

Patagonia Lithium Ltd

ACN 654 004 403

Interim Report - 30 June 2023

For personal use only

Patagonia Lithium Ltd
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 Patagonia Lithium Ltd (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 Patagonia Lithium Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Phillip Thomas
Paul Boyatzis
Gino D'Anna
Feiyu Qi (appointed 7 August 2023)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- pursuing Lithium exploration projects in Argentina.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$470,002 (30 June 2022: \$567,918).

The Company achieved significant progress during the quarter. At Formentera Cilon concessions a detailed water recharge analysis was undertaken and the brines were examined to ensure they were brines and not brackish water affected by runoff. After this work was completed a sampling program was conducted down to a depth of approximately 3 metres over 24 holes of which 21 had brines on that could be sampled. Nine sample wells achieved a result greater than 125ppm and two samples were 1,008 and 1,122 ppm Lithium at a depth of 2 metres (see ASX announcement dated 2 June 2023 titled "Sampling at Formentera and Cilon Assays 1,122ppm Lithium"). The company confirms that it is not aware of any new information of data that materially affects the results in the cross referenced announcement.

In May 2023 Southernrock Geophysics conducted three lines of Magneto-telluric (MT) survey and provided 1D and 2D inversions showing resistivity data. Very low resistivities were recorded across the areas surveyed and the interpretation was that the brines were highly prospective and possibly containing lithium as sampled on the surface.

We have had significant dialogue with the Dept of Mines in Jujuy regarding issuing of our drilling permit. Reports have been recently submitted post 30 June 2023, answering queries on rehabilitation, hydrology and borates on the Cilon concession (which was previously a borate mine). Now that all reports have been submitted, we are confident that this issue will progress quickly.

At our Tomas III concession at Incahuasi Salar, we were able to complete an MT Survey on the edge of the salar and approximately 200m further up the alluvial cone. We were pleasantly surprised to see a thick low resistivity sequence under the alluvial cone material on the edge of the salar. It was significant enough to warrant a two hole drill program in the near future. There are other instances where lithium brines in aquifers are found under the alluvial cones created by erosion of nearby volcanoes.

A 20L sample of brine from hole 8 at Formentera was shipped to Ekosolve pilot plant at University of Melbourne for processing and we are waiting for the results of two tests, the amount of lithium extracted from the brine (other results released by Ekosolve have been greater than 94%), and the purity of the lithium chloride produced.

We were able to hire a full-time geologist, continue working with a legal firm, our country manager Rosario Mariotti continued to do an outstanding job providing our logistics both in the field and in Salta, our accounting support and contractor facilities. Our geologists have a copy of Leapfrog Geo and are updating our geological databases. We hired WSP Australia to compute our inferred, indicated and measured resource at Formentera and Tomas III and they have uploaded the geophysics and sampling data.

Feiyu (Sam) Qi joined the board in August 2023 who not only represents one of our largest shareholders but is very active in the battery space and lithium products sector. We welcome Sam to the board.

Significant changes in the state of affairs

On 31 March 2023, the company was admitted to the official list of the Australian Securities Exchange (ASX).

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

Patagonia Lithium Ltd
Directors' report
30 June 2023

Matters subsequent to the end of the financial half-year

On 4 September 2023, the company announced that it is undertaking a non-renounceable rights issue for one listed option for every share held at an issue price of \$0.01 per loyalty option, raising up to \$146,413 before costs.

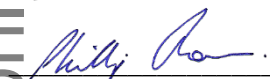
No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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



Phillip Thomas
Director

11 September 2023

For personal use only

**PATAGONIA LITHIUM LTD
AND CONTROLLED ENTITIES
ACN 654 004 403**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PATAGONIA LITHIUM LTD AND CONTROLLED ENTITIES**

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

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



Anh (Steven) Nguyen
Director
Date: 11 September 2023
Hall Chadwick Melbourne
Level 14 440 Collins Street
Melbourne VIC 3000

Patagonia Lithium Ltd

Contents

30 June 2023

Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	15
Independent auditor's review report to the members of Patagonia Lithium Ltd	16

General information

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

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

Level 6, 505 Little Collins Street
Melbourne VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 11 September 2023.

For personal use only

Patagonia Lithium Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2023

		Consolidated	27 Sep 2021
	Note	June 2023	to 30 Jun
		\$	2022
			\$
Expenses			
Corporate and administration expenses	3	(462,133)	(96,607)
Exploration related expenses		-	(3,451)
Depreciation and amortisation expense		-	(280,200)
Unrealised foreign exchange losses		-	(187,100)
Other expenses		(1,569)	(560)
Finance costs		(6,300)	-
		<hr/>	<hr/>
Loss before income tax expense		(470,002)	(567,918)
Income tax expense		-	-
		<hr/>	<hr/>
Loss after income tax expense for the half-year attributable to the owners of Patagonia Lithium Ltd		(470,002)	(567,918)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(2,593)	-
		<hr/>	<hr/>
Other comprehensive income for the half-year, net of tax		(2,593)	-
		<hr/>	<hr/>
Total comprehensive income for the half-year attributable to the owners of Patagonia Lithium Ltd		<u>(472,595)</u>	<u>(567,918)</u>
		Cents	Cents
Basic earnings per share	15	(0.97)	(5.03)
Diluted earnings per share	15	(0.97)	(5.03)

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

Patagonia Lithium Ltd
Statement of financial position
As at 30 June 2023

		Consolidated	
	Note	June 2023	31 December
		\$	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,207,651	684,476
Trade and other receivables		29,512	30,818
Other	4	61,319	217,681
Total current assets		<u>3,298,482</u>	<u>932,975</u>
Non-current assets			
Exploration and evaluation	5	4,297,202	4,002,618
Total non-current assets		<u>4,297,202</u>	<u>4,002,618</u>
Total assets		<u>7,595,684</u>	<u>4,935,593</u>
Liabilities			
Current liabilities			
Trade and other payables	6	141,166	903,606
Borrowings	7	-	1,614,426
Total current liabilities		<u>141,166</u>	<u>2,518,032</u>
Total liabilities		<u>141,166</u>	<u>2,518,032</u>
Net assets		<u>7,454,518</u>	<u>2,417,561</u>
Equity			
Issued capital	8	8,608,546	3,342,347
Reserves	9	785,034	544,274
Accumulated losses		<u>(1,939,062)</u>	<u>(1,469,060)</u>
Total equity		<u>7,454,518</u>	<u>2,417,561</u>

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

For personal use only

Patagonia Lithium Ltd
Statement of changes in equity
For the half-year ended 30 June 2023

Consolidated	Issued capital \$	Retained profits \$	Total equity \$
Balance at 27 September 2021 (date of registration)	-	-	-
Loss after income tax expense for the half-year	-	(567,918)	(567,918)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(567,918)	(567,918)
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs	706,700	-	706,700
Balance at 30 June 2022	<u>706,700</u>	<u>(567,918)</u>	<u>138,782</u>

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 January 2023	3,342,347	544,274	(1,469,060)	2,417,561
Loss after income tax expense for the half-year	-	-	(470,002)	(470,002)
Other comprehensive income for the half-year, net of tax	-	(2,593)	-	(2,593)
Total comprehensive income for the half-year	-	(2,593)	(470,002)	(472,595)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	5,266,199	-	-	5,266,199
Share-based payments	-	286,410	-	286,410
Conversion of convertible notes	-	(43,057)	-	(43,057)
Balance at 30 June 2023	<u>8,608,546</u>	<u>785,034</u>	<u>(1,939,062)</u>	<u>7,454,518</u>

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

Patagonia Lithium Ltd
Statement of cash flows
For the half-year ended 30 June 2023

		Consolidated
		27 Sep 2021
		to 30 Jun
Note	June 2023	2022
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(580,228)	(62,408)
Interest and other finance costs paid	(12,680)	-
	<u>(592,908)</u>	<u>(62,408)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for exploration and evaluation rights	(358,415)	(469,395)
	<u>(358,415)</u>	<u>(469,395)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	8 4,150,000	706,700
Share issue transaction costs relating to IPO	(581,304)	(78,027)
Repayment of lease liabilities	(94,198)	-
	<u>3,474,498</u>	<u>628,673</u>
Net cash from financing activities		
Net increase in cash and cash equivalents	2,523,175	96,870
Cash and cash equivalents at the beginning of the financial half-year	684,476	-
	<u>3,207,651</u>	<u>96,870</u>
Cash and cash equivalents at the end of the financial half-year		

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

For personal use only

Note 1. Basis of preparation and 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.

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

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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Reporting period

The company was registered on 27 September 2021. The comparative information in the statement of financial performance, statement of changes in equity and statement of cash flows covers the period from that date until 30 June 2022.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Consolidated Entity incurred a loss from ordinary activities of \$470,002 for the half-year ended 30 June 2023 and had negative cash flows from operating activities of \$592,908.

The directors have reviewed the cashflow forecasts which extend to 30 September 2024, and believe that there are reasonable grounds to believe that the Consolidated Entity will be able to meet its commitments for at least 12 months from the date of signing this report. Management remain diligent in their monitoring of cash flows day by day.

Note 2. Operating segments

Identification of reportable operating segments

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

Note 3. Expenses

	Consolidated	27 Sep 2021
	June 2023	to 30 Jun
	\$	2022
		\$

Loss before income tax includes the following specific expenses:

Corporate and administration expenses comprise

IPO costs expensed	48,281	27,700
Legal fees	128,195	37,017
Directors's fees	69,615	-
Insurance	63,494	-
Other corporate and administration expenses	152,548	31,890
	<u>462,133</u>	<u>96,607</u>

Note 4. Current assets - other

	Consolidated	31 December
	June 2023	2022
	\$	\$

Prepayments	61,319	126,549
Prepaid IPO costs *	-	91,132
	<u>61,319</u>	<u>217,681</u>

* During the current half-year the company completed its initial public offering and this amount has been recognised as a cost of capital raised.

Note 5. Non-current assets - exploration and evaluation

	Consolidated	31 December
	June 2023	2022
	\$	\$

Exploration and evaluation - at cost	<u>4,297,202</u>	<u>4,002,618</u>
--------------------------------------	------------------	------------------

Reconciliations

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

Consolidated	Exploration & evaluation \$
Balance at 1 January 2023	4,002,618
Additions	308,915
Exchange differences	<u>(14,331)</u>
Balance at 30 June 2023	<u>4,297,202</u>

Patagonia Lithium Ltd
Notes to the financial statements
30 June 2023

Note 6. Current liabilities - trade and other payables

	Consolidated	
	June 2023	31 December 2022
	\$	\$
Trade payables	54,683	246,969
Payable to Peak Asset Management	-	47,099
Payable to Phil Thomas	-	47,099
Other payables and accruals	86,483	562,439
	<u>141,166</u>	<u>903,606</u>

Note 7. Current liabilities - borrowings

	Consolidated	
	June 2023	31 December 2022
	\$	\$
Convertible notes payable	-	1,614,426

Total secured liabilities

All convertible notes were converted during the current financial half-year, refer to note 8

Note 8. Equity - issued capital

	Consolidated			
	June 2023	31 December 2022	June 2023	31 December 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>58,565,000</u>	<u>29,315,000</u>	<u>8,608,546</u>	<u>3,342,347</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2023	29,315,000		3,342,347
Issues of shares - conversion of convertible notes	11 January 2023	8,500,000	\$0.200	1,700,000
Issue of shares	24 March 2023	20,750,000	\$0.200	4,150,000
Less cost of capital raised		<u>-</u>	\$0.000	<u>(583,801)</u>
Balance	30 June 2023	<u>58,565,000</u>		<u>8,608,546</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.

Share buy-back

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

Patagonia Lithium Ltd
Notes to the financial statements
30 June 2023

Note 9. Equity - reserves

	Consolidated	31 December
	June 2023	2022
	\$	\$
Foreign currency reserve	(2,593)	-
Share-based payments reserve	787,627	501,217
Convertible note reserve	-	43,057
	<u>785,034</u>	<u>544,274</u>

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.

Share-based payments reserve

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

Convertible note reserve

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

Movements in reserves

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

Consolidated	Foreign currency \$	Share-based payments \$	Convertible note \$	Total \$
Balance at 1 January 2023	-	501,217	43,057	544,274
Foreign currency translation	(2,593)	-	-	(2,593)
Conversion of notes	-	-	(43,057)	(43,057)
Share based payments - broker options	-	286,410	-	286,410
Balance at 30 June 2023	<u>(2,593)</u>	<u>787,627</u>	<u>-</u>	<u>785,034</u>

Note 10. Equity - dividends

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

Note 11. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. The fair value is classified as level 3 due to significant unobservable inputs used in the valuation, including credit risk.

Note 12. Contingent liabilities

As at 30 June 2023, the consolidated entity had no contingent liabilities (31 December 2022: nil).

Note 13. Related party transactions

Parent entity

Patagonia Lithium Ltd is the parent entity.

Note 13. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	June 2023	Consolidated 27 Sep 2021 to 30 Jun 2022
	\$	\$
Other transactions:		
Exploration consulting paid to Panopus Pte Ltd (an entity related to Phil Thomas)	6,000	-

Receivable from and payable to related parties

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

	June 2023	Consolidated 31 December 2022
	\$	\$
Current payables:		
Accrued directors fees payable	4,420	26,250
Amounts payable to Phil Thomas *	-	47,099

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

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 14. Events after the reporting period

On 4 September 2023, the company announced that it is undertaking a non-renounceable rights issue for one listed option for every share held at an issue price of \$0.01 per loyalty option, raising up to \$146,413 before costs.

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.

For personal use only

Patagonia Lithium Ltd
Notes to the financial statements
30 June 2023

Note 15. Earnings per share

	June 2023 \$	Consolidated 27 Sep 2021 to 30 Jun 2022 \$
Loss after income tax attributable to the owners of Patagonia Lithium Ltd	<u>(470,002)</u>	<u>(567,918)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>48,533,232</u>	<u>11,290,289</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>48,533,232</u>	<u>11,290,289</u>
	Cents	Cents
Basic earnings per share	(0.97)	(5.03)
Diluted earnings per share	(0.97)	(5.03)

For personal use only


Patagonia Lithium Ltd
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian 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 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Phillip Thomas
Director

11 September 2023

For personal use only

PATAGONIA LITHIUM LTD
ACN 654 004 403

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE SHAREHOLDERS OF PATAGONIA LITHIUM LTD

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Patagonia Lithium Ltd and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of 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 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 half-year financial report of Patagonia Lithium Ltd is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *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 section of our report.

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

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.

Responsibilities of the Directors for the Financial Report

The Directors of the Group are responsible for:

- a) 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*
- b) 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.

For personal use only

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 as at 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.

**Hall Chadwick Melbourne Audit
Chartered Accountants
Level 14, 440 Collins Street
MELBOURNE VIC 3000**



Director: Anh (Steven) Nguyen

Date: 11 September 2023

For personal use only