ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

Li-S Energy Limited – ASX Code: LIS

Friday 16 February 2024

Appendix 4D and Interim Financial Report

Li-S Energy Limited (ASX: LIS) ("LIS" or "the Company") is pleased to provide its Appendix 4D and Interim Financial Report for the Six Months Ended 31 December 2023.

This announcement has been authorised by the Board.

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LI-S ENERGY LIMITED

APPENDIX 4D AND INTERIM CONSOLIDATED FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

CONTENTS

APPENDIX 4D

This information should be read in conjunction with the interim financial report for the six months ended 31 December 2023.

Entity Details

Li-S Energy Limited, ABN: 12 634 839 857

Results for announcement to the market

Comparison to previous corresponding period	31 December 2023 $	31 December 2022 $	Change $	Change %
Total revenues from ordinary activities	-	-	-	-
Profit/(loss) from ordinary activities before tax	(2,454,073)	(1,727,235)	(726,838)	42%
Profit/(loss) from ordinary activities after tax attributable to owners of Li-S Energy Limited	(2,454,073)	(1,727,235)	(726,838)	42%
Earnings / (loss) per share – cents (basic)	(0.38)	(0.27)	(0.11)	41%
Net tangible assets per share – cents [1]	5.89	6.92	(1.03)	(15%)

[1] The net tangible asset backing includes the right-of-use assets as per AASB 16

Dividends

The Board has resolved not to issue an interim dividend.

DIRECTORS' REPORT

For the six months ended 31 December 2023

The directors of Li-S Energy Limited and its subsidiary (“Li-S Energy”, “LIS”, the “Company”, or the “Group”) present their report together with the interim financial report of the company for the six months ended 31 December 2023.

DIRECTORS

The names of the Directors in office at any time during or since the end of the half-year, and up to the date of this report are set out below. Directors were in office for this period unless otherwise stated.

Ben Spincer	Non-Executive Director and Chairman
Robin Levison	Non-Executive Director
Anthony McDonald	Non-Executive Director (retired on 14 November 2023)
Hedy Cray	Non-Executive Director
Marc Fenton	Non-Executive Director (appointed 1 February 2024)

PRINCIPAL ACTIVITIES

LIS was incorporated on 12 July 2019 and listed on the Australian Securities Exchange (ASX) on 28 September 2021. The company was established with the objective of utilising BNNT Technology Pty Ltd’s (BNNTTL) and Deakin University’s (Deakin) existing technology and research to develop a battery technology based on advanced lithium sulfur chemistry, where boron nitride nanotubes (BNNTs) and other nanomaterials are incorporated into battery components to:

- Improve battery energy watt hours when compared to current lithium-ion batteries; and
- Improve cycle life when compared to conventional lithium sulfur batteries.

LIS does not currently generate any significant revenue and intends to derive revenue from the following activities:

1. Supplying BNNTs and Li-Nanomesh materials (and know-how in relation to the application of BNNTs and Li-Nanomesh in the construction of a battery cells) to battery cell manufacturers in order to enable them to produce Li-S batteries and other forms of battery that can make use of these materials;
2. Engaging product OEMs in collaborative projects to retrofit and test Li-S batteries in their products; and
3. Licensing LIS’s intellectual property to battery manufacturers so they can produce LIS batteries for product OEMs.

REVIEW OF OPERATIONS

The Company has achieved important progress across key areas of the business in the six months to 31 December 2023, as we continue to build our production capacity, partner relationships and technical capabilities. Key events during the first half include:

- Completed construction and installation of our Phase 3 production facility. When commissioned, it will allow us to produce additional battery cells for partners to undertake more testing.
- Expanded our scientific, technical and production scale-up capabilities with the appointment of a number of experienced new staff.
- Continued development, enhancement and optimisation of our technology to improve our semi-solid-state cell technology and enhance safety.
- Established a global advisory panel to support the Company’s international awareness, partnership development and long-term production partnerships.
- Entered a collaborative program to design and build a high-endurance solar UAV with two pioneering Australian companies, Halocell and V-TOL Aerospace, targeting dawn-till-dusk flight times.

BATTERY PRODUCTION STRATEGY

During the first half the Company invested considerable financial and human resources in the construction, installation and commissioning of our Phase 3 production facility. The facility is a critical component of the transition towards full commercialisation of our technology and our goal to be a world leader in lithium sulfur and lithium metal battery technology. The Company has a clearly defined strategy to incrementally increase production to ensure we have the necessary capacity to meet demand. The below matrix identifies the different steps we have taken to ramp up production with the aim of generating revenue.

Table 1: Production scale-up strategy.

	2020	2022	2024	NEXT
STAGE	**PHASE 1: LAB BASED CELL ASSEMBLY** Hand-built cells in battery lab – to develop materials and test research performance – coin cells and small pouch cells	**PHASE 2: MICRO PRODUCTION LINE** Scaled up lab-based production equipment including roll-to-roll coaters to build larger cells – Target Pre-A Sample test cells.	**PHASE 3: 2MWH PRODUCTION LINE & TESTING FACILITY** Automated manufacture to build & test trial batteries and develop process IP to manufacture at scale and produce A sample cells.	**PHASE 4: 200 MWH COMMERCIAL MANUFACTURING** Commercial manufacturing of production cells for sale to customers globally
STATUS	COMPLETED	COMPLETED	INSTALLED & COMMISSIONING COMMENCED	IN PLANNING AND DESIGN STAGE
SALES	-	-	Revenue expected from trial packs with existing partners including MagniX	Expected ramping to significant revenue for eAviation and drone customers

As at 31 December 2023, the commissioning of the Phase 3 production facility was well advanced and on track to commence producing the first test cells in the third quarter of FY24.

The Phase 3 facility is of high strategic importance to the Company and will allow us to potentially scale up manufacturing of high quality, commercial sized cells that can be used to complete testing for the comprehensive, industry standard cell performance datasheets required by our partners. It will also provide the means to demonstrate how our battery cells can be manufactured at scale on fully automated production lines and provide the opportunity to expand our portfolio of IP to the manufacturing of battery cells.

Phase 3 comprises:

- **A 220 square metre dry room** to house the anode production, stacking and pouching equipment. This has been completed.
- **A clean room** to house the cathode materials preparation, cathode coating and cathode cutting equipment. This has been completed.
- **A full production line** of manufacturing equipment. Installation has been completed and commissioning is underway.
- **Bespoke robotic equipment** for cell stacking and lithium foil anode handling has been installed.
- **A large cell test facility**, comprising a container sized fire and blast proof enclosure, plus specifically designed cell testing equipment for performance and safety testing. This has been completed.
- **Additional Engineers and Production staff** have been hired to operate and optimise the Phase 3 facility to deliver higher quality, higher performance cells, at an increased production rate.

The Phase 3 production line is an extremely complex undertaking with 19 different manufacturing stages from cathode powder preparation and ball milling through to cell fabrication and formation cycling. Each stage involves one or more pieces of automated equipment that requires separate installation and commissioning before being integrated as a cohesive production line. A range of ancillary services (power, dry compressed air, specialist gases, advanced data connectivity) were pre-designed and built to permit rapid installation when the equipment arrived. The three major components of the facility are summarised below.

Cell Fabrication Line

Our engineering team, supported by specialist engineers from multiple equipment suppliers, received and installed the bespoke lithium foil anode cutting line and primary cell fabrication equipment into the dry room in October 2023. With the equipment in place, the complex commissioning process commenced, and was well advanced by the end of the reporting period.

Cathode Production Line

Separately, in our newly constructed clean room, we have installed and commissioned an automated cathode cutting system, designed to prepare the completed cathodes prior to being transferred to the dry room as a key input for cell fabrication. The cathode cutter complements new ball mills, slurry mixers and other cathode production equipment that was installed earlier in the year to meet Phase 3 requirements.

Cell Test Facility

The Phase 3 cell test facility, which was delivered in September, has now been installed and commissioned. The facility is designed to test our cells to the UN38.3 standard, essential to prove safety during air, sea and land transportation, and to meet individual partner specific requirements for simulated mission performance testing. Specific cell test units include high altitude simulation (for air transport and aviation use testing), thermal, vibration, shock, external short circuit, impact, crush, nail penetration, overcharge & forced discharge, as well as an extensive range of cell cyclers to test cycle life under various operating protocols.

As well as the installation and commissioning of the physical hardware associated with the production facility it is also essential we have people with the appropriate knowledge and expertise to operate and refine the manufacturing process as our technology develops and we learn more about the requirements of customers. To this end, during 2023, we have continued to build out the team, including the appointment of Justin Holloway as Cell Test and Production Manager.

Before joining Li-S Energy, Mr Holloway spent six years in the electrochemical materials team at Warwick Manufacturing Group (WMG) in the UK, where he managed a team that developed battery testing, characterisation, degradation and safety systems and protocols. Before WMG, Justin worked for the Faraday Institution – the UK's peak body for research and development of new electrical storage technologies – where he played a key role in the Degradation and SafeBatt projects. He has published several papers and presented at a number of international conferences in these areas.

PARTNER DEVELOPMENT STRATEGY

The Company continues to expand its portfolio of partners and as at 31 December 2023, had 71 non-disclosure agreements (NDAs) and contractual agreements with current and potential partners across multiple sectors, including drones, eAviation and defence. We anticipate that many of these partners have the potential to ultimately become customers as we progress our production strategy. These partners will also give us the opportunity to deepen our knowledge of the technical requirements of each sector and refine our technology and production processes to align them with market requirements.

As well as progressing our established partnerships in the first half, the Company also entered a highly prospective new partnership with Australian-based drone developer and operator V-TOL Aerospace and advanced solar cell maker Halocel. Under the terms of the three-way collaboration agreement the partners will develop and test Australian-made Low & High Altitude Long Endurance (HALE) drones.

The partners aim to leverage the leading innovations of each company in battery technology, aerial drone design and bespoke solar cell integration to build a drone capable of flying in the stratosphere at an altitude of up to 70,000 feet (21 km) for weeks at a time.

Upon validation, the project partners anticipate far-reaching applications and benefits, with potential commercial applications including:

- Surveillance and security in remote and regional areas
- Environmental monitoring to track conservation efforts and environmental challenges
- Digital farming to support precision agriculture
- Disaster response and relief, including identifying hazards and locating survivors
- Long-range infrastructure inspections to lower costs and improve efficiency
- Delivery and logistics in remote or inaccessible areas
- Research and exploration by geologists and biologists

PRODUCT DEVELOPMENT STRATEGY

The Company has continued to execute a detailed product development program in tandem with the construction and commissioning of the Phase 3 production facility.

Ahead of the final commissioning of the Phase 3 facility the Company continues to utilise its Phase 2 line to build cells for use in various testing procedures. These cells were built with a range of different additives and variations to the production processes to:

- Further test specific cathode and electrolyte additives.
- Test a new electrolyte filling protocol for production cells.
- Safety testing of fresh cells at various states of charge / life.
- Qualifying new electrolyte supply.

Cell Data Sheets

Following the announcement in April 2023 that the Company had successfully developed its first 20-layer battery cells utilising our third-generation (GEN3) semi-solid state lithium sulfur technology, the focus of our scientific team has progressed to developing cell cycle testing and characterisation results to produce an industry standard data sheet on the new cells.

As a result of the GEN3 cell announcement we have had significant interest from participants in the drone and eAviation markets and have prioritised working with our partners in these segments to test sample cells when produced from our Phase 3 facility.

Production Optimisation

A further priority for the research team has been scaling up materials production to optimise production rates at the new facility, and working with equipment suppliers on lithium metal anode production processes.

REVIEW OF FINANCIAL CONDITION

Financial Performance

Li-S Energy had a net loss after tax of $2,454,073 (2022: $1,727,235 net loss after tax). Predominantly driven by:

- $574,963 (2022: $368,878) for employee salaries and related expenses.
- $775,972 (2022: $509,951) for professional fees, including $245,109 in ASX listing fees for shares coming out of escrow.
- $410,000 (2022: $360,000) for management fees paid to PPK Aust. Pty Ltd (PPK Aust) for the provision of full shared services support, including finance, legal, risk, IT and cyber, and administration services under the Management Services Agreement.
- $192,701 (2022: $143,773) for share based payment expense (non-cash item) to recognise the cost of the service rights issued to the Non-Executive Directors, and for service and performance rights issued to Executives; and
- $783,086 (2022: $750,393) for administration expenses consisting primarily of insurance costs of $273,493 (2022: $470,424).

The Company has recognised an income tax benefit of Nil (2022: Nil).

Financial Position

The Company finished the period with total assets of $46,667,783 (June 2023: $50,121,969), primarily consisting of:

- $26,876,689 (June 2023: $33,450,982) of cash and cash equivalents
- $1,200,000 (June 2023: $Nil) of current investments held at fair value through the profit or loss
- $2,000,000 (June 2023: $2,000,000) in loan receivables from a related party
- $6,181,554 (June 2023: $6,145,499) of intangible assets
- $5,712,431 (June 2023: $2,864,905) of property, plant and equipment
- $2,527,778 (June 2023: $2,607,843) being the fair value of its investment in Zeta Energy Corp.
- $692,102 (June 2023: $723,133) of net deferred tax assets

The Company has total liabilities of $2,056,159 (June 2023: $2,253,141) resulting in total net assets of $44,611,624 (June 2023: $47,868,828).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the period.

DIVIDENDS

There were no dividends declared or paid during the period.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There has been no matter or circumstance that has arisen since the end of the reporting period which is not otherwise dealt with in this report or in the interim financial report that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

FUTURE DEVELOPMENTS

We continue to progress our business strategy in line with the broad strategy outlined in our IPO Prospectus and are evolving it as the market develops and our technology matures.

At our AGM we announced the intention to commence the design of the next phase of our manufacturing expansion and this work has now commenced. The Phase 4 facility is envisaged to be a 200MWh production facility to produce batteries for our target industries on a commercial basis. We will continue to plan and develop Phase 4 as a key part of our future strategy.

Going forward, we will continue to deepen our relationships with core partners and expand our collaborations in the high growth markets of eAviation, drones and security.

We will continue our discussions with battery manufacturers that are currently building or operating gigafactories in Europe and North America as our cell technology matures.

While we are developing our Phase 4 plans for commercial cell manufacture, we will also pursue the broad opportunity to monetise our IP through licensing, and the ongoing supply of nanomaterials for battery production, in particular for lithium sulfur and lithium metal cells.

We also remain alert for complementary opportunities in the battery space that have the potential to deliver benefits in terms of technology or market access.

ROUNDING OF ACCOUNTS

The amounts contained in the financial report have been rounded to the nearest dollar (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* for the six months ended 31 December 2023 is set out on page 8.

Signed in accordance with a resolution of the Board of Directors.

BEN SPINCER
Chairman

ROBIN LEVISON
Non-Executive Director

Brisbane, 16 February 2024

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Auditor's independence declaration to the directors of Li-S Energy Limited

As lead auditor for the review of the half-year financial report of Li-S Energy Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
16 February 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2023

	Notes	31 December 2023 $	31 December 2022 $
Revenue from contracts with customers		**-**	-
Finance income		**741,162**	539,001
Other income		**-**	-
Employee benefits expenses		**(574,963)**	(368,878)
Professional fees		**(775,972)**	(509,951)
Management fees	12.2	**(410,000)**	(360,000)
Share based payments expense		**(192,701)**	(143,773)
Administration expenses		**(783,086)**	(750,393)
Depreciation and amortisation expense		**(339,911)**	(156,673)
Finance costs		**(38,537)**	(18,799)
Unrealised gain (loss) on investment at FVTPL		**(80,065)**	42,231
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		**(2,454,073)**	(1,727,235)
Income tax (expense) benefit	5(a)	**-**	-
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		**(2,454,073)**	(1,727,235)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX		**(2,454,073)**	(1,727,235)
Earnings (loss) per share (in cents)			
Basic	11	**(0.38)**	(0.27)
Diluted	11	**(0.38)**	(0.27)

The accompanying notes form part of the interim condensed consolidated financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	31 December 2023 $	30 June 2023 $
CURRENT ASSETS			
Cash and cash equivalents		**26,876,689**	33,450,982
Trade and other receivables		**328,250**	188,626
Financial assets at fair value through profit or loss	9	**1,200,000**	-
Other current assets		**292,538**	90,310
TOTAL CURRENT ASSETS		**28,697,477**	33,729,918
NON-CURRENT ASSETS			
Financial assets at fair value through profit or loss	9	**2,527,778**	2,607,843
Loan receivables		**2,000,000**	2,000,000
Property, plant and equipment	7	**5,712,431**	2,864,905
Right-of-use assets		**806,569**	960,609
Other non-current assets		**49,872**	1,090,062
Intangible assets	8	**6,181,554**	6,145,499
Deferred tax assets		**692,102**	723,133
TOTAL NON-CURRENT ASSETS		**17,970,306**	16,392,051
TOTAL ASSETS		**46,667,783**	50,121,969
CURRENT LIABILITIES			
Trade and other payables		**994,160**	1,114,382
Lease liabilities		**155,557**	222,315
Provisions		**147,882**	95,663
TOTAL CURRENT LIABILITIES		**1,297,599**	1,432,360
NON-CURRENT LIABILITIES			
Lease liabilities		**718,560**	780,781
Provisions		**40,000**	40,000
TOTAL NON-CURRENT LIABILITIES		**758,560**	820,781
TOTAL LIABILITIES		**2,056,159**	2,253,141
NET ASSETS		**44,611,624**	47,868,828
EQUITY			
Contributed equity		**56,595,613**	56,626,644
Treasury shares		**(964,800)**	-
Reserves		**2,761,762**	2,569,062
Retained earnings (accumulated losses)		**(13,780,951)**	(11,326,878)
TOTAL EQUITY		**44,611,624**	47,868,828

The accompanying notes for part of the interim condensed consolidated financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2023

	Notes	31 December 2023 $	31 December 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(2,947,221)**	(2,324,257)
Management fees paid to parent entity	12.2	**(410,000)**	(360,000)
Receipts from BAS refunds		**419,647**	331,275
Interest received		**741,162**	539,001
Interest paid		**(38,537)**	(18,799)
Net cash from (used in) operating activities		**(2,234,949)**	(1,832,780)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	7.1	**(3,217,945)**	(1,180,008)
Payments for intangible assets	8.1	**(581,535)**	(1,297,244)
Proceeds from government grants for capital acquisitions		**1,755,714**	-
Payments for acquisition of investments		**(1,200,000)**	-
Payments for loans to other entities		**-**	(1,400,000)
Net cash from (used in) investing activities		**(3,243,766)**	(3,877,252)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares acquired by the Employee Share Trust		**(964,800)**	-
Proceeds from issue of shares		**-**	-
Transaction costs on issue of shares		**-**	-
Payment of lease liabilities		**(130,778)**	(58,576)
Net cash from (used in) financing activities		**(1,095,578)**	(58,576)
Net increase (decrease) in cash held		**(6,574,293)**	(5,768,608)
Cash at the beginning of the period		**33,450,982**	43,853,377
Cash at the end of the period		**26,876,689**	38,084,769

The accompanying notes form part of the interim condensed consolidated financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2023

	Notes	Contributed Equity $	Treasury Shares $	Share Premium Reserve $	Share Rights Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2023		**56,626,644**	**-**	**1,347,650**	**1,221,412**	**(11,326,878)**	**47,868,828**
Profit (loss) for the period		**-**	**-**	**-**	**-**	**(2,454,073)**	**(2,454,073)**
Other comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**(2,454,073)**	**(2,454,073)**
Issue of service rights for Non-Executive Directors		**-**	**-**	**-**	**37,907**	**-**	**37,907**
Issue of service or performance rights for Executives		**-**	**-**	**-**	**154,793**	**-**	**154,793**
Acquisition of treasury shares		**-**	**(964,800)**	**-**	**-**	**-**	**(964,800)**
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years		**(31,031)**	**-**	**-**	**-**	**-**	**(31,031)**
Balance as at 31 December 2023		**56,595,613**	**(964,800)**	**1,347,650**	**1,414,112**	**(13,780,951)**	**44,611,624**

for the six months ended 31 December 2022

	Notes	Contributed Equity $	Treasury Shares $	Share Premium Reserve $	Share Rights Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2022		56,688,707	-	1,347,650	947,715	(7,991,356)	50,992,716
Profit (loss) for the period		-	-	-	-	(1,727,235)	(1,727,235)
Other comprehensive income (loss) for the period		-	-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	-	(1,727,235)	(1,727,235)
Issue of service rights for Non-Executive Directors		-	-	-	136,688	-	136,688
Issue of service or performance rights for Executives		-	-	-	7,085	-	7,085
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years		(31,032)	-	-	-	-	(31,032)
Balance as at 31 December 2022		56,657,675	-	1,347,650	1,091,488	(9,718,591)	49,378,222

The accompanying notes form part of the interim condensed consolidated financial report.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

for the six months ended 31 December 2023

1. CORPORATE INFORMATION

The interim condensed consolidated financial report ("interim financial report") of Li-S Energy Limited and its subsidiary ("Li-S Energy" or "LIS" or the "Company" or the "Group") for the six months ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 16 February 2024 as required by the *Corporations Act 2001.*

Li-S Energy is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX Code: LIS). Li-S Energy is registered in Queensland and has its head office at Level 13, 120 Edward Street, Brisbane, Queensland, 4000.

The principal activity of LIS is to develop and commercialise new types of batteries based on Lithium Sulfur (Li-S) and lithium metal technology, using boron nitride nanotubes (BNNT) as both an integrated protective insulation layer and a component in composite anodes which will improve battery energy when compared to current lithium-ion batteries and improve battery cycle life when compared to conventional lithium sulfur batteries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Statement of Compliance

The interim financial statements for the six months ended 31 December 2023 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This financial report also complies with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

The interim financial report does not include all the information and disclosures required in the annual financial report, and should be read in conjunction with the annual report for the year ended 30 June 2023, and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial report has been prepared on an accruals basis and is based on historical costs, except for investments which have been measured at fair value.

The interim financial report is presented in Australian dollars, and all values are in whole dollars ($), unless otherwise stated.

2.2 New and revised standards that are effective for the current period

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Company's annual financial report for the year ended 30 June 2023, except for the adoption of new standards effective as of 1 July 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time for reporting periods beginning on or after 1 July 2023, but do not have an impact on the interim financial report of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's interim financial report requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Significant Management Judgements

The judgements, estimates and assumptions applied in the interim financial report, including the key sources of estimation uncertainty were the same as those applied in the Company's annual financial report for the year ended 30 June 2023.

The Company based its assumptions and estimates on parameters available when the interim financial report was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

2.4 Going Concern

The interim 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 normal course of business.

On 16 February 2024, being the date of approval of the interim financial report, the Directors believe it is appropriate to prepare the interim financial report on a going concern basis. The Directors have identified and considered:

- during the whole period, and at all times subsequent, the Company has been able to meet its obligations as and when they fall due;
- the Company has $26,876,689 of cash and cash equivalents, a current financial asset held at fair value through profit or loss of $1,200,000, a loan receivable of $2,000,000 and no fixed debt;
- the Company maintains net assets of $44,611,624, which includes net working capital of $27,399,878;
- the Company has project plans and budgets approved by the Directors, consistent with disclosure in the Prospectus, and its cash flow forecasts indicate it has sufficient cash to be able to complete the projects over the next year.

The Directors have formed a view that the Company will continue as a going concern.

3. SEGMENT INFORMATION

The Company applies AASB 8 Operating Segments whereby segment information is presented using a "management approach", segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers.

Operating segments have been determined based on reports reviewed by the Directors. The Directors and the Senior Management are the chief operating decision makers of the Company. The only operating segment for the six months ended 31 December 2023 is the development and commercialisation of the Li-S Energy Battery segment.

5 INCOME TAX EXPENSE

	Notes	31 December 2023 $	31 December 2022 $
(a) The prima facie tax payable (benefit) on the profit (loss) before income tax is reconciled to the income tax expense as follows:			
Profit (loss) before tax		(2,454,073)	(1,727,235)
Prima facie tax payable (benefit) at 25.0% (2022: 25.0%)		(613,518)	(431,809)
(Non-assessable income) non-deductible expenses			
Losses for which no deferred tax asset was recognised		644,549	827,985
Adjustments related to temporary differences for which no deferred tax asset was recognised		-	
Transaction costs on issue of ordinary shares recognised in profit or loss		-	
Transaction costs on issue of ordinary shares recognised in equity		(31,031)	(31,031)
Adjustment for change in statutory tax rate		-	
Other (non-assessable income) non-deductible expenses		-	(365,145)
Income tax expense (benefit)		**-**	-
The applicable weighted average effective tax rate is as follows:		**-**	-
(b) The components of tax expense comprise:			
Current tax		**-**	-
Deferred tax		**-**	-
Income tax expense (benefit)		**-**	-

6 SIGNIFICANT EVENTS AND TRANSACTIONS

On 16 November 2023, the Company granted 963,036 performance rights to specific executive officers and senior staff of the Company under the terms of the Long Term Incentive Plan ('LTIP'). The fair value of these performance rights was calculated at 17.02 cents on the grant date and will be assessed against the vesting conditions shortly after 30 June 2026. The vesting of the performance rights granted is based on the achievement of specified internal and external vesting conditions.

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

7 PROPERTY, PLANT AND EQUIPMENT – NON-CURRENT

	Notes	31 December 2023 $	30 June 2023 $
Leasehold improvements – at cost		**110,696**	-
Less: Accumulated depreciation and impairment		**(7,816)**	-
		102,880	-
Plant and Equipment - at cost		**7,083,248**	3,149,342
Less: Government grant for plant and equipment		**(1,014,648)**	-
Less: Accumulated depreciation and impairment		**(459,049)**	(284,437)
		5,609,551	2,864,905
Total property, plant and equipment		**5,712,431**	2,864,905

Reconciliations **31 December 2023**	Leasehold Improvements $	Plant & Equipment $	Total $
Opening balance	**-**	**2,864,905**	**2,864,905**
Additions[1]	**91,056**	**3,953,546**	**4,044,602**
Disposals	**-**	**-**	**-**
Government grants		**(1,014,648)**	**(1,014,648)**
Transfers	**18,577**	**(18,577)**	**-**
Depreciation and amortisation	**(6,753)**	**(175,675)**	**(182,428)**
Closing balance	**102,880**	**5,609,551**	**5,712,431**
30 June 2023			
Opening balance	-	1,091,554	1,091,554
Additions	-	1,994,498	1,994,498
Disposals	-	-	-
Transfers	-	-	-
Depreciation and amortisation	-	(221,147)	(221,147)
Closing balance	-	2,864,905	2,864,905

[1] Included in additions for plant and equipment in the six months to 31 December 2023 are $270,997 of employee costs (June 2023: $270,345) capitalised in relation to the installation of the pilot plant production facilities in the Waurn Pond campus.

7.1 A reconciliation of additions for property, plant and equipment to the statement of cash flows follows:

	Notes	31 December 2023 $	31 December 2022 $
Additions		**4,044,602**	333,111
Equipment deposits (disclosed as other non-current assets)		**(1,040,190)**	846,897
Movement in trade payables		**213,533**	-
		3,217,945	1,180,008

8 INTANGIBLE ASSETS – NON-CURRENT

	Notes	31 December 2023 $	30 June 2023 $
Development costs		**6,922,620**	6,145,499
Less: Government grant for development costs		**(741,066)**	-
Less: Accumulated amortisation and impairment		**-**	-
Total intangible assets		**6,181,554**	6,145,499

Reconciliations **31 December 2023**	Lithium Metal Battery $	Li-Nanomesh $	Lithium Sulfur Battery $	Total $
Opening balance	**273,605**	**1,075,370**	**4,796,524**	**6,145,499**
Additions	**70,432**	**3,463**	**703,226**	**777,121**
Disposals	**-**	**-**	**-**	**-**
Government grants	**(61,750)**	**(128,769)**	**(550,547)**	**(741,066)**
Transfers	**-**	**-**	**-**	**-**
Depreciation and amortisation	**-**	**-**	**-**	**-**
Closing balance	**282,287**	**950,064**	**4,949,203**	**6,181,554**
30 June 2023				
Opening balance	-	508,300	2,809,663	3,317,963
Additions	233,316	567,070	2,027,150	2,827,536
Disposals	-	-	-	-
Transfers	40,289	-	(40,289)	-
Depreciation and amortisation	-	-	-	-
Closing balance	273,605	1,075,370	4,796,524	6,145,499

The intangible asset is for the development of the Li-S Battery project undertaken by Deakin University under the Research Framework Agreement.

8.1 Reconciliation of the additions for intangibles to the statement of cash flows:

	Notes	31 December 2023 $	31 December 2022 $
Additions		**777,121**	1,022,623
Movement in trade payables		**(195,586)**	274,621
		581,535	1,297,244

9 FAIR VALUE MEASUREMENT

The carrying values of financial assets and liabilities held at amortised cost approximate their fair value.

Estimated discounted cash flows were used to measure fair value, except for fair values of financial assets that were traded in active markets that are based on quoted market prices.

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Group according to the hierarchy stipulated in AASB 13 as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2023				
Current assets				
Australian unlisted units in investment trust	**-**	**-**	**1,200,000**	**1,200,000**
Non-current assets				
US Unlisted equity securities	**-**	**-**	**2,527,778**	**2,527,778**
	-	**-**	**3,727,778**	**3,727,778**
30 June 2023				
Non-current assets				
US Unlisted equity securities	-	-	2,607,843	2,607,843
	-	-	2,607,843	2,607,843

For assets and liabilities that are recognised on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels during the period.

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The level 3 fair value assessment of US unlisted equity securities has been based on advice provided by Zeta Energy Corp. The amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of $0.6840 at 31 December 2023.

10 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Notes	31 December 2023 $	30 June 2023 $
Plant and equipment[1]		**365,736**	2,348,252
Intangible assets – commitments to Deakin University[2]	12.2	**6,181,464**	640,612
Intangible assets – Other[3]		**271,975**	463,225
		6,819,175	3,452,089

[1] LIS has entered into certain contracts for plant and equipment that have performance milestones aligned with the commissioning and warranty periods of the equipment.

[2] LIS has outstanding commitments to Deakin University relating to projects contracted under the Research Framework Agreement. These projects range in durations of up to 3 years (see Note 12).

[3] Other commitments relate to non-Deakin University contractual commitments under various research collaboration and consulting agreements.

There are no contingent assets or contingent liabilities.

11 EARNINGS / (LOSS) PER SHARE

	31 December 2023 $	31 December 2022 $
Profit/(loss) after tax	**(2,454,073)**	(1,727,235)

	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding used in calculating basic earnings per share [1]	**638,028,056**	640,200,230
Weighted average number of ordinary shares outstanding used in calculating diluted earnings per share [1, 2]	**638,028,056**	640,200,230
Basic earnings (loss) per share (cents)	**(0.38)**	(0.27)
Diluted earnings (loss) per share (cents)	**(0.38)**	(0.27)

[1] The weighted average number of ordinary shares outstanding used in calculating basic and diluted earnings per share for the current period included the pro-rata reduction of available shares as a result of the purchase of 4,000,000 treasury shares during the period.

[2] The weighted average number of ordinary shares outstanding used in calculating diluted earnings per share for the current and comparative periods have not been adjusted for the Service Rights or Performance Rights issued under the various Rights Plans as they are anti-dilutive.

12 RELATED PARTY TRANSACTIONS

12.1 Transactions with Directors and Key Management Personnel

Transactions with Directors and Director-related entities

The immediate parent of the Company is PPK Aust, a wholly owned subsidiary of PPK Group, the ultimate parent entity. There were no other transactions with Directors and their related entities during the period.

12.2 A summary of the related party transactions with other entities during the period is as follows:

	Notes	31 December 2023 $	31 December 2022 $
INFLOWS			
Interest income received from PPK Group		**100,822**	-
OUTFLOWS			
Management fees paid to PPK Group		**410,000**	360,000
Purchase of 4,000,000 LIS shares from BNNT Technology Pty Ltd ("BNNTTL")		**964,800**	-
Other purchases from BNNTTL		**8,109**	-
Research and development payments to Deakin		**575,529**	865,089
Lease payments to Deakin		**185,330**	59,332
Purchases from White Graphene Limited		**586**	-

During the six months ended 31 December 2023, LIS entered into the following related party agreements:

Research Framework Agreement with Deakin

LIS joined Deakin's Recycling and Clean Energy Commercialisation Hub ('REACH'). REACH was established after being awarded a $50 million grant from the Australian Government's inaugural Trailblazer Universities Program to address Australia's national manufacturing priorities.

Under REACH, LIS has entered into a new Research Framework Agreement ('RFA') with Deakin and committed to a number of new projects under the new RFA. The new RFA governs all research projects conducted between LIS and Deakin under the REACH program, as set out in Project Schedules entered into under the RFA. The key material terms of the RFA are consistent with the previous RFA entered with regards to intellectual property ('IP') ownership, being that LIS will own all project IP. Refer to Note 10 for LIS' total commitment under REACH.

Related party balances owing to its shareholders at the reporting date

The Company had the following related party balances receivable from, or payable to, its related parties at the reporting date:

	Notes	31 December 2023 $	30 June 2023 $
Related party balances receivable			
PPK Group Limited		**2,000,000**	2,000,000
Related party balances payable			
Deakin University		**423,028**	230,791

13 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There have been no matter or circumstance that has arisen since the end of the financial period which is not otherwise dealt with in this interim financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

1. In the opinion of the Directors of Li-S Energy Limited;

   a) The interim financial report and notes of Li-S Energy Limited are in accordance with the *Corporations Act 2001*, including:

      (i) Giving a true and fair view of its financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

      (ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   b) There are reasonable grounds to believe that Li-S Energy Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*:

BEN SPINCER
Chairman

ROBIN LEVISON
Non-Executive Director

Brisbane, 16 February 2024

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Independent auditor's review report to the members of Li-S Energy Limited

Conclusion

We have reviewed the accompanying half-year financial report of Li-S Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2023, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed 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.

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 does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. 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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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 the Code.

Directors' responsibilities 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 responsibilities for the review of the half-year 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 31 December 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.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
Brisbane
16 February 2024