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## **HALF YEAR REPORT**

### **FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

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## **CORPORATE DIRECTORY**

### **NON-EXECUTIVE CHAIRMAN**

Adrian Byass

### **CEO and MANAGING DIRECTOR**

Ryan Parkin

### **NON-EXECUTIVE DIRECTOR**

Mr Felipe Llorente

### **EXECUTIVE DIRECTOR**

Vincent Ledoux-Pedailles

### **COMPANY SECRETARY**

Robert Orr

### **PRINCIPAL & REGISTERED OFFICE**

9/448 Roberts Road  
SUBIACO WA 6008  
Telephone: (08) 6461 6350

### **AUDITORS**

Pitcher Partners BA&A Pty Ltd  
Level 11, 12-14 The Esplanade  
PERTH WA 6000

### **SHARE REGISTER**

Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS WA 6009  
Telephone: (08) 9389 8033  
Facsimile: (08) 9389 7871

### **SECURITIES EXCHANGE LISTINGS**

Australian Securities Exchange  
(Home Exchange: Perth, Western Australia)  
Code: INF

### **BANKERS**

National Australia Bank  
1232 Hay Street  
WEST PERTH WA 6872

### **WEBSITE**

[www.infinitylithium.com](http://www.infinitylithium.com)

## DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity' or the 'Group') consisting of Infinity Lithium Corporation Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of the half-year ended 31 December 2019 (the 'half-year' period).

### 1. DIRECTORS

The names of Directors who held office during or since the end of the half-year:-

Mr Adrian Byass	Non-Executive Chairman
Mr Ryan Parkin	CEO and Managing Director
Mr Vincent Ledoux-Pedailles	Executive Director
Mr Felipe Llorente	Non-Executive Director (appointed 15 October 2019)
Mr Kevin Tomlinson	Non-Executive Chairman (resigned 27 November 2019)

Directors have held office for the entire half-year period and to the date of this report unless otherwise stated.

### 2. PRINCIPAL ACTIVITIES

During the half-year the principal activities of the Consolidated Entity consisted of exploration and evaluation of the Consolidated Entity's group holdings.

### 3. RESULT OF OPERATION

The Directors of the Company advise the consolidated loss of the Consolidated Entity after providing for income tax for the half-year to 31 December 2019 is \$805,927 (2018 loss: \$1,543,235).

### 4. REVIEW OF OPERATIONS

During the half year period ended 31 December 2019 the Group advanced its San Jose Lithium JV (Spain), including the announcement and delivery of the lithium hydroxide prefeasibility study (ASX release 22 August 2019). The compelling economic metrics were based on open pit mining and on-site processing to produce battery grade lithium hydroxide with a focus on markets within the European Union. The Group has aligned the Project to the prioritisation within Europe to develop a sustainable and complete lithium-ion battery supply chain through the confirmation of our ability to produce lithium hydroxide using the chosen process route.

The Group hosted European Battery Alliance and European Investment Bank delegates in July 2019 and confirmed key Infinity European Commission appointments and representations with the European Battery Alliance. After the launch of the Business Investment Platform (ASX release 27 September 2019) the Group was subsequently selected as one of the first potential investees under the new European initiative. Infinity remains well placed to continue discussions with strategic and end-user parties regarding potential battery grade lithium hydroxide production.

The Group remains focused on the progression of the lithium project and announced the removal of ongoing holding costs of the Gabonese potash project through the signing of a binding letter of intent to divest these assets (ASX release 9 July 2019). On 25 February 2020, the Group announced that it had entered into a binding sale agreement to sell the Gabonese potash assets to Meridian Drilling Inc.

## **Corporate Activities**

### **Board changes**

On 15 October 2019, the Company announced the appointment of Mr Felipe Llorente to the Board of Directors in the position of non-executive Director.

On 12 November 2019, the Company announced the resignation of its Chairman Mr Kevin Tomlinson. Mr Adrian Byass has been appointed to the position of Chairman in the interim.

### **Divestment of Gabon Assets**

On 25 February 2020 the Group announced that it had entered into a binding sale agreement to sell the Gabonese potash assets to Meridian Drilling Inc. The Sale Agreement will remove costs associated with the potash assets and is subject to a due diligence period. The Company had previously announced on 9 July 2019 an option agreement for the sale of the Gabonese assets to another potential purchaser however the Option agreement was terminated prior to the new agreement as the Option holder was in breach of terms and conditions.

### **Exploration Asset Acquisitions**

On 13 March 2019, the Group acquired a further 25% interest in Tecnolgia Extremena Del Lito S.L. ("TEL"), increasing the Company's interest in the Special Purpose Vehicle to 75%. TEL is the holding entity of the Consolidated Entity's San José Lithium Project. On 6 September 2019, the Group made payment of €150,000 to the Vendors of the project towards the remaining deferred consideration.

### **General Meetings**

The Company held a General Meeting of Shareholders on 9 September 2019, and its Annual General Meeting on 27 November 2019. Subsequent to each meeting the Company announced that all resolutions put to the meeting were passed unanimously by a show of hands.

### **Option issues and lapses**

On 17 September 2019, the Company issued 1,000,000 unquoted options to key personnel with an exercise price of \$0.088, expiring 16 September 2022.

On 30 October 2019, 6,875,000 unquoted share options with an exercise price of \$0.35 expired unexercised.

### **Placements**

On 3 July 2019, the Company placed 20,285,714 ordinary fully paid shares with an issue price of \$0.07 per share with sophisticated investors raising \$1,420,000. An additional 1,142,858 shares raising a further \$80,000 was issued to key personnel on 17 September 2019 following the required shareholder approval at the general meeting held on 9 September 2019. The funds raised pursuant to this Placement were used to accelerate exploration activities at the San Jose Lithium Project.

### **Rights issues**

On 11 December 2019 the Company issued 5,000,000 share appreciation rights ("SAR") each to Mr Ryan Parkin and Mr Vincent Pedailles.

The SAR have an expiry date of 13 September 2024 and an exercise price of \$0.072. Each SAR entitles the holder to one fully paid ordinary share in the Company. The vesting conditions of the SARs is as follows:

- a) 50% (5,000,000 total) will vest on 13 September 2020
- b) 25% (2,500,000 total) will vest on 13 September 2021
- c) 25% (2,500,000 total) will vest on 13 September 2022

On the same date, the Group issued two tranches of performance rights (tranche A and tranche B). Both tranches consisted of 3,140,312 rights with an expiry date of 31 December 2020. The performance rights were again issued to directors, Mr Ryan Parkin and Mr Vincent Pedailles, with each receiving 1,570,156 performance rights from each tranche.

Tranche A rights vest based on the Group executing a non-binding offtake agreement with a third party for the purchase of a minimum 5,000 tonnes of lithium chemicals including lithium hydroxide or lithium carbonate produced from the San Jose Lithium Project; and

Tranche B rights vest upon the Group completing a capital raising for a minimum of \$1,000,000 from a recognised lithium industry participant or investor.

#### Share based payment

On 27 December 2019 the Company issued 1,883,330 ordinary fully paid shares to Wave International Pty Ltd in consideration of services pertaining to the pre-feasibility study of San Jose Project. The shares had an issue price of \$0.0685 with a total consideration value of \$129,008.

## 5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

## 6. DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## 7. EVENTS SUBSEQUENT TO REPORTING DATE

On 25 February 2020, the Group announced that it had entered into a binding sale agreement to sell the Gabonese potash assets to Meridian Drilling Inc. for a nominal amount of \$1, in order to streamline the Group's activities and focus on the Spanish San José Lithium Project.

No matter or circumstance has arisen subsequent to 31 December 2019 that has significantly affected, or may significantly affect, the state of affairs or operations of the reporting Consolidated Entity in future financial periods.

## 8. AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2019.

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.

A handwritten signature in black ink, appearing to be "Ryan Parkin", with a long horizontal line extending to the right.

Ryan Parkin  
Managing Director  
Dated this 13 March 2020

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF INFINITY LITHIUM CORPORATION LIMITED AND ITS  
CONTROLLED ENTITIES**

In relation to the independent review for the half-year ended 31 December 2019, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

*Pitcher Partners BA&A Pty Ltd*

PITCHER PARTNERS BA&A PTY LTD



J C PALMER  
Executive Director  
Perth WA, 13 March 2020



**INFINITY LITHIUM CORPORATION LIMITED**  
**ABN 52 147 413 956**

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE MEMBERS OF INFINITY LITHIUM CORPORATION LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Infinity Lithium Corporation Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Half-Year 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 31 December 2019 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*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**INFINITY LITHIUM CORPORATION LIMITED**  
**ABN 52 147 413 956**

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE MEMBERS OF INFINITY LITHIUM CORPORATION LIMITED**

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1 Going Concern to the half-year financial report, which indicates that the Group incurred a net loss of \$805,927 for the half-year ended 31 December 2019 and generated an operating cash outflow of \$643,648, and as at that date, had net current assets of \$95,478 and net assets of \$2,538,181. These conditions, along with other matters set forth in Note 1 Going Concern to the half-year financial report, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in this respect.

*Pitcher Partners BA&A Pty Ltd*

PITCHER PARTNERS BA&A PTY LTD



J C PALMER  
Executive Director  
Perth WA, 13 March 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Note	31-Dec 2019 \$	31-Dec 2018 Restated* \$
<b>Continuing operations</b>			
<b>Revenue</b>			
Other revenue		60,905	31,151
Fair value gain on deferred consideration		8,805	-
<b>Expenses</b>			
Administrative expenses		(44,178)	(80,193)
Compliance and regulatory expenses		(163,922)	(129,245)
Consultancy expenses		(735)	(97,677)
Depreciation and amortisation expense		-	(118)
Directors fees		(118,760)	(130,317)
Employee benefits expense	7	(23,280)	(21,945)
Share based payment expense		(101,077)	(26,670)
Finance expenses		(4,892)	(4,424)
Impairment of equity accounted investment		-	(480,446)
Impairment of exploration assets		-	(508,615)
Insurance expenses		(12,319)	(9,987)
Occupancy expenses		(938)	(71,381)
Travel expenses		(28,437)	(10,289)
Realised foreign exchange movements		21	(3,079)
<b>Loss before income tax from continuing operations</b>		<b>(428,807)</b>	<b>(1,543,235)</b>
Income tax expense		-	-
<b>Loss after income tax from continuing operations</b>		<b>(428,807)</b>	<b>(1,543,235)</b>
<b>Discontinued operations</b>			
Loss from discontinued operations	9	(377,120)	-
<b>Loss after income tax from discontinued operations</b>		<b>(377,120)</b>	<b>-</b>
<b>Net loss for the period</b>		<b>(805,927)</b>	<b>(1,543,235)</b>
<b>Loss for the period attributable to:</b>			
Owners of the Parent Entity		(805,927)	(1,546,142)
Non-controlling interests		303,488	2,907
<b>Loss from operations</b>		<b>(502,439)</b>	<b>(1,543,235)</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>			
Exchange differences arising on translation of foreign operations		(17,049)	(2,481)
<b>Total other comprehensive loss for the period</b>		<b>(519,488)</b>	<b>(1,545,716)</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	31-Dec 2019 \$	31-Dec 2018 \$
<b>Total comprehensive loss attributable to:</b>		
Owners of the Parent Entity	(822,976)	(1,540,711)
Non-controlling interests	303,488	(5,005)
	<u>(519,488)</u>	<u>(1,545,716)</u>
<b>Earnings per share</b>		
Basic and diluted loss per share (cents) from continuing operations attributable to ordinary equity holders of the company	(0.20)	(0.81)
Basic and diluted loss per share (cents) from discontinued operations attributable to ordinary equity holders of the company	(0.18)	(0.81)
Basic and diluted loss per share (cents) attributable to ordinary equity holders of the company	(0.38)	(0.81)

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

*\* Certain amounts shown here do not correspond to the 31 December 2019 half-year financial statements and reflect adjustments disclosed in Note 3.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	31-Dec 2019 \$	30-Jun 2019 Restated* \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		696,590	1,266,770
Trade and other receivables		124,184	186,185
Other current assets		15,644	10,520
<b>TOTAL CURRENT ASSETS</b>		<b>836,418</b>	<b>1,463,475</b>
<b>NON-CURRENT ASSETS</b>			
Equity accounted investments	4	2,712,854	1,620,483
Other assets		40,859	47,107
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,753,713</b>	<b>1,667,590</b>
<b>TOTAL ASSETS</b>		<b>3,590,131</b>	<b>3,131,065</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		77,753	439,088
Deferred consideration payable	8	639,591	891,265
Provisions		23,596	64,003
<b>TOTAL CURRENT LIABILITIES</b>		<b>740,940</b>	<b>1,394,356</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred consideration payable	8	311,010	324,097
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>311,010</b>	<b>324,097</b>
<b>TOTAL LIABILITIES</b>		<b>1,051,950</b>	<b>1,718,453</b>
<b>NET ASSETS</b>		<b>2,538,181</b>	<b>1,412,612</b>
<b>EQUITY</b>			
Issued capital	5	25,794,568	24,250,588
Reserves	6	767,254	1,418,483
Accumulated losses		(24,023,641)	(23,952,971)
Equity attributable to owners of the Parent Entity		2,538,181	1,716,100
Non-controlling interest		-	(303,488)
<b>TOTAL EQUITY</b>		<b>2,538,181</b>	<b>1,412,612</b>

\* Certain amounts shown here do not correspond to the 30 June 2019 financial statements and reflect adjustments disclosed in Note 3.

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

# **CONSOLIDATED STATEMENT OF CASH FLOWS** **FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	31-Dec-19 \$	31-Dec-18 Restated * \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments for administrative and corporate expenses	(336,001)	(167,394)
Payments for non-capitalised exploration expenditure	(145,014)	(545,028)
Payments for employee expenses	(164,217)	(180,308)
Interest received	1,584	30,840
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b><u>(643,648)</u></b>	<b><u>(861,890)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for equity accounted investments	(1,404,349)	(495,025)
Proceeds from option fees on tenement sale agreement	59,880	-
Payments for environmental deposits	(11,005)	-
Refund of security deposits	15,000	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b><u>(1,340,444)</u></b>	<b><u>(495,025)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds received from the issue of shares	1,500,000	-
Payment for costs of issue of shares	(85,028)	(500)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b><u>1,414,972</u></b>	<b><u>(500)</u></b>
Net decrease in cash and cash equivalents	(569,150)	(1,357,415)
Effect of exchange rate changes on cash	(1,030)	(164)
Cash and cash equivalents at the beginning of the reporting period	1,266,770	3,905,102
<b>Cash and cash equivalents at the end of the reporting period</b>	<b><u><u>696,590</u></u></b>	<b><u><u>2,547,523</u></u></b>

\* Certain amounts shown here do not correspond to the 31 December 2018 half-year financial statements and reflect adjustments disclosed in Note 3.

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Attributable to Owners of Parent	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<u>24,234,719</u>	<u>1,532,225</u>	<u>172,967</u>	<u>(21,530,155)</u>	<u>4,409,756</u>	<u>(296,352)</u>	<u>4,113,404</u>
Loss for the period	-	-	-	(1,546,142)	(1,546,142)	2,907	(1,543,235)
<i>Other Comprehensive Income</i>							
Exchange differences arising on translation of foreign operations	-	-	5,431	-	5,431	(7,912)	(2,481)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>5,431</u>	<u>(1,546,142)</u>	<u>(1,540,711)</u>	<u>(5,005)</u>	<u>(1,545,716)</u>
<i>Transactions with owners, recorded directly in equity</i>							
Issue of shares	-	-	-	-	-	-	-
Issue of shares on exercise of options	-	-	-	-	-	-	-
Share-based payments	16,920	9,750	-	-	26,670	-	26,670
Costs of issuing shares	(1,000)	-	-	-	(1,000)	-	(1,000)
Lapse of option on expiry	-	(246,979)	-	246,979	-	-	-
Total transactions with owners	<u>15,920</u>	<u>(237,229)</u>	<u>-</u>	<u>246,979</u>	<u>25,670</u>	<u>-</u>	<u>25,670</u>
<b>Balance at 31 December 2018</b>	<u><b>24,250,639</b></u>	<u><b>1,294,996</b></u>	<u><b>178,398</b></u>	<u><b>(22,829,318)</b></u>	<u><b>2,894,715</b></u>	<u><b>(301,357)</b></u>	<u><b>2,593,358</b></u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve*	Accumulated Losses*	Attributable to Owners of Parent	Non- Controlling Interest*	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	<u>24,250,588</u>	<u>1,244,246</u>	<u>174,237</u>	<u>(23,952,971)</u>	<u>1,716,100</u>	<u>(303,488)</u>	<u>1,412,612</u>
Loss for the period	-	-	-	(805,927)	(805,927)	303,488	(502,439)
<i>Other Comprehensive Income</i>							
Exchange differences arising on translation of foreign operations	-	-	(17,049)	-	(17,049)	-	(17,049)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>(17,049)</u>	<u>(805,927)</u>	<u>(822,976)</u>	<u>303,488</u>	<u>(519,488)</u>
<i>Transactions with owners, recorded directly in equity</i>							
Issue of shares	1,500,000	-	-	-	1,500,000	-	1,500,000
Share-based payments	129,008	101,077	-	-	230,085	-	230,085
Costs of issuing shares	(85,028)	-	-	-	(85,028)	-	(85,028)
Lapse of options on expiry	-	(735,257)	-	735,257	-	-	-
Total transactions with owners	<u>1,543,980</u>	<u>(634,180)</u>	<u>-</u>	<u>735,257</u>	<u>1,645,057</u>	<u>-</u>	<u>1,645,057</u>
<b>Balance at 31 December 2019</b>	<u><b>25,794,568</b></u>	<u><b>610,066</b></u>	<u><b>157,188</b></u>	<u><b>(24,023,641)</b></u>	<u><b>2,538,181</b></u>	<u><b>-</b></u>	<u><b>2,538,181</b></u>

\* Certain amounts shown here do not correspond to the 30 June 2019 financial statements and reflect adjustments disclosed in note 3.

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



## CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

Infinity Lithium Corporation Limited (the Company) is a public company, limited by shares, domiciled and incorporated in Australia and listed on the Australian Securities Exchange. The half-year consolidated financial report of the Company for the six months ended 31 December 2019, comprise the Company and its subsidiaries (the "Consolidated Entity" or "Group").

The half-year condensed consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year condensed consolidated financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Infinity Lithium Corporation Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

These consolidated half-year financial statements were authorised for issue in accordance with a resolution of the directors on 13 March 2020.

#### Basis of Preparation

The interim financial report is a condensed consolidated financial report prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated. The presentation and functional currency is Australian Dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2019 except where expressly stated below. Those accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### *Discontinued operations*

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

#### *AASB 16 Leases*

AASB 16 Leases ('AASB 16') became mandatorily effective on 1 January 2019. Accordingly, this standard applies for the first time to this set of financial statements. AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

## NOTES TO THE CONSOLIDATED STATEMENTS

Subsequent to initial recognition:

- (a) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - i. Investment property, the lessee applies the fair value model in AASB 140 Investment Property to the right-of-use asset; or
  - ii. Property, plant or equipment, the applies the revaluation model in AASB 116 Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (b) Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

The adoption of AASB 16 for the half-year ending 31 December 2019 did not have any impact on the transactions and balances recognised in the Condensed Consolidated Interim Financial Report as the Group does not have any leases that fall under the scope of AASB 16.

### Impact of new standards and interpretations issued but not yet adopted

There are no new standards that have been issued since 30 June 2019 that have been applied by the Consolidated Entity. The 30 June 2019 annual report disclosed that the Consolidated Entity anticipated no new material impacts arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2019.

### **Going Concern Basis**

The financial statements have been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss after tax of \$805,927 for the period ended 31 December 2019 (31 December 2018: \$1,543,235). As at 31 December 2019 the Consolidated Entity had net assets of \$2,538,181 (30 June 2019: \$1,412,612) and continues to incur expenditure on its equity accounted investment comprising the San José project, drawing on its cash balances. As at 31 December 2019, the Consolidated Entity had \$696,590 (30 June 2019: \$1,266,770) in cash and cash equivalents.

The Group's equity accounted investment predominantly consisted of exploration and evaluation assets. The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ultimate exploitation of the assets will depend on raising necessary funding in the future. Should the Consolidated Entity be unable to raise additional funds, there is a material uncertainty which may cast significant doubt over the Consolidated Entity ability to continue as a going concern. As at 31 December 2019, there has been no adjustment in the financial report relating to the recoverability and classification of the asset carrying amounts, or the amounts and classification of liabilities that might be necessary, should the Consolidated Entity be unable to raise capital as and when required, and the exploitation of the areas of interest not be successful, or the Consolidated Entity not continue as a going concern.

## NOTES TO THE CONSOLIDATED STATEMENTS

### Significant accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make judgments and estimates relating to the carrying amounts of certain assets and liabilities. Actual results may differ from the estimates made. Estimates and assumptions are reviewed on an ongoing basis.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next accounting period are:

(i) *Share based payment transactions*

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

(ii) *Impairment of assets*

The Equity Accounted Investments of the Consolidated Entity predominantly consisted of exploration and evaluation assets. The ultimate recoupment of the value of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

(iii) *Fair value measurement*

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

## NOTES TO THE CONSOLIDATED STATEMENTS

### Comparatives

Classification of prior period amounts have been restated when required for consistency with current year disclosures. Refer to Note 3 for further information regarding the impact on the half-year consolidated financial statements as a result of prior period adjustments.

## 2. OPERATING SEGMENTS

### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) to make decisions about resources to be allocated to the segments and assess their performance.

Operating segments are identified by Management based on the mineral resource and exploration activities in Australia, Gabon and Spain. Discrete financial information about each project is reported to the CODM on a regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate.

The Group has three reportable segments based on the geographical areas of the mineral resource and exploration activities in Australia, Gabon and Spain. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

### 2019

	Unallocated	Gabon	Spain	Total
	\$	\$	\$	\$
<b>(i) Segment performance 31 Dec 2019</b>				
<b>Revenue</b>				
Fair value gain on deferred consideration	8,805	-	-	8,805
Interest revenue	1,024	-	-	1,024
Option fees on sale of tenement	-	59,881	-	59,881
<b>Total segment revenue</b>				<b>69,710</b>
<u>Reconciliation of segment result to group net profit/(loss) before tax</u>				
Amounts not included in segment result but reviewed by the Board:				
- Other expenses	(875,637)	-	-	(875,637)
<b>Net loss before tax</b>	<b>(865,808)</b>	<b>59,881</b>	<b>-</b>	<b>(805,927)</b>
<b>(ii) Segment assets</b>				
<u>Reconciliation of segment assets to group assets</u>				
<i>Segment assets at 1 July 2019</i>	-	-	1,620,483	1,620,483
Segment asset increase for the period:				
Equity accounted investments	-	-	1,128,804	1,128,804
Environmental bond	-	-	10,859	10,859
Foreign exchange movements	-	-	(36,433)	(36,433)

# NOTES TO THE CONSOLIDATED STATEMENTS

	Unallocated	Gabon	Spain	Total
	\$	\$	\$	\$
<i>Segment assets at 31 December 2019</i>	-	-	2,723,713	2,723,713
Other assets	866,418	-	-	866,418
<b>Total group assets</b>	<b>866,418</b>	<b>-</b>	<b>2,723,713</b>	<b>3,590,131</b>
<b>(iii) Segment liabilities</b>				
<i>Reconciliation of segment liabilities to group liabilities</i>				
<i>Segment liabilities as at 1 July 2019</i>	-	21,346	1,443,219	1,464,565
Segment asset/(decrease) increase for the period:				
Trade and other payables	-	(20,798)	(439,026)	(459,824)
<i>Segment liabilities at 31 December 2019</i>	-	548	1,004,193	1,004,741
Other liabilities	47,209	-	-	47,209
<b>Total group liabilities</b>	<b>47,209</b>	<b>548</b>	<b>1,004,193</b>	<b>1,051,950</b>
<b>2018</b>				
<b>(iv) Segment performance 31 Dec 2018</b>				
<b>Revenue</b>				
Interest revenue	31,151	-	-	31,151
<b>Total segment revenue</b>	<b>31,151</b>	<b>-</b>	<b>-</b>	<b>31,151</b>
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>				
Equity accounted investments				
Exploration expenditure	-	(487,282)	(501,779)	(989,061)
Other expenses	(585,325)	-	-	(585,325)
<b>Net loss before tax</b>	<b>(554,174)</b>	<b>(487,282)</b>	<b>(501,779)</b>	<b>(1,543,235)</b>
<b>(v) Segment assets</b>				
Segment assets at 1 July 2018	-	-	-	-
Segment asset increase for the period:				
Exploration expenditure	-	681,015	2,840,544	3,521,559
Impairment	-	(681,015)	(1,220,061)	(1,901,076)
<i>Segment liabilities at 30 June 2019</i>			1,620,483	1,620,483
Other assets	1,510,582	-	-	1,510,582
<b>Total group assets at 30 June 2019</b>	<b>1,510,582</b>	<b>-</b>	<b>(1,620,483)</b>	<b>3,131,065</b>
	Unallocated	Gabon	Spain	Total
	\$	\$	\$	\$
<b>(vi) Segment liabilities</b>				
<i>Reconciliation of segment liabilities to group liabilities</i>				
Segment liabilities at 1 July 2018	-	-	95,059	95,059
Segment liability decrease for the period:	-	21,346	1,348,160	1,369,506
Other liabilities	253,888	-	-	253,888
<b>Total group liabilities at 30 June 201</b>	<b>253,888</b>	<b>21,346</b>	<b>1,443,219</b>	<b>1,718,453</b>

## NOTES TO THE CONSOLIDATED STATEMENTS

### 3. RESTATEMENT OF PRIOR PERIOD

On 30 December 2016, the Consolidated Entity, through its subsidiary Extremadura Mining ("EM"), entered into the "Agreement Valoriza Minera – Extremadura Mining" with Valoriza Minera ("VM") (hereafter referred to as the "Joint Venture Agreement" or "JVA"). The agreement enabled the Consolidated Entity to acquire up to a 75% interest in a Spanish Special Purpose Vehicle, Tecnolgia Extremena Del Litio S.L. ("TEL"), through the following:

- Minimum expenditure of €1.5 million in TEL within 12 months (by 31 December 2017) to earn a 50% equity interest ("stage 1"); and
- Upon exercising of a call option to acquire an additional 25%, spend an additional €2.5 million and obtain the Viability Study ("VS") ("stage 2").

On 13 March 2019, the Group (through EM) sought to amend the terms of the JVA and signed the "Novacion Al Contrato De Participacion en lan Investigacion Minera Y Ocuerdo De Valuntad Asociativa Entre Valoriza Minería, S.L.U., Y Extremadura Mining, S.L.U ("Novation"), with the following impact:

- i) The removal of the prior obligation by INF to spend €2.5 million in TEL;
- ii) The requirement to pay VM €1 million, with €250,000 upfront, a further €150,000 within three months (paid June 2019) and the remaining €600,000 payable in six equal payments made each month (conditional on the tenement application reverting back to granted status); and
- iii) Consequently, as a result of i) and ii) above, the immediate transfer of a further 25% of the shares in TEL to give INF a 75% equity interest.

The Consolidated Entity while preparing the financial statements of the Group for the half-year ended 31 December 2019 identified that, due to a misinterpretation of a translated clause in the Novation, the Consolidated Entity now believes it does not control TEL.

Instead it is the Group's view that it jointly controls TEL with VM as at 30 June 2019 and 31 December 2019 until such time that the Consolidated Entity make the outstanding deferred consideration payment of €600,000. This is primarily as a result of an 80% (and therefore unanimous) majority required for all company and management body decisions until such time that the €600,000 is paid. This includes decisions over the relevant activities that affect the returns of joint arrangement.

The Consolidated Entity retains the right to forego the outstanding deferred consideration payment of €600,000 and revert to a 50% equity interest at any stage which would result in continued joint control of the project. Furthermore, the Consolidated entity retains the right to revert to a 50% project ownership and earn-in to the additional 25% equity interest through the delivery of a feasibility study. Therefore, joint control exists until such time as the Consolidated entity elects to make payment of €600,000 or delivers a feasibility study to the value of not less than €2 million.

In addition, the Consolidated Entity acknowledges that its interest in TEL comprises a joint venture under AASB 11 *Joint Arrangements* and as such recognises its interest by way of equity accounting.

The above matters, resulted in a restatement of the following line items for the year ended 30 June 2019:

- Equity Accounted Investments was increased by \$1,620,483;
- Capitalised exploration expenditure was reduced by \$1,620,483;

There is no impact on consolidated statement of profit or loss and other comprehensive income as at 1 July 2019 nor on the comparative consolidated statement of profit or loss and other comprehensive income for the half-year period ended 31 December 2019.

All expenditure incurred in TEL represents allowable exploration and evaluation expenditure and has been deferred in TEL's books, as a result there is no share of equity accounted profits or losses to account in the period from the commencement of the joint venture from commencement on 30 December 2016 to 31 December 2019.

## NOTES TO THE CONSOLIDATED STATEMENTS

The above adjustment had the following impact on the 30 June 2019 consolidated statement of financial position:

Financial report line item / balance affected	Actual 30-Jun-19	Adjustment	Restated Actual 30-Jun-19
	\$	\$	\$

### Consolidated Statement of Financial Position extract

#### Non-Current assets

Exploration and evaluation expenditure	1,620,483	(1,620,483)	-
Equity Accounted Investments	-	1,620,483	1,620,483
<b>Total non-current assets</b>	<b>1,667,590</b>	<b>-</b>	<b>1,667,590</b>
<b>Total assets</b>	<b>3,131,065</b>	<b>-</b>	<b>3,131,065</b>
<b>Total liabilities</b>	<b>1,718,453</b>	<b>-</b>	<b>1,718,453</b>
<b>Net assets</b>	<b>1,412,612</b>	<b>-</b>	<b>1,412,612</b>

As the equity accounted investment has been impaired at a Group level as at 30 June 2018, 31 December 2018 and 30 June 2019, there is no impact on the opening balances as at 1 July 2018, or statement of comprehensive income for the periods ended 31 December 2019 or 31 December 2018.

## 4. EQUITY ACCOUNTED INVESTMENTS

Interests in joint ventures are accounted for using the equity method of accounting.

The Company had an interest in a joint venture held through a 50% interest in Tecnología Extremena Del Litio, S.L ("TEL") which is a special purpose vehicle established for the purpose of holding the San José tenement in Spain about 200 km from the Company's other Spanish project the Morille Project. On 13 March 2019, the Consolidated Entity acquired a further 25% interest in TEL, increasing the Consolidated Entity's aggregate interest to 75%. The Group is of the it does not control TEL until such time as outstanding deferred consideration payments totalling €600,000 have been made. This is primarily as a result of an 80% majority required for all company and management body decisions until payment of €600,000 is made.

	31-Dec 2019	30-Jun 2019
	\$	\$
Investment in equity accounted investments	2,712,854	1,620,483
	<u>2,712,854</u>	<u>1,620,483</u>



## NOTES TO THE CONSOLIDATED STATEMENTS

### 5. ISSUED CAPITAL

	Shares	\$
Opening balance at 1 July 2018	189,889,104	24,234,719
- 19 December 2018 Share issue	282,000	16,919
Less: capital raising costs	-	(1,050)
Closing balance at 30 June 2019	190,171,104	24,250,588
Opening balance at 1 July 2019	190,171,104	24,250,588
- 3 July 2019 Share Issue	20,285,714	1,420,000
- 17 September 2019 Share Issue	1,142,858	80,000
- 27 December 2019 Shares issued in consideration for services provided	1,883,330	129,008
Less: capital raising costs	-	(85,028)
Closing balance at 31 December 2019	213,483,006	25,794,568

On 3 July 2019, the Group placed 20,285,714 ordinary fully paid shares with an issue price of \$0.07 per share with sophisticated investors raising \$1,420,000. An additional 1,142,858 shares raising a further \$80,000 was issued to key personnel on 17 September 2019 following the required shareholder approval at the general meeting held on 9 September 2019.

On 27 December 2019, the Group issued 1,883,330 ordinary fully paid shares to Wave International Pty Ltd in consideration of services on the pre-feasibility study of San José Project. The shares had an issue price of \$0.0685 with a total consideration value of \$129,008. As the payment related to the San Jose project, this amount has been recognised within the Group's equity accounted investment carrying amount at 31 December 2019.

#### Ordinary fully paid shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. The fully paid ordinary shares have no par value.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### Milestone performance shares

The milestone performance shares were issued to the Vendors of Equatorial Potash Pty Ltd as consideration for the acquisition of their company. This form of Company security was issued on 28 April 2016. The details of this class is listed below:

#### 10,000,000 B class milestone performance shares

These milestone performance shares have been placed in escrow subject to the successful conversion of the A class milestone shares, and an independent expert producing a pre-feasibility study evidencing a viable project at the Mamana/Banio tenement within four years from acquisition. As at 31 December 2019, it has been assessed that it is unlikely the B class milestone performance shares will vest.

### 6. SHARE BASED PAYMENT RESERVE

	Options #	\$
Opening balance at 1 July 2018	40,007,961	1,532,225
- Options issued to Vincent Ledoux-Pedailles	500,000	9,750



## NOTES TO THE CONSOLIDATED STATEMENTS

	Options #	\$
- Lapse of options	(16,132,961)	(297,729)
Closing balance at 30 June 2019	24,375,000	1,244,246
Opening balance at 1 July 2019	24,375,000	1,244,246
- Options issued to Director <sup>(i)</sup>	1,000,000	32,482
- Share Appreciation Rights <sup>(ii)</sup>	10,000,000	28,846
- Performance rights <sup>(iii)</sup>	6,280,624	39,749
- Lapse of options <sup>(iv)</sup>	(6,875,000)	(735,257)
Closing balance at 31 December 2019	34,780,624	610,066

- (i) On 17 September 2019, the Company issued 1,000,000 unquoted options to key personnel with an exercise price of \$0.088, expiring 16 September 2022.
- (ii) On 11 December 2019, the Company issued 10,000,000 share appreciation rights to Mr Ryan Parkin and Mr Vincent Pedailles (5,000,000 each respectively). The SAR have an expiry date of 13 September 2024 and an exercise price of \$0.072. Each SAR entitles the holder to one Company share.
- (iii) On 11 December 2019, the Company issued two tranches of performance rights (tranche A and tranche B) to Mr Ryan Parkin and Mr Vincent Pedailles. Both tranches consisted of 3,140,312 rights with an expiry date of 31 December 2020.
- (iv) On 30 October 2019, 6,875,000 unquoted share options with an exercise price of \$0.35 expired.

See Note 7 for vesting conditions and a summary of amount expensed during the period in relation to the above equity instruments.

	31-Dec 2019	30-Jun 2019
<u>Foreign exchange translation reserve</u>	\$	\$
<i>Reserve at beginning of financial period/year</i>	174,237	172,967
Exchange differences arising on translating the foreign operations	(17,049)	1,270
<i>Reserve at end of financial period/year</i>	157,188	174,237

## 7. SHARE BASED PAYMENTS

### SHARE OPTIONS

Options are issued to key management personnel as part of their compensation under the Company's Employee Share Option Plan. The options issued may be subject to performance criteria and are issued to key management personnel of Infinity Lithium Petroleum Limited to increase goal congruence between key management personnel and shareholders.

#### *Number and weighted average exercise prices of share options*

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued under Share Based Payment Scheme during the financial period:

## NOTES TO THE CONSOLIDATED STATEMENTS

	Number of Options	Weighted Average Exercise Price \$
Issue to employees and key personnel		
Outstanding at 1 July 2019	10,375,000	0.31
Granted (a)	1,000,000	0.09
Expired	(6,875,000)	0.35
Outstanding at year-end	4,500,000	0.18
Exercisable at 31 December 2019	4,500,000	0.18
Issue to consultants		
Outstanding at 1 July 2019	14,000,000	0.20
Granted (a)	-	-
Expired (b)	-	-
Outstanding at year-end	14,000,000	0.20
Exercisable at 31 December 2019	14,000,000	0.20

The options outstanding at 31 December 2019 had a weighted average exercise price of \$0.21 and a weighted average remaining contractual life of 0.62 years.

- (a) On 17 September 2019, the Company issued 1,000,000 unquoted options to key personnel with an exercise price of \$0.088, expiring 16 September 2022. The options were valued using a Black and Scholes option pricing model realising a fair value of \$0.051 per share option. Inputs into the model are stated below:

### *Inputs into the model*

Grant date share price	\$0.07
Exercise price	\$0.088
Expected volatility	78.7%
Option life	3 years
Risk-free interest rate	0.85%

## PERFORMANCE RIGHTS

On 11 December 2019, the Group issued two tranches of performance rights (tranche A and tranche B). Both tranches consisted of 3,140,312 rights with an expiry date of 31 December 2020. The performance rights were issued to directors, Mr Ryan Parkin and Mr Vincent Pedailles, with each receiving 1,570,156 performance rights from each tranche.

*Tranche A* rights vest based on the Group executing a non-binding offtake agreement with a third party for the purchase of a minimum 5,000 tonnes of lithium chemicals including lithium hydroxide or lithium carbonate produced from the San Jose Lithium Project;

*Tranche B* rights vest upon the Group completing a capital raising for a minimum of \$1,000,000 from a recognised lithium industry participant or investor.

The performance rights were valued using a Black and Scholes option pricing model. Each tranche had an aggregate value of \$207,261 (\$0.066 per performance right) recognised over the life of the performance right. The inputs into the valuation models are stated below:

### *Inputs into the model*

Grant date share price	\$0.066
Exercise price	\$0.00

## NOTES TO THE CONSOLIDATED STATEMENTS

Expected volatility	70.67%
Life of performance right	1 year
Risk-free interest rate	0.77%

### SHARE APPRECIATION RIGHTS ("SAR's")

On 11 December 2019 the Company issued 10,000,000 share appreciation rights ("SAR") to Mr Ryan Parkin and Mr Vincent Pedailles (5,000,000 each respectively). The SAR have an expiry date of 13 September 2024 and an exercise price of \$0.072. Each SAR entitles the holder to one Company share. The SARs are to vest as follows:

- a) 50% (5,000,000 total) will vest on 13 September 2020
- b) 25% (2,500,000 total) will vest on 13 September 2021
- c) 25% (2,500,000 total) will vest on 13 September 2022

The SAR's were valued using a Black and Scholes option pricing model. The SAR's have an aggregate valuation of \$362,814 each (\$0.0363 per right). The inputs into the valuation model are stated below:

#### *Inputs into the model*

Grant date share price	\$0.066
Exercise price	\$0.072
Expected volatility	70.67%
Life of performance right	1 year
Risk-free interest rate	0.73%

### ORDINARY SHARES ISSUED

On 27 December 2019, the Company issued 1,883,330 ordinary fully paid shares to Wave International Pty Ltd in consideration of services on the pre-feasibility study of San José Project.

## 8. FINANCIAL INSTRUMENTS

The carrying amount of the Group's current deferred consideration is assumed to approximate the fair value of the deferred consideration due to the short-term nature of the expected timing of payments to occur, which are within 12 months.

The fair value of the Group's non-current deferred consideration is measured using management's weighted probability of performance milestone. These instruments are included in level 3

31 December 2019				Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
Liabilities fair value	measured at	Date of valuation	Total	Level 1	Level 2	Level 3
Deferred (non-current)	consideration	31 Dec 2019	311,010	-	-	311,010

## NOTES TO THE CONSOLIDATED STATEMENTS

### 9. DISCONTINUED OPERATIONS

	31-Dec 2019 \$	30-Jun 2019 \$
Discontinued operations from Castilla/Morille	257,836	-
Discontinued operations from Mayumba Potasse	119,284	-
	<u>377,120</u>	<u>-</u>

Included within the consolidated statement of cash flows was \$145,014 of expenditure in relation to discontinued operations.

### 10. COMMITMENTS

Currently the Consolidated Entity does not have any material financial commitments and has met all minimum expenditure thresholds in order to maintain its rights of tenure on all of its tenements.

#### EQUITY ACCOUNTED INVESTMENTS

In order to maintain current rights of tenure to exploration tenements the Group's equity accounted investment is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State Governments and overseas government bodies.

### 11. CONTINGENT LIABILITIES

There has been no change to contingent liabilities since the last annual reporting date.

### 12. DIVIDENDS

No dividends have been declared or paid during the half-year ended 31 December 2019.

### 13. EVENTS SUBSEQUENT TO REPORTING DATE

On 25 February 2020, the Group announced that it had entered into a binding sale agreement to sell the Gabonese potash assets to Meridian Drilling Inc. for a nominal amount of \$1, in order to streamline the Group's activities and focus on the Spanish San José Lithium Project.

No matter or circumstance has arisen subsequent to 31 December 2019 that has significantly affected, or may significantly affect, the state of affairs or operations of the reporting Consolidated Entity in future financial periods.

## NOTES TO THE CONSOLIDATED STATEMENTS

### 14. CONTROLLED ENTITIES

The half-year consolidated financial statements incorporate the assets and results of the following subsidiaries:

31 December 2019

	Country of Incorporation	Parent Entity		Non-controlling interest	
		2019 %	2018 %	2019 %	2018 %
<b>Subsidiaries of Company:</b>					
Tonsley Mining Pty Ltd (the Consolidated Entity of "Tonsley") (a)	Australia	100	100	-	-
Castilla Mining S.L. (subsidiary of Tonsley)	Spain	100	100	-	-
Morille Mining S.L. (subsidiary of Tonsley)	Spain	80	80	20	20
Extremadura Mining S.L (subsidiary of Tonsley)	Spain	100	100	-	-
Equatorial Potash Pty Ltd	Australia	100	100	-	-
Mayumba Potasse SARL	Gabon, West Africa	100	100	-	-

Tecnologia Extremena Del Lito S.L. ("TEL") (subsidiary of Extremadura Mining) was previously assessed as a controlled entity as at 30 June 2019. The Groups interest in TEL has since been accounted for as an equity accounted interest. Refer to Note 3 for further information.

## DIRECTOR'S DECLARATION

The Directors of the Company declare that:-

1. The financial statements and notes, as set out on pages 9 to 27 are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting, and Corporations Regulations 2001; and
  - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.



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Ryan Parkin  
Managing Director

Dated this day 13 March 2020