

Loyal Lithium Limited

ABN 20 644 564 241

Interim Report - 30 June 2023

Loyal Lithium Limited
Corporate directory
30 June 2023

Directors:	Mr. Peretz Schapiro –Executive Chairman Mr. Adam Ritchie – Managing Director Mr. Andrew Graham – Non-Executive Director
Company secretary:	Mr. Ian Pamensky
Registered office:	5/10 Johnston Street Peppermint Grove WA 6011
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Email:	info@loyallithium.com
Website:	www.loyallithium.com
Share register:	Automatic Registry Services Level 2, 267 St Georges Terrace Perth WA 6000 Telephone: 1300 288 664 Facsimile: +61 2 9698 5414
Auditor:	BDO Audit Pty Ltd Level 18, 727 Collins Street Melbourne VIC 3008
Stock exchange listing	Loyal Lithium Limited shares are listed on the Australian Securities Exchange (ASX code: LLI)

Loyal Lithium Limited
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Loyal Lithium Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2023.

Directors

The following persons were directors of Loyal Lithium Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr. Peretz Schapiro – Executive Chairman
Mr. Andrew Graham – Non-Executive Director
Mr Adam Ritchie – Executive Director

Principal activities

The principal activities of the group during the course of the financial half-year were the exploration and evaluation of mineral interests. There were no significant changes in the nature of those activities during the financial half-year.

Dividends

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

Review of operations

Trieste Lithium Project

- All 100% owned claims were transferred to a Quebec subsidiary of Loyal Lithium - Trieste Lithium Project Inc. Claims acquired via the Osisko Development Corp. binding option agreement remain under the title of Osisko Development Corp until the option is exercised.
- Comprehensive planned summer field program, formulated from inputs including; a regional/local geological assessment, review of historical data (outcrop, till, and lake geochemical samples), high-resolution aeromagnetic data analysis, and multispectral satellite data analysis.
- Multi-spectral satellite data analysis was completed, highlighting the potential of remote sensing by displaying similar lithium band combination signatures to Adina found on the northwestern section of LLI claims that categorised the area as a First Order Priority.
- A high-resolution aeromagnetic survey was completed over prospective greenstone and metasediment-hosted targets in the northwest section of the project.
- The satellite and aeromagnetic survey supported the preparation of a pre-emptive drilling application, enabling fast-tracked drilling if spodumene rich pegmatites are discovered.
- Exploration was delayed at the start of the summer field season, due to Government of Quebec fire restrictions, LLI maintained close communications with its contractors, with the intention of resuming exploration activities as soon as conditions permit.
- Loyal Lithium holds the largest land position in the highly prospective Trieste Greenstone Belt, with the Trieste Lithium Project covering 251 km² - over 8.6 times larger than Winsome Resources' (ASX: WR1) Adina Lithium Project.

HIDDEN LAKE Lithium Project

- Acquisition proposed of a controlling majority stake (60%) in the advanced, high-grade Hidden Lake Lithium Project, Yellowknife, Northwest Territories, Canada.
- 2,500-hectare land position across six contiguous claims containing 14 mapped lithium spodumene bearing pegmatite outcrops - with the 4 drill-tested spanning a cumulative significant strike length of 2,250m (2.25km).
- Substantial scope to expand the known mineralisation along strike and at depth with multiple outcropping lithium spodumene-bearing pegmatites yet to be drill tested.
- Acquisition formalises a Joint Venture arrangement between Loyal Lithium and Patriot Battery Metals (ASX:PMT, TSXV:PMET) - minority owner (40%) of 5 of the 6 claims.
- Drilling in 2018 targeted 4 spodumene rich pegmatites to a limited depth of 30-50m vertical with all 10 drill holes intercepting high-grade spodumene of up to 1.81% Li₂O.

HIDDEN LAKE Lithium Project (continued)

- Metallurgical testwork indicates consistency across spodumene rich dykes with very simple mineralogy of predominantly coarse-grained spodumene, quartz, and feldspars, with low impurities (<0.25% FeO).
- Dense Media Separation (DMS) pilot plant produced a high-grade concentrate of 6.11% Li₂O from a 400kg bulk sample with minimal loss to tailings.
- Strategically located 50km east of Yellowknife, with notable infrastructure connecting the Project to the rest of Canada:
 - Domestic airport located 65km from the Project- daily connections to Calgary, Vancouver and Edmonton
 - All-weather bitumen highway to the Project
 - Heavy rail terminal and seaport facilities within trucking distance
- Loyal Lithium is fully-funded to complete the proposed acquisition and undertake exploration and feasibility workstreams into FY2025.
- Exhaustive exploration programs planned during due diligence and ASX Compliance period including field work, LiDAR, high-resolution orthophoto, aeromagnetic-radiometric geophysics, drill permit application, desktop internal company mining, processing and capital and operational expenditure database studies. The LiDAR and orthophoto survey will support the creation of a Digital Terrain Model (DTM) across the project. The DTM will assist in identifying unrecorded oxidation resistive pegmatite outcrops and also more subtle pegmatite outcrops that may be concealed by vegetation and topography as well as positioning drill hole locations that mitigate environmental risk.
- Loyal Lithium believes there is considerable potential to expand the known lithium mineralisation at depth and along strike.
- Loyal Lithium will complete a high-resolution Aeromagnetic/Radiometric survey with this survey not critical to planning of a drilling program.

Scotty Lithium Project

- Drilling program successfully completed confirming the presence of significant depths of clays within an implied 3.6km² area sedimentary basin.
- The sedimentary basin extends from surface to a consistent depth of ≈165m along a 3.8 km strike length, tested by the completed drilling program.
- The sedimentary basin is located beneath strong lithium-boron soil assay results (up to 448ppm lithium and 3,360ppm boron) and just 1km west of Nevada Lithium's (CSE: NVHL) 2022 drilling, and had been identified as a high priority target in the inaugural drill program.
- Drill core samples submitted for assaying with QA/QC results expected in August 2023.
- Positive assay results could result in a substantial robust Exploration Target block model for Loyal Lithium and initiate the first studies for a bulk tonnage lithium project of this type.

Brisk Lithium Project

- Further field work is planned at the end of the summer field season following completion of priority work at the Trieste Lithium Project, but was subsequently delayed due to fire restrictions.
- The inaugural field program at Brisk was completed with the following highlights:
 - More pegmatite outcrops discovered at Area 1 than originally anticipated.
 - Area 1 and Area 2 considered prospective for lithium, and further field work is recommended.
 - Multiple samples containing highly fractionated pegmatites with indicator elements and mineralogy were obtained, including lithium, tantalum, niobium, beryllium, and bismuth, tourmaline, apatite, and garnet.
 - The southwest pegmatite body at Area 3 is highly continuous, with rubidium detected in the geochemical signature.

Finance Update

Cash available to the Company as at 30 June 2023 was A\$3.752m excluding \$1.5m raised under the re-compliance Capital Raise.

Payments for the Half included:

- Exploration and Evaluation Expenditure during the Half was A\$1.569m. Full details of exploration activity during the Half are set out in this report and relate primarily to, due diligence, a high-resolution magnetics geophysics survey amalgamation with historical aeromagnetic data, geological field sampling expenses, geological consultants' services formulating field plans, field expenses and consumables.
- Transaction costs relating to the re-compliance listing during the Half was A\$301,000.
- Payment to related parties of the Company and their associates during the Half was A\$146,000.

Finance Update (continued)

The Company's disclosures required by ASX Listing Rule 5.3.4 regarding a comparison of its actual expenditure to 30 June 2023 since listing on 6 July 2021 against the "Use of Funds" statement in its prospectus dated 16 April 2021 is included in the attached Appendix 5B. Based on exploration undertaken post the listing of the Company on ASX, the Company has previously announced to the ASX its decision to investigate the potential divestment or joint venture of the Monger North, Monger South and Gibraltar Projects. Consequently, other than in order to maintain those projects in good standing pending any such divestment or joint venture decision, the Company will not be incurring further exploration expenditure on the projects. Surface laterite sampling and rehabilitation of drilling areas were completed during the Half to keep the claims in good standing.

Operations Update

OUR TRANSITION IS FORMALISED
 OUR NORTH AMERICAN LITHIUM PORTFOLIO

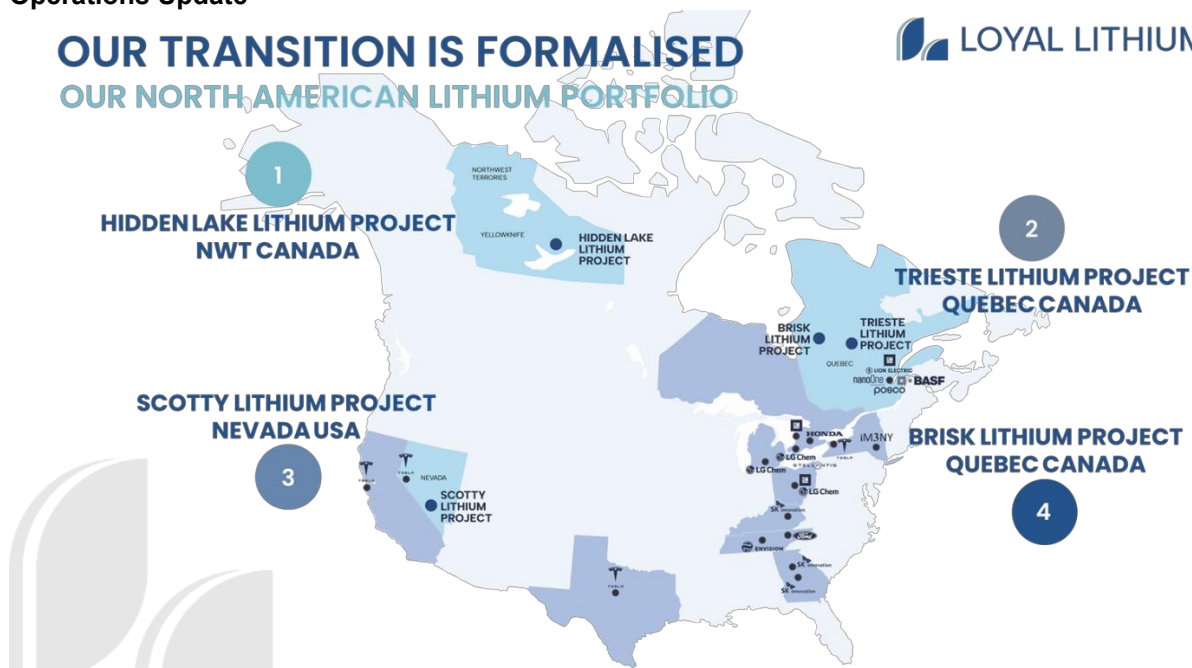


Figure 1 – Loyal Lithium's three Lithium Projects set amongst the North American Battery Supply Chain



Figure 2 - Hidden Lake Lithium Project: Yellowknife, Northwest Territories, Canada

Trieste Lithium Project

The 100% owned Trieste Lithium Project is a large-scale lithium project located 14km east of Winsome Resources' (ASX: WR1) Adina Lithium Project drill hole that recorded a significant lithium mineralised intercept of 1.34% Li₂O over 107.6m (figure 3). Loyal Lithium acquired the Trieste Lithium Project in October 2022 - prior to the drill campaign results at the Adina Lithium Project.

Loyal Lithium is the largest land holder along the highly prospective Trieste Greenstone Belt. The Trieste Lithium Project covers 251 km² which is 8.6 times larger than Winsome Resources' (ASX: WR1) Adina Lithium Project. The project area includes a 39 km long structural zone in the Trieste Greenstone Belt with a significant amount of historical data. Although the Project has never previously been explored for lithium, it does contain an anomalous historical lithium outcrop assay. Loyal provided an important update regarding its 12-week exploration program at the Trieste Lithium Project in the James Bay region of Quebec, Canada, considering forest fires situation. Due to the ongoing extreme fire danger in the Province of Quebec, all exploration companies, including Loyal Lithium, suspended field activities across a significant portion of the province, including the Trieste Lithium Project. Loyal Lithium's in-country geology partner, Dahrouge Geological Consulting, had originally planned to commence activities in June, however were demobilized. The Company actively monitored the situation to ensure compliance with relevant governmental decrees and to prioritize the safety of all personnel associated with the Property. Loyal Lithium remained in close communication with its contractors, with the intention of resuming exploration activities as soon as conditions permit.

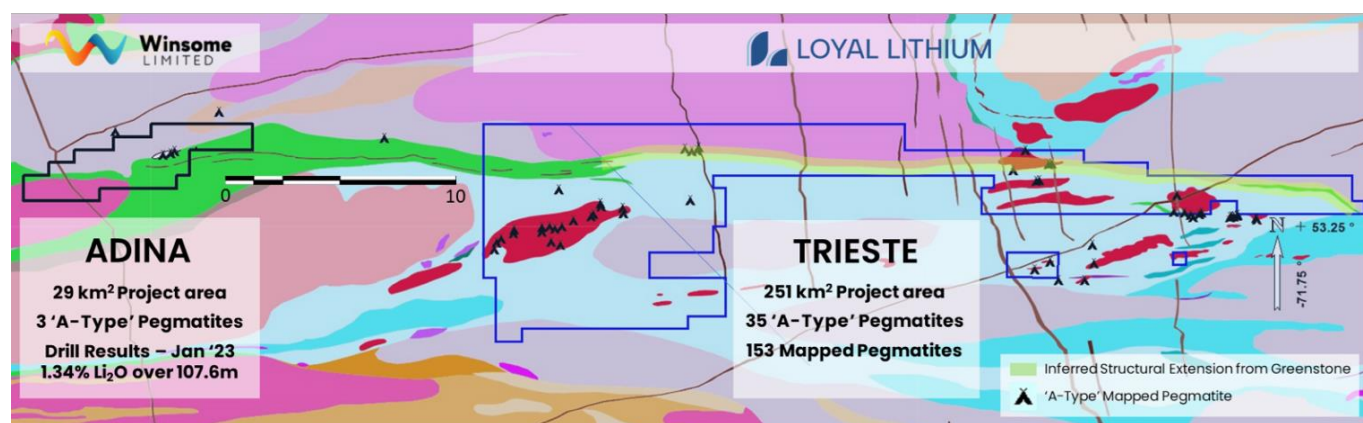


Figure 3 - Trieste Lithium Project – GSQ Region Interpretation (1:100k)

MULTI SPECTRAL ANALYSIS

Using known lithium signatures, a multispectral analysis of satellite spectral data was conducted, resulting in the identification of multiple high-value targets for Loyal Lithium's Canadian summer field program. Spodumene diagnostic spectral bands were employed to derive signatures that identified high-value targets

that are consistent with known lithium-bearing pegmatites at Winsome Resources' (ASX: WR1) neighbouring Adina Lithium Project. The Company's first order priority spectral targets are primarily situated in the northwest of the Trieste Lithium Project near the same greenstones as at Winsome Resources' Adina Lithium Project, but located in metasedimentary units to the south of the greenstones. South of the eastern extension of greenstone, three distinct groupings of high-value targets were discovered. These spectral targets are separate units with comparable shapes, colours, and textures as the locally known lithium-bearing Adina pegmatites (figure 4).

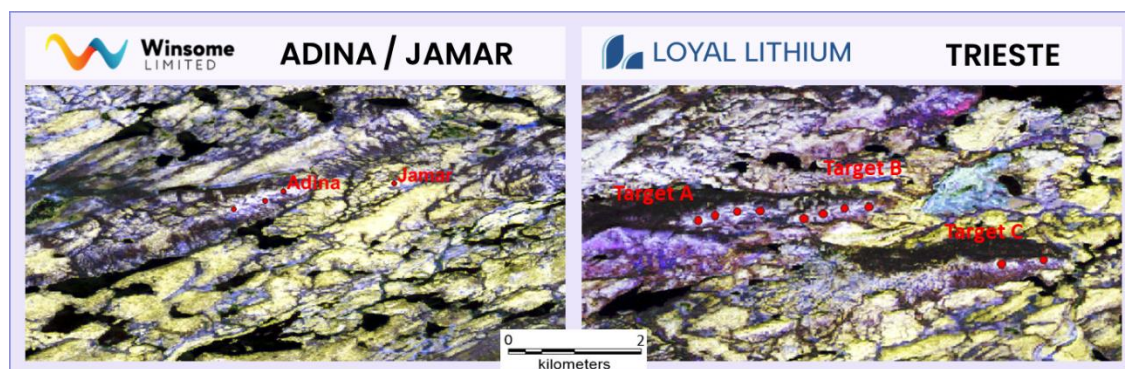


Figure 4: Trieste Lithium Project – Side by side Sentinel imagery high value targets generated

HIGH RESOLUTION AEROMAGNETIC SURVEY

Prospectair Geosurveys Inc. successfully conducted a high-resolution magnetic data survey using a helicopter over a 23 square kilometre northwest Trieste claims area, covering a distance of 555-line km with 50m line spacing. As an respected geophysics contractor, Prospectair previously conducted similar surveys for Patriot Battery Metals' Corvette (TSXV: PMET) lithium discovery, showcasing the effectiveness of high-resolution magnetic data in exploring lithium pegmatites.

The field acquired high-resolution magnetic data aided the design of summer field programs by revealing inferred extensions of known pegmatite outcrops. The high-resolution aeromagnetic survey data was merged with past aeromagnetic data across the project to construct an inversion model, which will provide a 3D representation of the subsurface structure, lithologies, including greenstones, intrusions, pegmatites, and sediments. The 3D model will be updated with new fieldwork data and will aid in the targeting of deeper drill holes in the future. Furthermore, the data obtained from the high-resolution magnetic survey when amalgamated with historical aeromagnetic survey data supported the preparation of a pre-emptive drilling permit application.

Scotty Lithium Project

The Scotty Lithium Project covers 78.1 km² and is located 189km northwest of Las Vegas and 517 km from Reno in the Tier 1 mining jurisdiction of Nevada, USA. The Scotty Lithium Project has twin prospects of lithium brines and lithium sediments and is adjacent to the existing Nevada Lithium Ltd (CSE: NVLH) Bonnie Claire Project, a lithium sediment project, with similar geology. The primary target for the inaugural drilling campaign is lithium in sediments. Scotty is less than 100km from Albemarle's operational Silver Peak Mine in Clayton Valley (NYSE: ALB) and Ioneer's Rhyolite Ridge Lithium-Boron Project (ASX: INR) (figure 5).

Over the Reporting Period, drilling was completed at the Scotty Lithium Project. The mobilisation of the drilling contractor marked a significant milestone for the project, which provided ground-truthing of the interpreted location of a sedimentary basin inferred by the completed MT Survey. A large sedimentary basin, with characteristic prospective clays that host lithium mineralisation, was defined in all three drill holes to ≈165m depth.

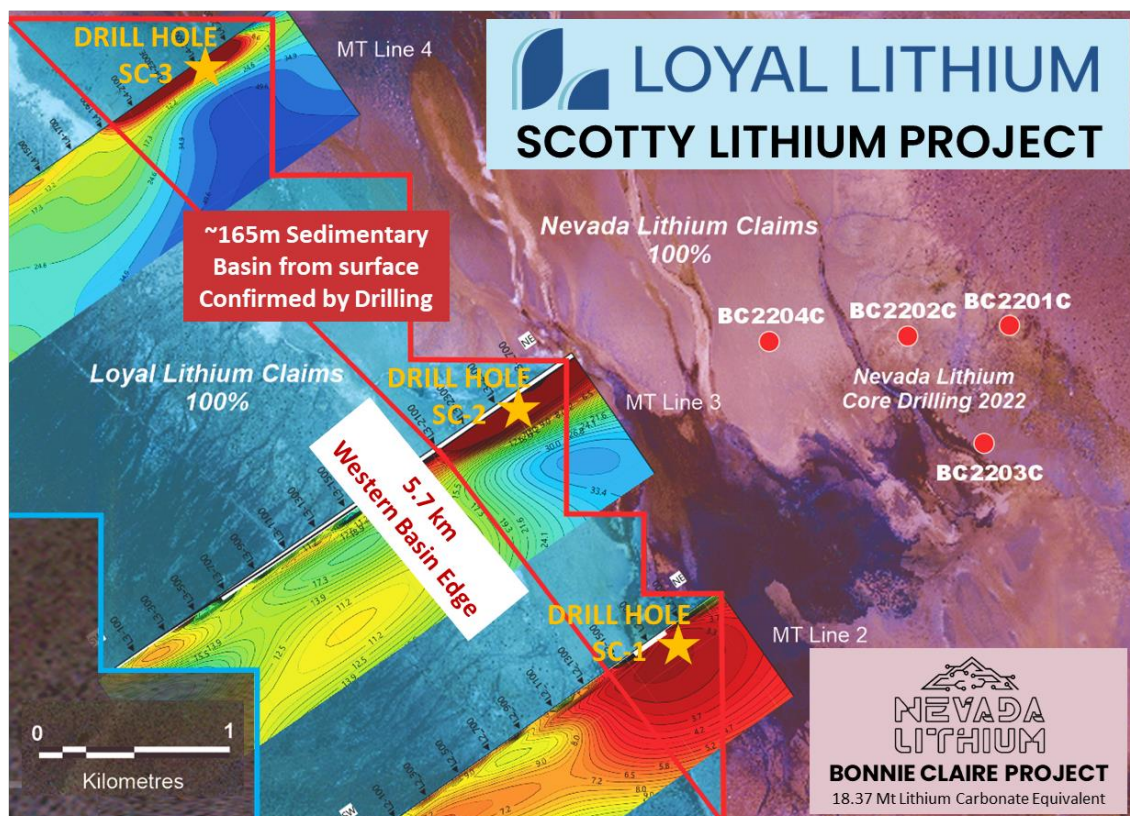


Figure 5: Scotty Lithium Target 2 Sedimentary Basin - MT traverses projected to the horizontal

The MT survey spanned 19.2km across five traverses to infer a 3.6km² sedimentary basin in three traverses across Target 2, which is located beneath strong lithium-boron soil assay results of up to 448ppm lithium and 3,360ppm boron. These findings identified Target 2 as a high priority for the project's inaugural drill program which is situated 1km west of Nevada Lithium's 2022 drilling.

Brisk Lithium Project

A total of 192 mining claims covering 98.5km² were acquired when the option was exercised after field survey outcrop assay results were received (figure 6). The claims are divided into six separate claim blocks, extending over 70km in an east-west direction.

The Brisk Lithium Project contains a number of targets generated in the 2022 field campaign at Areas 1, 2 and 3 that require further testing. Due to capacity constraints of contractor availability, and government fire restrictions, the Company prioritised fieldwork at the Trieste Lithium Project and will determine if contractors are available for field work at Brisk late in the summer/fall 2023 field season.



Figure 6: Brisk Lithium Project

Western Australia - Monger North, South and Gibraltar Projects

A geochemical field sampling program for gold was completed over the Half to ensure minimum expenditures were met, with assay results awaited. Rehabilitation of drilling pads and access tracks was completed with DMIRS submissions to close off POWs. A number of confidential expressions of interest were received for Loyal Lithium's West Australian projects.

The conclusions from both the August and then the November 2022 Strategic Reviews lists all West Australian gold and base metal assets as better suited for joint venture or divestment with the following highlights:

1. Monger North Project: Loyal Lithium discovered 16,400 oz JORC Inferred gold resource to 110m, open to both the northwest and southwest at depth with increasing grade at depth.
2. Gibraltar Project: JORC Exploration Target tonnage and gold grade range between a minimum of 285,500t @ 0.71g/t and maximum 386,000t @ 0.97g/t, advanced by Loyal Lithium. [NOTE: due to the uncertainty in supporting data, these minimum and maximum tonnage and grade ranges are conceptual in nature, as there has been insufficient exploration to estimate a JORC Mineral Resource. It is uncertain if further exploration will result in JORC Mineral Resource estimates.]
3. Monger South Project: VMS silver-zinc-copper (SZC) outcrop sample assays linked with FLEM geophysics survey conductor anomaly discovered by Loyal Lithium. Gold, nickel and SZC outcrop assays and ultrafine soils anomalies found by LLI elsewhere on the Project

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half year

The following events have occurred subsequent to the half year end:

- Satisfaction of Chapters 1 and 2 of the ASX Listing Rules and Readmission to the Official List, including the completion of a \$1.5m re-compliance capital raising, 3 August 2023
- Drill results received at the Scotty Lithium Project, Nevada, USA, with Drilling confirming a significant Lithium Discovery, 11 August 2023
- Started field mapping program at the Trieste Lithium Project, James Bay, Canada, delayed by government fire restrictions, with interim results announced of Multiple Spodumene Bearing Pegmatite Dykes Discovered, 16 August 2023
- At the Hidden Lake Lithium Project, NWT, Canada, before a government evacuation order, Six Additional Spodumene Zones were Identified in a completed field work program, 22 August 2023
- Note: Visual estimates of mineral abundance should never be considered a proxy or substitute for laboratory analyses where concentrations or grades are the factor of principal economic interest. Visual estimates also potentially provide no information regarding impurities or deleterious physical properties relevant to valuations
- Shareholders exercise unquoted options and nets the Company \$1.19 million.

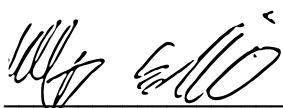
No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial half years.

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 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Peretz Shapiro
Executive Chairman

13 September 2023

DECLARATION OF INDEPENDENCE BY BENJAMIN LEE TO THE DIRECTORS OF LOYAL LITHIUM LIMITED

As lead auditor for the review of Loyal Lithium Limited for the half-year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Benjamin Lee
Director

BDO Audit Pty Ltd

Melbourne, 13 September 2023

Loyal Lithium Limited

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30 June 2023

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General information

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

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

5/10 Johnston Street
Peppermint Grove WA 6011

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 13 September 2023. The directors have the power to amend and reissue the financial statements.

Loyal Lithium Limited

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 30 June 2023

	Note	30 Jun 2023	30 Jun 2022
		\$	\$
Revenue			
Interest income	2	47,313	142
Expenses			
Employee benefits expense	3	(371,728)	(153,720)
Depreciation and amortisation expense		(8,520)	(4,225)
Professional fees		(260,991)	(229,022)
Finance costs		(240)	(207)
Administration costs		(375,310)	(84,604)
Share based payments		(76,943)	-
Impairment of exploration expenditure		(264,109)	-
Re-compliance prospectus		(501,025)	-
Loss before income tax		(1,811,553)	(471,636)
Income tax expense		-	-
Loss for the year		(1,811,553)	(471,636)
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Foreign currency translation		74,139	16,532
Other comprehensive income for the year, net of tax		74,139	16,532
Total comprehensive income for the year		(1,737,414)	(455,104)
Loss for the half-year attributable to:			
Non-controlling interest		-	(6)
Owners of Loyal Lithium Limited		(1,811,553)	(471,630)
		(1,811,553)	(471,636)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		-	3,250
Owners of Loyal Lithium Limited		(1,737,414)	(458,354)
		(1,737,414)	(455,104)
		Cents	Cents
Basic loss per share	15	(2.99)	(2.89)
Diluted loss per share	15	(2.99)	(2.89)

The accompanying notes form part of these financial statements.

Loyal Lithium Limited
Consolidated statement of financial position
As at 30 June 2023

	Note	30 Jun 2023	31 Dec 2022
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,751,916	6,573,702
Trade and other receivables	5	449,654	137,519
TOTAL CURRENT ASSETS		4,201,570	6,711,221
NON-CURRENT ASSETS			
Property, plant and equipment		14,706	23,226
Exploration and evaluation	6	9,597,587	5,648,243
TOTAL NON-CURRENT ASSETS		9,612,293	5,671,469
TOTAL ASSETS		13,813,863	12,382,690
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	963,334	545,642
Provisions		53,729	-
TOTAL CURRENT LIABILITIES		1,017,063	545,642
TOTAL LIABILITIES		1,017,063	545,642
NET ASSETS		12,796,800	11,837,048
EQUITY			
Issued capital	8	15,259,707	12,739,707
Foreign currency reserves	9	70,715	(3,424)
Share based payment reserves	9,10	4,480,673	3,555,895
Accumulated losses		(7,014,295)	(5,202,742)
Equity attributable to the owners of Loyal Lithium Limited		12,796,800	11,089,436
Non-controlling interest		-	747,612
TOTAL EQUITY		12,796,800	11,837,048

The accompanying notes form part of these financial statements.

Loyal Lithium Limited
Consolidated statement of changes in equity
For the half year ended 30 June 2023

	Note	Issued capital	Foreign currency reserves	Share based payment reserves	Accumulated losses	Non controlling interest	Total equity
		\$	\$	\$	\$	\$	\$
Balance at 1 January 2022		4,372,509	-	1,683,600	(1,162,911)	-	4,893,198
Loss after income tax expense for the half-year		-	-	-	(471,630)	(6)	(471,636)
Other comprehensive income for the half-year, net of tax		-	13,276	-	-	3,256	16,532
Total comprehensive income for the half-year		-	13,276	-	(471,630)	3,250	(455,104)
Acquisition of American Consolidated Lithium Pty Ltd		-	-	-	-	743,000	743,000
<i>Transactions with owners in their capacity as owners:</i>							
Share-based payments		-	-	652,000	-	-	652,000
Issue of shares for cash		1,760,000	-	-	-	-	1,760,000
Issue of shares for acquisition of American Consolidated Lithium Pty Ltd		2,320,000	-	-	-	-	2,320,000
Share issue expense		(15,168)	-	-	-	-	(15,168)
Balance at 30 June 2022		8,437,341	13,276	2,335,600	(1,634,541)	746,250	9,897,926
Balance at 1 January 2023		12,739,707	(3,424)	3,555,895	(5,202,742)	747,612	11,837,048
Loss after income tax expense for the half-year		-	-	-	(1,811,553)	-	(1,811,553)
Other comprehensive income for the half-year, net of tax		-	74,139	-	-	-	74,139
Total comprehensive income for the half-year		-	74,139	-	(1,811,553)	-	(1,737,414)
<i>Transactions with owners in their capacity as owners:</i>							
Share-based payments	10	-	-	316,943	-	-	316,943
Issue of shares and options for acquisition of American Consolidated Lithium Pty Ltd	13	2,520,000	-	607,835	-	(747,612)	2,380,223
Balance at 30 June 2023		15,259,707	70,715	4,480,673	(7,014,295)	-	12,796,800

The accompanying notes form part of these financial statements.

Loyal Lithium Limited
Consolidated statement of cashflows
For the half year ended 30 June 2023

	Note	30 Jun 2023 \$	30 Jun 2022 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,299,738)	(392,536)
Interest received		47,313	142
Finance charges		(240)	(207)
		<u>(1,252,665)</u>	<u>(392,601)</u>
Net cash used in operating activities		<u>(1,252,665)</u>	<u>(392,601)</u>
Cash flows from investing activities			
Payments for exploration activities		(1,569,121)	(759,685)
Payments in relation to acquisition of American Consolidated Lithium Pty Ltd		-	(272,001)
		<u>(1,569,121)</u>	<u>(1,031,686)</u>
Net cash used in investing activities		<u>(1,569,121)</u>	<u>(1,031,686)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	1,760,000
Share issue transaction costs		-	(16,278)
Cash acquired on acquisition of subsidiary		-	7,526
		<u>-</u>	<u>1,751,248</u>
Net cash from financing activities		<u>-</u>	<u>1,751,248</u>
Net increase in cash and cash equivalents		(2,821,786)	326,961
Cash and cash equivalents at the beginning of the financial year		<u>6,573,702</u>	<u>3,640,881</u>
Cash and cash equivalents at the end of the financial year	4	<u><u>3,751,916</u></u>	<u><u>3,967,842</u></u>

Material non-cash items

During the half year, the Group has issued 7,000,000 Ordinary Shares and will issue 3,500,000 unquoted options exercisable at A\$0.50 and expiring 3 years from the date of issue to acquire the remaining 20% interest of American Consolidated Lithium Pty Ltd (Note 10).

The accompanying notes form part of these financial statements.

Loyal Lithium Limited

Notes to the consolidated Financial Statements

For the half year ended 30 June 2023

1 Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(a) Going concern

For the half year ended 30 June 2023, the Group recorded a loss after income tax and non-controlling interest of \$1,811,553; showed net cash outflow from investing activities of \$1,569,121 and net cash outflows from operating activities of \$1,252,665. The consolidated entity's ability to continue as a going concern is dependent upon it being able to successfully raise further funding in the next 12 months from the date of the half year financial report.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors have considered the following, in their assessment of the future funding of the Group:

- As at the date of the half year financial report, the entity had cash and cash equivalents of approximately \$3,751,916.
- The Board have prepared budgets which indicates significant expenditure to advance the entity's exploration projects.
- The Board are confident of raising further capital through equity raising when deemed necessary.
- Management have prepared budgets which demonstrates that, based on the above factors the consolidated entity has sufficient funds available to meet its commitments for at least twelve months from the date of the half year financial report.

The directors are of the opinion that the Group will continue to have the ability to raise additional capital when business requires it and accordingly have prepared the financial statements on a going concern basis.

In the unlikely scenario that the Group is not able to obtain additional capital as and when required, there is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in these financial statements.

At the date of approval of these financial statements, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2023. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary.

(b) New Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Loyal Lithium Limited
Notes to the consolidated Financial Statements
For the half year ended 30 June 2023

2 Operating segments

Operating segment information is disclosed on the same basis as information used in internal reporting.

At regular intervals, the board is provided management information for the Company's cash position, the carrying values of exploration permits and Company cash forecast for the next twelve months of operation. On this basis, the board considers the consolidated entity operates in 3 segment being exploration of minerals and three geographical areas, being Australia, Canada and United States

	Interest income	Interest income	Geographi- cal non- current assets	Geographi- cal non- current assets
	30 Jun 2023	30 Jun 2022	30 Jun 2023	31 Dec 2022
	\$	\$	\$	\$
Australia	47,313	142	14,706	23,226
Canada	-	-	1,897,175	1,078,654
United States	-	-	7,700,411	4,569,588
	<u>47,313</u>	<u>142</u>	<u>9,612,292</u>	<u>5,671,468</u>

3 Expenses

30 Jun 2023	30 Jun 2022
\$	\$

Loss before income tax includes the following specific expenses:

Depreciation

Plant and equipment	<u>8,520</u>	<u>4,225</u>
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Finance costs

Interest and finance charges paid/payable on borrowings	<u>240</u>	<u>207</u>
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Superannuation expense

Defined contribution superannuation expense	<u>27,714</u>	<u>16,871</u>
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Employee benefits expense excluding superannuation

Employee benefits expense excluding superannuation	<u>344,014</u>	<u>136,849</u>
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Loyal Lithium Limited
Notes to the consolidated Financial Statements
For the half year ended 30 June 2023

4 Cash and cash equivalents

	30 Jun 2023	31 Dec 2022
	\$	\$
Cash at bank	3,751,916	6,573,702

5 Trade and other receivables

	30 Jun 2023	31 Dec 2022
	\$	\$
Other receivables	94,336	77,000
Goods & Services Tax	-	(17,122)
	<u>94,336</u>	<u>59,878</u>
Prepayments	<u>355,318</u>	<u>77,641</u>
	<u>449,654</u>	<u>137,519</u>

6 Exploration and evaluation

	30 Jun 2023	31 Dec 2022
	\$	\$
Cost of project acquisition - American Consolidated Lithium Pty Ltd	5,973,377	3,588,542
American Consolidated Lithium Pty Ltd - Exploration and evaluation	1,727,034	981,047
Trieste Lithium Project Inc - Exploration and evaluation	1,046,731	420,927
Brisk Lithium Project Inc - Exploration and evaluation	705,430	657,727
9478-8809 Québec Inc - Exploration and evaluation	145,014	-
	<u>9,597,586</u>	<u>5,648,243</u>
	Note	\$
Balance at 1 January 2023		5,648,243
Acquisition of 20% remaining interest of American Consolidated Lithium Pty Ltd	13	2,384,835
American Consolidated Lithium Pty Ltd - Expenditure during the half year		745,987
Trieste Lithium Projects Inc - Expenditure during the half year		625,804
Brisk Lithium Project Inc - Expenditure during the half year		47,703
9478-8809 Québec Inc - Expenditure during the half year		145,014
Balance at 30 June 2023		<u>9,597,586</u>

Loyal Lithium Limited

Notes to the consolidated Financial Statements

For the half year ended 30 June 2023

6 Exploration and evaluation (continued)

Trieste Project

In October 2022, the Group entered agreements to acquire 100% of the Trieste Lithium Project, comprising 466 mineral claims totalling 251 km², located in the James Bay Region of Québec, Canada, proximate to many world-class lithium projects.

The Trieste Project was identified due to its prospective nature for hosting hard-rock, pegmatite-hosted lithium mineralisation. The acquisition of Osisko Development Corporations' Trieste Property connects the eastern extension of the Trieste greenstone belt with its inferred eastern continuation.

In addition to the purchase consideration, the project also include royalties of 2% of net smelter royalty ("NSR") (with an option to buy-back 1% of royalties for \$1M CAD if exercised within 4 years of settlement or \$2.5M CAD thereafter).

Osisko option and option fee

As part of the Trieste Project, the Group granted 500,000 ordinary shares (albeit escrowed for 12 months) to the vendor of the Osisko project as an option fee. The fair value of the shares was determined to be \$240,000 as the shares have not been issued, and the amount has been recognised in the share-based payment reserve (note 10).

The option provides the Group with a right to perform due diligence and exploration on Osisko exclusively and an option to acquire the project at \$500K CAD (in either cash or shares). The exercise of the option subject to a \$200K CAD is spent during the option period,

In addition, a milestone payment of \$3M CAD (in either cash or shares) should a JORC resource of at least 10MT at a minimum of 1% Li₂₀ is discovered and royalties of 2% of NSR.

Brisk Project

On 18 August 2022, the Company announced that it had entered into an exclusive option agreement to acquire 100% of the Brisk Lithium Project located in the James Bay Lithium District in Quebec, Canada (Brisk Project) pursuant to a binding term sheet (Binding Term Sheet) with its vendor.

In addition to the cash and share consideration, which was settled previously, the consideration included in the Binding Term Sheet also comprised 4,000,000 performance shares. The performance share is convertible to shares, subject to three milestones. The performance share was issued to the vendor upon the shareholders approval subsequent to the half year end.

The deal also includes royalties of 3% of NSR (with an option to buy-back 1% for \$1M CAD if exercised within 4 years of settlement or \$2.5M CAD thereafter).

Loyal Lithium Limited
Notes to the consolidated Financial Statements
For the half year ended 30 June 2023

7 Trade and other payables

	30 Jun 2023	31 Dec 2022
	\$	\$
Trade payables	903,509	257,214
Other payables	59,825	288,428
	<u>963,334</u>	<u>545,642</u>

8 Issued capital

	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>62,490,001</u>	<u>55,490,001</u>	<u>15,259,707</u>	<u>12,739,707</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1-Jan-23	55,490,001		12,739,707
Acquisition of American Consolidated Lithium Pty Ltd	20-Feb-23	3,499,999	\$0.36	1,260,000
Acquisition of American Consolidated Lithium Pty Ltd - escrowed 6 Months	20-Feb-23	3,500,001	\$0.36	1,260,000
Balance	30-Jun-23	<u>62,490,001</u>		<u>15,259,707</u>

Ordinary shares

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

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

9 Reserves

	Note	30 Jun 2023	31 Dec 2022
		\$	\$
Share-based payments reserve	10	4,480,673	3,555,895
Foreign currency reserve		70,715	(3,424)
Total		<u>4,551,388</u>	<u>3,552,471</u>

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.

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.

Loyal Lithium Limited
Notes to the consolidated Financial Statements
For the half year ended 30 June 2023

10 Share-based payments

From time to time, the Group provides Incentive Options and Performance Rights to officers, employees, consultants, vendors and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required. The movement of share based payment reserve is set out below:

	Note	\$
Balance at 1 January 2023		3,555,895
2,000,000 exercise price \$0.60 - issued to consultant		76,943
3,499,999 exercise price \$0.50 - acquisition of remaining 20% interest of ACL	13	607,835
Option fee paid for Osisko project	6	240,000
Balance at 30 June 2023		<u>4,480,673</u>

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

June 2023		Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
Grant date	Expiry date						
7/07/2021	1/07/2024	\$0.30	18,300,000	-	-	-	18,300,000
31/05/2022	7/07/2024	\$0.30	4,000,000	-	-	-	4,000,000
2/05/2022	25/05/2025	\$0.30	500,000	-	-	-	500,000
12/12/2022	15/12/2025	\$0.70	2,000,000	-	-	-	2,000,000
29/06/2022	25/07/2025	\$0.35	1,000,000	-	-	-	1,000,000
20/02/2023 ⁽¹⁾	16/01/2026	\$0.60	-	2,000,000	-	-	2,000,000
31/05/2023 ⁽²⁾	31/05/2026	\$0.50	-	3,499,999	-	-	3,499,999
			25,800,000	5,499,999	-	-	31,299,999

	1	2
	Consultant options	Vendor options
Recognised in	Profit & Loss	Exploration & Evaluation
Grant date	20-Feb-23	31-May-23
Number of options issued	2,000,000	3,499,999
Expiry date	16-Jan-26	31-May-26
Share price at grant date	\$0.32	\$0.32
Exercise Price	\$0.60	\$0.50
Expected Volatility	100%	100%
Risk-Free Interest Rate	2.94%	2.94%
Underlying fair value at grant date	\$0.16	\$0.16
Fair Value	\$322,808 (\$76,943 in the current HY)	\$607,835

Loyal Lithium Limited
Notes to the consolidated Financial Statements
For the half year ended 30 June 2023

10 Share-based payments (continued)

Performance Rights

Set out below are the summaries of Performance rights at the end of the reporting period as share based payments:

Class	Grant date	Expiry date	Price at grant date	Exercised	Exercise/ lapsed/ other	Balance at the end of the year
A	25/07/2022	25/01/2023	\$0.18	500,000	-	500,000
B	25/07/2022	25/07/2023	\$0.18	500,000	-	500,000
C	25/07/2022	25/01/2024	\$0.18	500,000	-	500,000
D	25/07/2022	25/01/2024	\$0.18	500,000	-	500,000
E	25/07/2022	25/01/2023	\$0.18	250,000	-	250,000
F	25/07/2022	25/07/2023	\$0.18	500,000	-	500,000
G	25/07/2022	25/01/2024	\$0.18	250,000	-	250,000
				<u>3,000,000</u>	-	<u>3,000,000</u>

No additional performance rights or performance shares were issued during the half year. Please refer to the annual report of 31 December 2022 for the detail information of the existing performance right.

11 Contingent liabilities

The Group has royalty payables for its exploration projects if certain milestones are achieved (Note 6). Other than the royalties, there are no other contingent liabilities or contingent assets at 30 June 2023 and 31 December 2022.

12 Commitments

There are no commitments at 30 June 2023 and 31 December 2022.

Loyal Lithium Limited

Notes to the consolidated Financial Statements

For the half year ended 30 June 2023

13 Acquisition of exploration projects

Projects Acquired

On 7th June 2022, Loyal Lithium Limited acquired 80% of American Consolidated Lithium Pty Ltd ("ACL"). ACL holds the rights to acquire a 100% interest in 700 unpatented placer mining claims covering approximately 14,000 acres in Nye County, southern Nevada, USA, known as the Scotty Lithium Project. Under the agreement, 8,000,000 Shares and 4,000,000 in the capital of options (exercisable at \$0.30 and expiring on 6 July 2024) were issued to the vendors as consideration for the Projects.

As the assets acquired do not meet the definition of a business under Australian Accounting Standard AASB 3 Business Combinations, the transaction has been accounted for as an asset acquisition.

During the half year, the Company has negotiated the acquisition of the remaining 20% of the Scotty Lithium Project. Under the terms of the agreement the Company has cancelled the 18,000,000 Performance Shares and 9,000,000 options. The Company has issued 7,000,000 Ordinary Shares and 3,499,999 unquoted options exercisable at A\$0.50 and expiring 3 years from the date of issue. Summary of the transactions are set out below:

	\$
Fair value of the 7,000,000 shares issued	2,520,000
Fair value of the 3,499,999 options issued	607,835
Carrying value of the NCI	(747,612)
FX difference	4,612
Additional assets acquisition of ACL project (capitalised in exploration and evaluation assets)	<u>2,384,835</u>

14 Events after the reporting period

The following events have occurred subsequent to the period end:

- Satisfaction of Chapters 1 and 2 of the ASX Listing Rules and Readmission to the Official List, including the completion of a \$1.5m re-compliance capital raising, 3 August 2023
- Drill results received at the Scotty Lithium Project, Nevada, USA, with Drilling confirming a significant Lithium Discovery, 11 August 2023
- Started field mapping program at the Trieste Lithium Project, James Bay, Canada, delayed by government fire restrictions, with interim results announced of Multiple Spodumene Bearing Pegmatite Dykes Discovered, 16 August 2023
- At the Hidden Lake Lithium Project, NWT, Canada, before a government evacuation order, Six Additional Spodumene Zones were Identified in a completed field work program, 22nd August 2023

Note: Visual estimates of mineral abundance should never be considered a proxy or substitute for laboratory analyses where concentrations or grades are the factor of principal economic interest. Visual estimates also potentially provide no information regarding impurities or deleterious physical properties relevant to valuations

- Shareholders exercise unquoted options and nets the Company \$1.19 million.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Loyal Lithium Limited
Notes to the consolidated Financial Statements
For the half year ended 30 June 2023

15 Earnings per share

	30 Jun 2023	30 Jun 2022
	\$	\$
Loss after income tax	(1,811,553)	(471,636)
Non-controlling interest	-	6
	<u>(1,811,553)</u>	<u>(471,630)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	60,556,299	16,314,057
	<u>60,556,299</u>	<u>16,314,057</u>
	Cents	Cents
Basic earnings per share	(2.99)	(2.89)
Diluted earnings per share	(2.99)	(2.89)

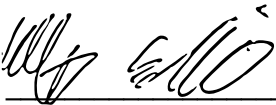
Loyal Lithium Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australia Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial half-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.

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



Peretz Shapiro
Executive Chairman

13 September 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Loyal Lithium Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Loyal Lithium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A stylized, handwritten-style logo of the letters 'BDO' in black ink.

A handwritten signature in black ink, appearing to read 'Benjamin Lee'.

Benjamin Lee
Director

Melbourne, 13 September 2023