Simon Hay*	-	-	-	-	-
Tom Blackwell	421,020	7 September 2022	31 December 2024	30 June 2025	\$0.585

*Mr Hay qualified for performance rights at 31 December 2022 which will only be granted upon share holder approval at the Company's Annual General Meeting to be held in 2023. The estimated value of the performance rights has been accrued as part of Mr Hay's remuneration.

DIRECTORS' DECLARATION

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 Group's financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

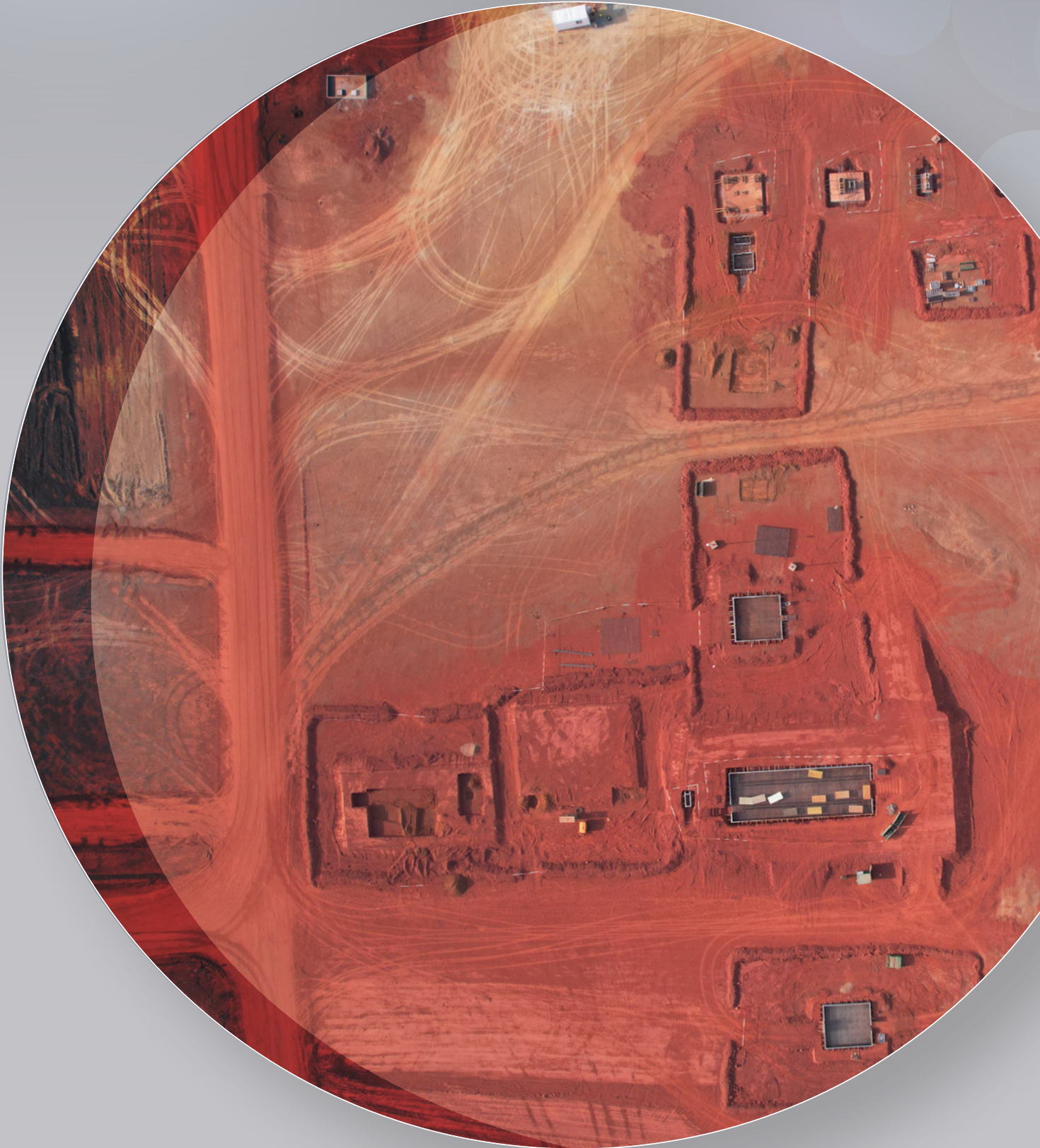
Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Simon Hay
Managing Director

28 March 2023



AUDITOR'S REPORT



Independent auditor's report

To the members of Leo Lithium Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Leo Lithium Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$1,844,000, which represents approximately 1% of the Group's total assets. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group total assets because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.



Key audit matter

Basis of preparation of the financial report (Refer to note 1)

As described in Note 1 to the financial report, the financial statements have been prepared on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business.

In making this assessment, the Group has utilised cashflow forecasts covering at least 12 months from the date of issue of the financial statements. Inherent risks and key assumptions related to the forecasts have been disclosed in Note 1, along with alternatives available to the Group should the assumptions not be achieved.

Assessing the appropriateness of the Group's basis of preparation for the financial report was a key audit matter due to its importance to the financial report as a whole and the level of judgement involved in assessing the assumptions disclosed in Note 1, including those relating to the Goulamina Lithium Project.

Formation of Goulamina Joint Venture (JV) (Refer to notes 2, 4 and 10)

During the year, Ganfeng Lithium Co. Ltd ("Ganfeng") contributed US\$130 million into the Goulamina JV in exchange for a 50% interest, structured as a shareholding in Mali Lithium BV ("MLBV").

The Group considers the substance of its part of the arrangement to be the contribution of a non-monetary asset, being exploration assets, in exchange for a 50% equity interest in the Goulamina JV.

Where an owner or seller contributes an asset to a joint venture, Australian Accounting Standards require that a gain can only be recognised to the extent of external

How our audit addressed the key audit matter

In assessing the appropriateness of the Group's use of the going concern basis of preparation of the financial report, we performed the following procedures, amongst others:

- Evaluated the appropriateness of the Group's assessment of its ability to continue as a going concern, including whether the level of detail in the assessment is appropriate given the nature of the Group, the period covered was at least 12 months from the date of our auditor's report and that relevant information of which we are aware as a result of the audit had been included in the assessment.
- Enquired of management and the directors as to their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, including those that may arise outside of the forecast period.
- Evaluated selected data and assumptions used in the Group's cash flow forecasts that formed part of the going concern assessment. This included developing an understanding of the level of uncertainty in certain forecast capital expenditures and the basis of significant assumptions made with regards to direct shipping ore sales.
- Considered the Group's assessment of the alternatives available should key assumptions disclosed in Note 1 not be achieved.
- Evaluated the relevant disclosures in light of the requirements of Australian Accounting Standards.

We performed the following procedures, amongst others:

- Assessed the Group's accounting treatment for the formation of the Goulamina JV against the requirements of Australian Accounting Standards
- Agreed the amount contributed by Ganfeng to the Goulamina JV to the relevant legal agreements and bank statements.
- Reperformed the Group's calculation of the carrying value of the JV after the transaction and



Key audit matter

ownership in the entity. Accordingly, the Group can only recognise 50% of the gain generated from the contribution of the asset to the Goulamina JV.

The Group recognised a gain of \$77,098,000 on the formation of the Goulamina JV reflecting the value of the Group's 50% interest in the Goulamina JV less the total cost base of the joint venture.

We considered this a key audit matter because of the financial significance of the gain to the financial statements and the complexity of applying Australian Accounting Standards to the transaction, including the judgments set out in Note 2.

Contingency related to Capital Gains Tax (CGT) (Refer to notes 2 and 19)

Under the Malian Mining Code, the government has the right to collect tax on a direct or indirect change in control of tenements in Mali. The in-specie distribution of shares by Firefinch Limited ("Firefinch") may give rise to a change in control by a foreign entity that could result in a capital gain for Firefinch. There is no guidance or precedents available to determine how any potential capital gain may be determined by the Mali tax authorities.

Under the Demerger Deed, the Group has indemnified Firefinch for any loss or damage (including tax liabilities) incurred in connection with the demerger and the reorganisation of assets and liabilities required to implement the Goulamina JV, and any other loss or damage incurred by Firefinch (including tax liabilities) relating to the Group's business. The Group is also required to indemnify Ganfeng for similar liabilities.

As a result of this indemnification, the Group would be obligated to reimburse any capital gains tax liability incurred by Firefinch. Given the current uncertainty of the calculation of any potential capital gain, it is not possible to reliably estimate any potential exposure at financial year end.

We considered this a key audit matter because of the significant uncertainty involved in determining the potential liability of the Group.

How our audit addressed the key audit matter

the calculation of the gain on formation.

- Evaluated the relevant disclosures in light of the requirements of Australian Accounting Standards.

We performed the following procedures, amongst others:

- Read relevant advice received from the Group's external legal advisors (the "Advice") and the relevant clauses of the principal legal framework it referred to, being the LMSA Establishment Agreement.
- Read management's communication with the Group's external legal advisors about the relevant documents to be filed with the Malian tax authority.
- Together with PwC tax experts, assessed the conclusions reached in the Advice by reference to the Malian tax code, the LMSA Establishment Agreement, relevant decisions made by tax tribunals and court rulings.
- Read relevant market releases made by Firefinch Limited on their involvement in Mali and considered the impact, if any, to this matter.
- Assessed whether the Group's judgement that no amount should be recognised for the potential liability was in accordance with Australian Accounting Standards.
- Evaluated the reasonableness of the disclosures made in Notes 2 and 19 in light of the requirements of Australian Accounting Standards.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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 the financial report.

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

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



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 30 to 41 of the directors' report for the year ended 31 December 2022.

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

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'Ian Campbell', written in a cursive style.

Ian Campbell
Partner

Perth
28 March 2023

SHAREHOLDER & INVESTOR INFORMATION

As at 24 March 2023

ORDINARY SHARE CAPITAL

1,197,598,455 fully paid ordinary shares (Shares) on issue, held by 12,551 holders.

PERFORMANCE RIGHTS

There are currently 12 holders of performance rights, holding 1,901,251 performance rights.

OPTION HOLDERS

There are currently 5 holders of unquoted options, holding 7,360,000 options.

VOTING RIGHTS

The voting rights attached to each class of equity security are as follows:

- Shares: Each Share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- Unlisted Options/performance rights: Options/performance rights do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as Shares.

SUBSTANTIAL HOLDERS

Details of substantial shareholders disclosed in substantial holder notices given to the Company are as follows:

Holder	Number of Shares	% Issued Capital	Date of Notice
Firefinch Limited	210,941,543	17.61%	7/07/2022

DISTRIBUTION SCHEDULE OF SHARES

Range	Total holders	Shares	% Shares
1 - 1,000	1,831	1,144,498	0.10
1,001 - 5,000	3,825	10,182,019	0.85
5,001 - 10,000	1,940	14,623,647	1.22
10,001 - 100,000	3,958	133,037,401	11.11
100,001 Over	997	1,038,610,890	86.72
Rounding			0.00
Total	12,551	1,197,598,455	100.00

Unmarketable Parcels	Minimum Parcel Size	Holders	Shares
Minimum \$ 500.00 parcel at \$ 0.4350 per unit	1,150	2,084	1,415,887

SHAREHOLDER & INVESTOR INFORMATION (continued)

ON-MARKET BUY-BACK AND PURCHASE

There is no current on-market buy-back and there were no securities purchased on market for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

ITEM 7 OF SECTION 611 CORPORATIONS ACT

Item 7 of section 611 Corporations Act (Item 7) There are no securities approved for the purposes of Item 7 which have not yet completed.

20 LARGEST HOLDERS

RANK	Name	Shares	% Held of Shares
1	FIREFINCH LIMITED	210,941,543	17.61
2	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	121,868,121	10.18
3	CITICORP NOMINEES PTY LIMITED	60,475,054	5.05
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	59,543,748	4.97
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	42,944,970	3.59
6	BNP PARIBAS NOMS PTY LTD <DRP>	39,340,630	3.28
7	UBS NOMINEES PTY LTD	20,039,635	1.67
8	NATIONAL NOMINEES LIMITED	19,335,075	1.61
9	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	18,357,212	1.53
10	YING NOMINEES PTY LTD <YING SUPER FUND A/C>	15,688,888	1.31
11	MR ZENG YANG	11,600,000	0.97
12	MR PHILLIP RICHARD PERRY	11,434,962	0.95
13	CAPITAL DI LIMITED	10,000,000	0.84
14	NATIONAL NOMINEES LIMITED <DB A/C>	6,016,428	0.50
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,898,964	0.49
16	MACQUARIE BANK LIMITED <METALS MINING AND AG A/C>	5,330,490	0.45
17	BORG GEOSCIENCE PTY LTD	5,272,092	0.44
18	BPM INVESTMENTS LIMITED	5,000,000	0.42
18	MR GARETH JOHN EDWARDS	5,000,000	0.42
20	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	4,875,295	0.41
Totals: Top 20 holders of Shares (Total)		678,963,107	56.69
Total Remaining Holders Balance		518,635,348	43.31

RESTRICTED SECURITIES

Security	Restriction Period	Number
Shares	24 months from the date of quotation of the Shares, being 23 June 2024	210,941,543
Unquoted Options	24 months from the date of quotation of the Shares, being 23 June 2024	6,770,000

USE OF CASH CONSISTENT WITH BUSINESS OBJECTIVES

The Company has used its cash and assets in a form readily convertible to cash in accordance with its business objectives as outlined in the Company's Replacement Prospectus.

TENEMENTS

Type and Name of Licence	Licence Number	DNGM Number	Area	Holder	Date Issued	First Renewal
Torakora Exploitation Licence	Decree N°2019-0642/PMRM of 23 August 2019	PE 19/25 Permis D'exploitation De Torakoro (Cercle De Bougouni)	100 km ²	Lithium du Mali S.A. (Registered number: MA.BKO.2020.B.3252)	23 August 2019	23 August 2029







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