

Loyal Lithium Limited

ABN 20 644 564 241

Interim Report - 30 June 2024

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Directors

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

Company secretary

Mr. Ian Pamensky

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Auditor

BDO Audit Pty Ltd
Level 18, 727 Collins Street
Melbourne VIC 3008

Stock exchange listing

Loyal Lithium Limited shares are listed on the Australian Securities Exchange (ASX code: LLI)

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Loyal Lithium Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2024.

Directors

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

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

Principal activities

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

Dividends

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

Review of operations

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Our Lithium Portfolio

North American Focussed

 LoyalLithium

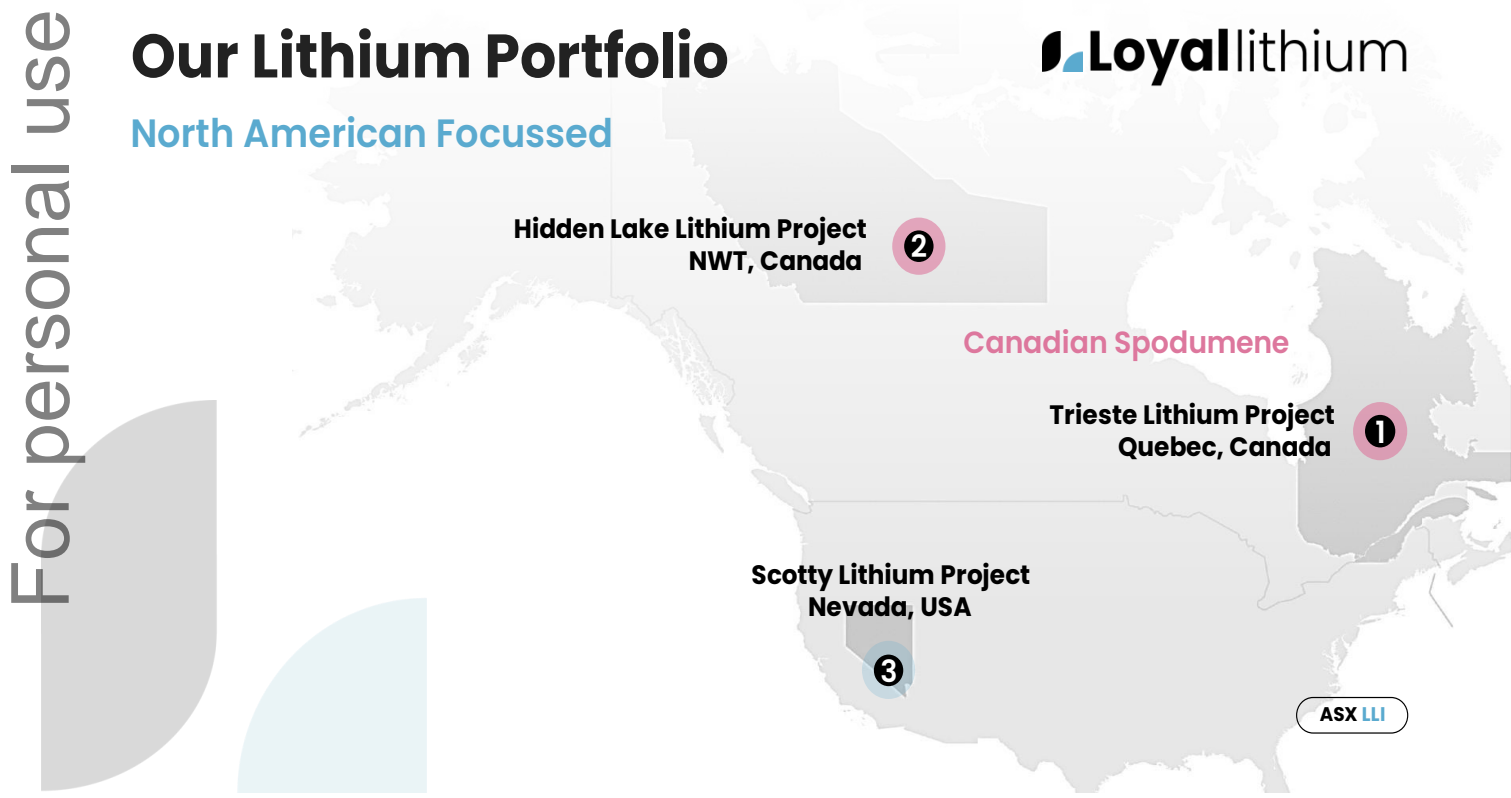


Figure 1 – Loyal Lithium's three core Lithium Projects: Well positioned to supply the Emerging North American Battery Supply Chain.

The half year to 30 June 2024 realised significant progression for the Company with several major milestones achieved with operations focused on advancing the Trieste Lithium Project, which occurs within one of the world's premier lithium districts within the Trieste Greenstone Belt.

Trieste Lithium Project Overview

The Trieste Lithium Project is a large scale spodumene pegmatite project that hosts six spodumene mineralised dykes, located along the emerging lithium rich Trieste Greenstone Belt, connected to multiple spodumene bearing lithium projects of Rio Tinto/Midland Exploration, Azimut/SOQUEM and Winsome Resources' (ASX:WR1) Adina-Jamar project (Figure 2). During

the extensive and focused 2023 field program, the Company discovered six spodumene bearing pegmatite dykes, consisting of aligned implied continuous outcrops, within a 20km² metasedimentary basin, located between the Trieste Greenstone Belt and the Tilly granite. The pegmatite dykes are situated within metasediment host rock, with several high-value greenstone hosted targets, as well as other metasediment hosted targets, yet to be fully explored.

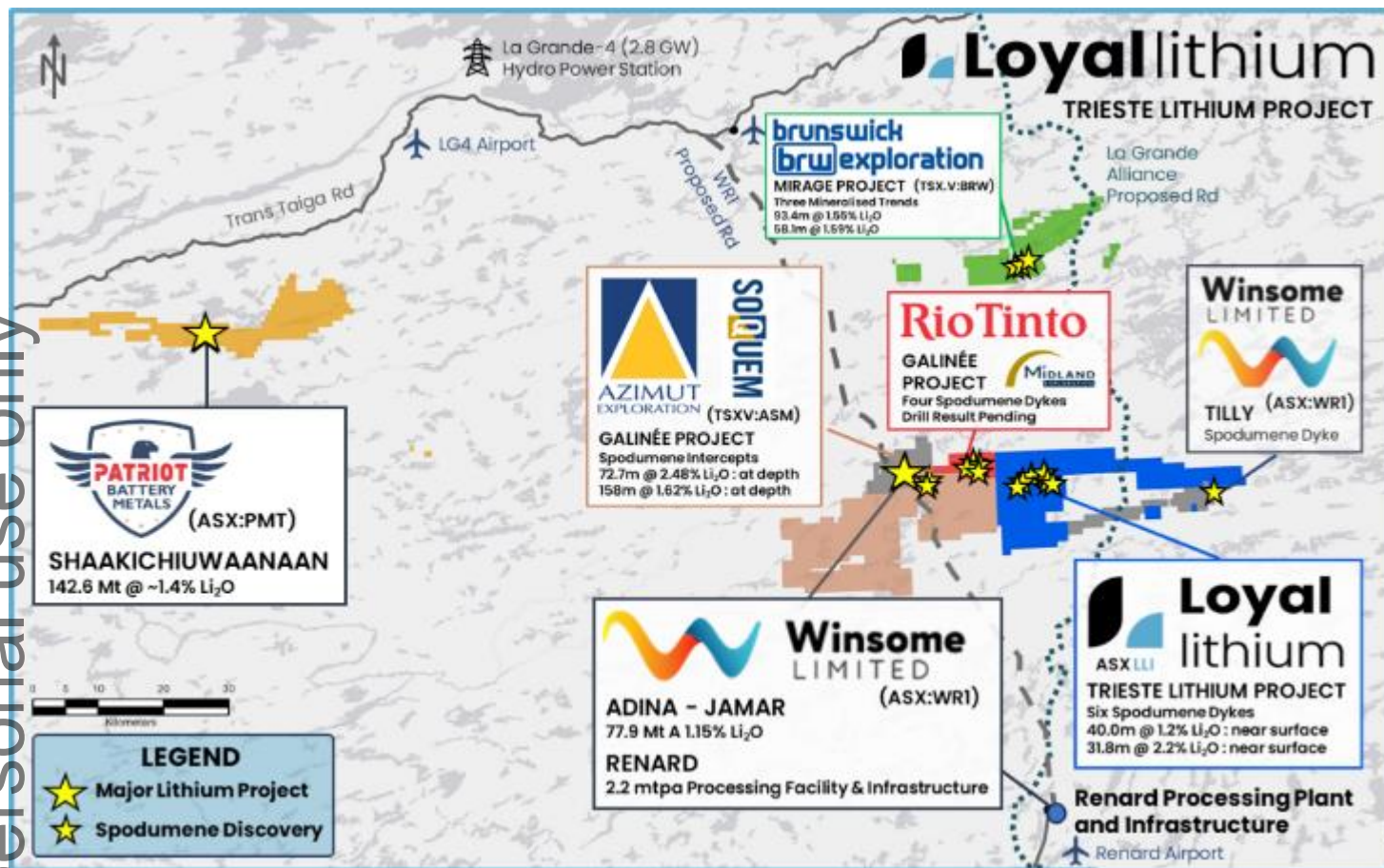


Figure 2 – Location of the Trieste Lithium Project, and other nearby projects, located In Quebec, Canada.

Trieste Lithium Project

- Prior to the period ended 30 June 2024, six spodumene pegmatite dykes were discovered during the project's maiden field program in August 2023. Rigorous geological interpretation, based on multiple data sets including historic drilling and mapping data, multi-spectral satellite analysis, and regional aeromagnetics, indicated that the project was highly prospective. Rock chip and channel samples taken during the maiden field program, along with assay results, confirmed lithium mineralisation in all six pegmatite dykes and were reported in January 2024.
- The Company proceeded to test drill Dyke #01 in October 2023 with the assay results from all 14 fully cored drillholes confirming a major lithium discovery at the Trieste Lithium Project. The near surface high-grade drill intercepts of Dyke #01 included 40.0m at 1.2% Li₂O from 15.0m were reported in January 2024.
- A subsequent drilling program completed in February 2024 targeted Dyke #04 and Dyke #05 with both dykes showing large spodumene minerals at surface. The drilling program was highly successful, and demonstrated both dykes have shallow, high grade lithium mineralisation (Figure 3).
 - Dyke #04 drill core assay results included 32.8m of 1.2% Li₂O from 27.6m and 31.1m of 1.5% Li₂O from 21.4m.
 - Dyke #05 drill core assay results include world class lithium and tantalum intercepts of 31.8m of 2.2% Li₂O and 499ppm Ta₂O₅ from 2.9m and 28.6m of 1.7% Li₂O and 1,050ppm Ta₂O₅ from 6.5m.
- Six months post discovery and after the initial drilling programs, the Company undertook an extensive geologic review and interpretation of the Trieste Lithium Project geologic data. The analysis identified two highly prospective areas within the project, the underexplored Trieste Greenstone Discovery Trend and the 20km² Metasediment Fault Flow Zone.

- Loyal Lithium launched a comprehensive high resolution geophysical survey in June 2024 targeting the Trieste Greenstone Discovery Trend and the 20km² Metasediment Fault Flow Zone. The industry-first pioneering geophysical survey results, released in August 2024, revealed five distinct resistivity trends (Figure 4).
 - The highly prospective resistivity trends, which align with lineaments that connect known spodumene-bearing outcrops, will be investigated during the 2024 field program which is underway.

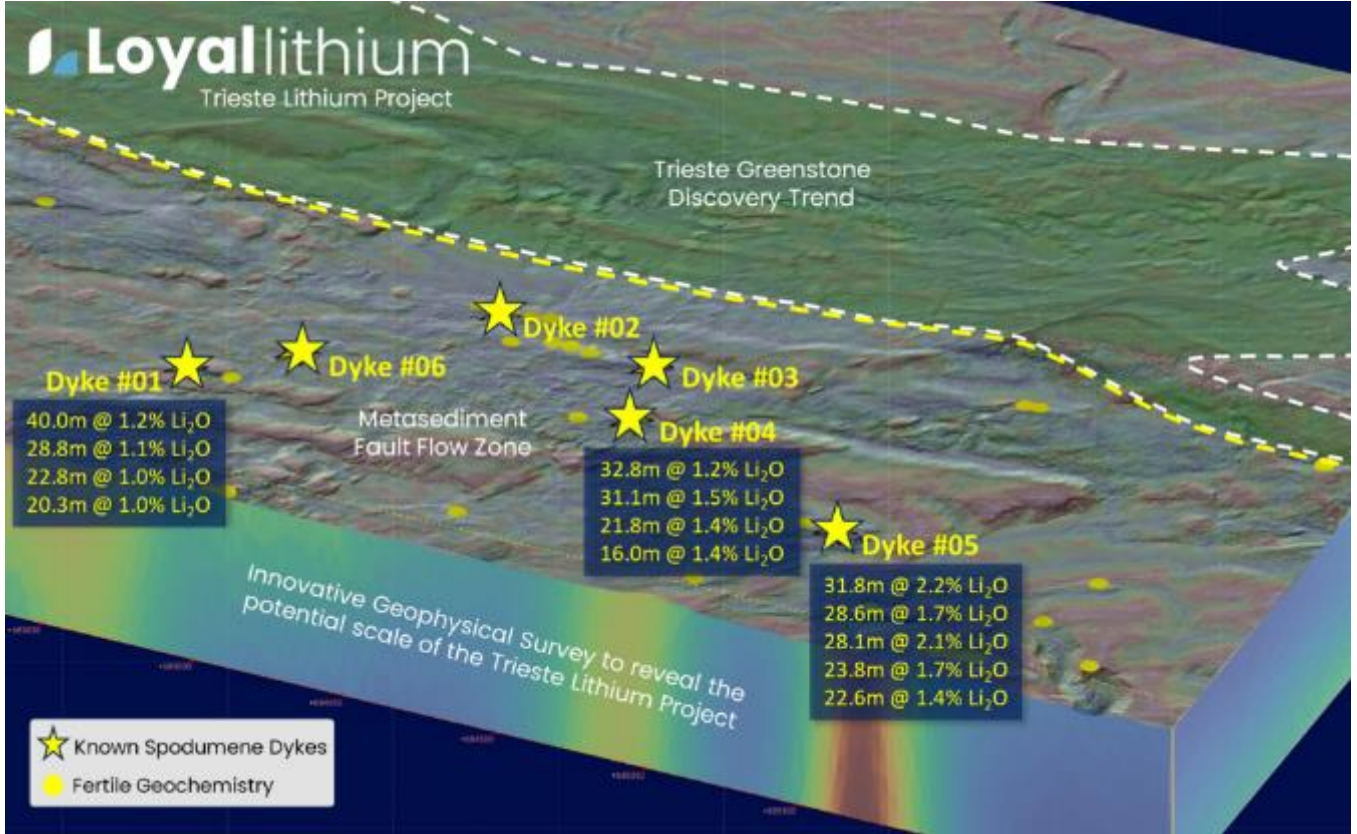


Figure 3 – Loyal Lithium’s three core Lithium Projects: Well positioned to supply the Emerging North American Battery Supply Chain.

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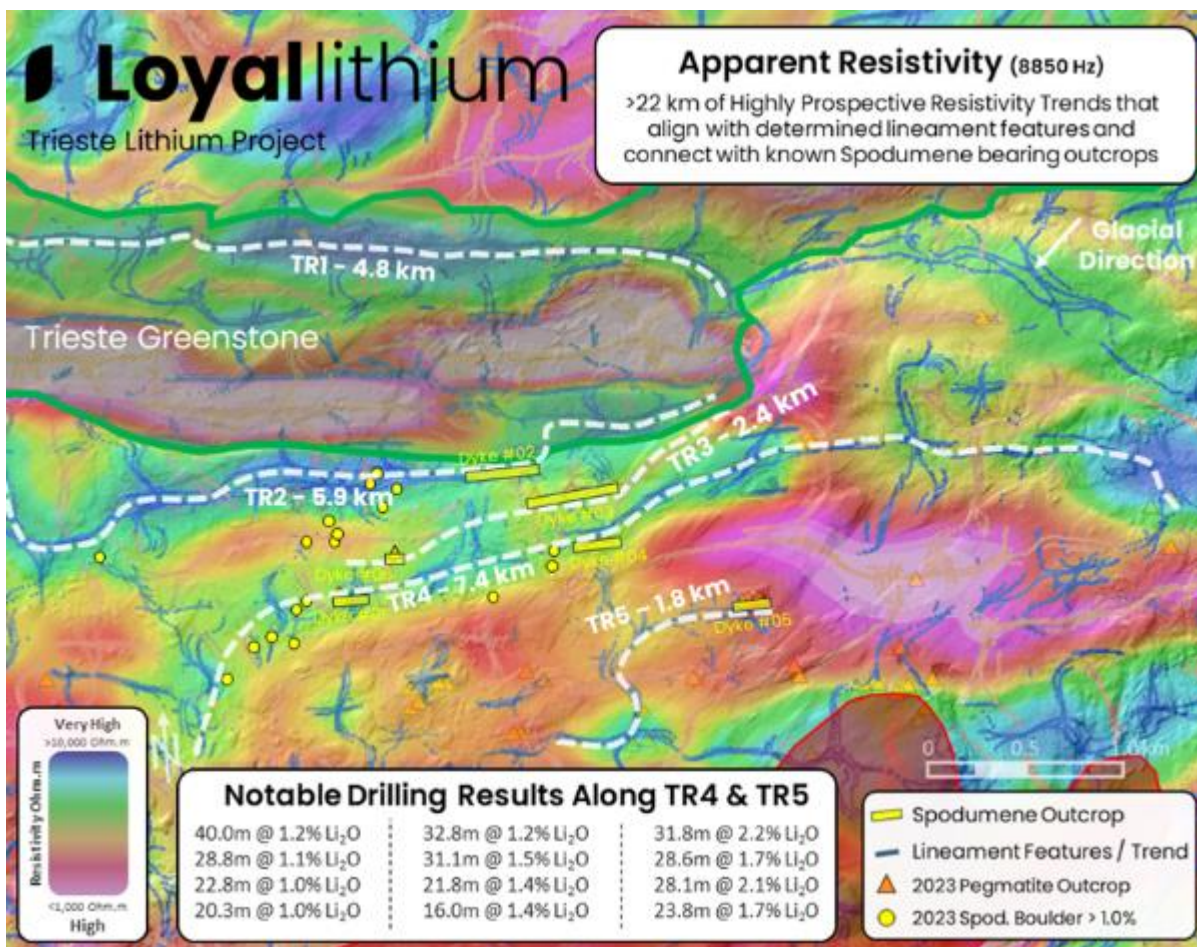


Figure 4 - Trieste Lithium Project: Apparent Resistivity survey (8850 Hz) with redefined greenstone belt depicting five prominent east-west lithium trends and associated lineament features.

Hidden Lake Lithium Project

The Hidden Lake Lithium Project (60% Loyal Lithium; 40% Patriot Battery Metals) is strategically located 65 km east of Yellowknife, the capital of the Northwest Territories, and is located within the emerging Yellowknife Lithium District adjacent to an all-weather highway to the south and east, and Li-FT Power's (CSE: LIFT; FSE: WS0) properties to the North (Figure 5). The 2023 acquisition formalises a Joint Venture arrangement between Loyal Lithium and Patriot Battery Metals (ASX:PMT, TSXV:PMET) - minority owner (40%) of five of the six claims.

- The project is made up of six contiguous claims strategically located adjacent to an all-weather highway and contains seven mapped lithium spodumene bearing pegmatite dykes - with the four drill-tested spanning a cumulative significant strike length of 3,250m, increased in 2023 from 2,250m.
- Substantial scope to expand the known mineralisation along strike and at depth with multiple outcropping lithium spodumene-bearing pegmatites yet to be drill tested.
- Drilling in 2018 targeted four spodumene rich pegmatites to a limited depth of 30-50m vertical with all 10 drill holes intercepting high-grade spodumene of up to 1.81% Li_2O .
- Dense Media Separation (DMS) pilot plant produced a high-grade concentrate of 6.11% Li_2O from a 400kg bulk sample with minimal loss to tailings.
- Metallurgical test work to date indicates consistency across spodumene rich dykes with very simple mineralogy of predominantly coarse-grained spodumene, quartz, and feldspars, with low impurities (<0.25% FeO).

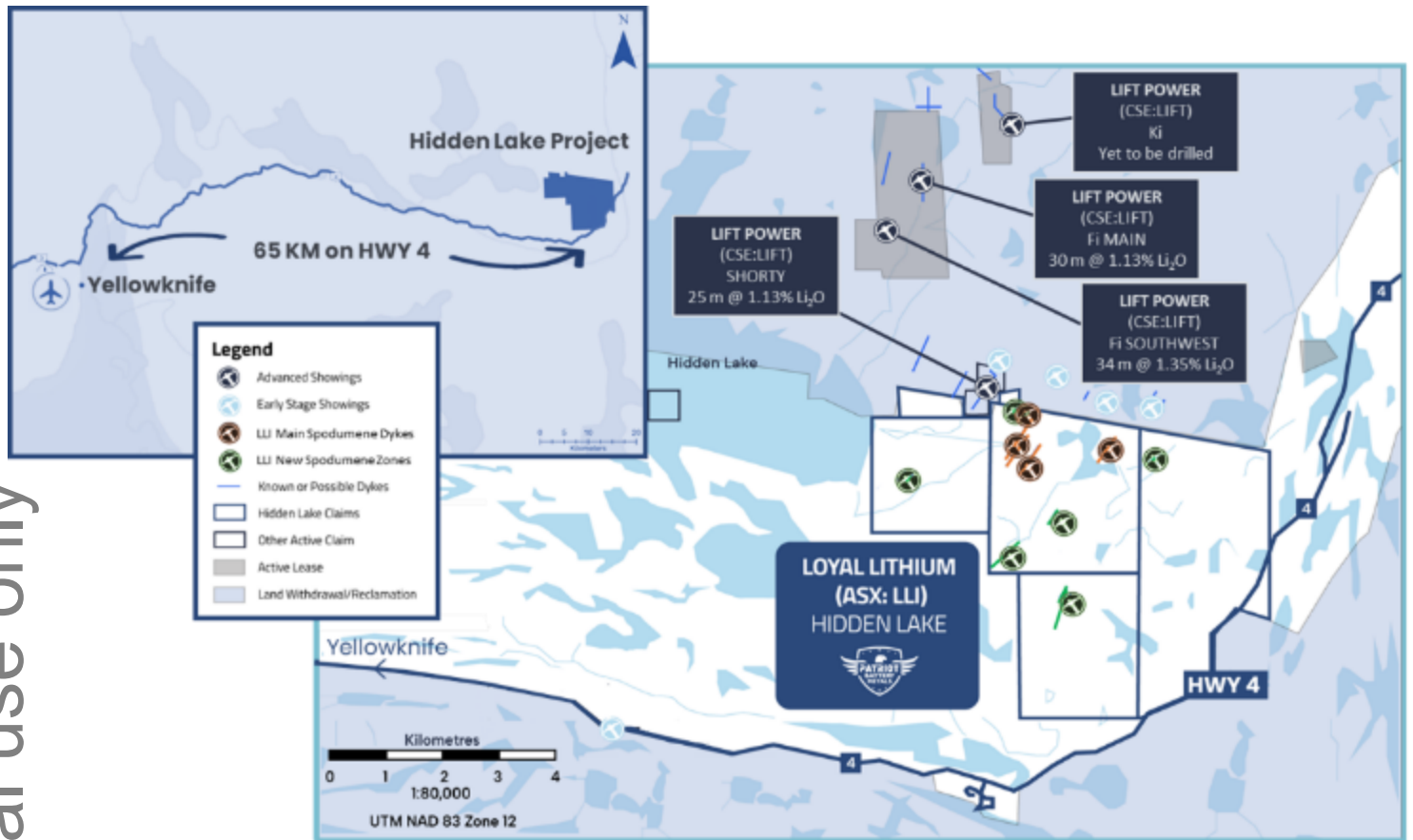


Figure 5 - Hidden Lake Lithium Project: Yellowknife, Northwest Territories, Canada.

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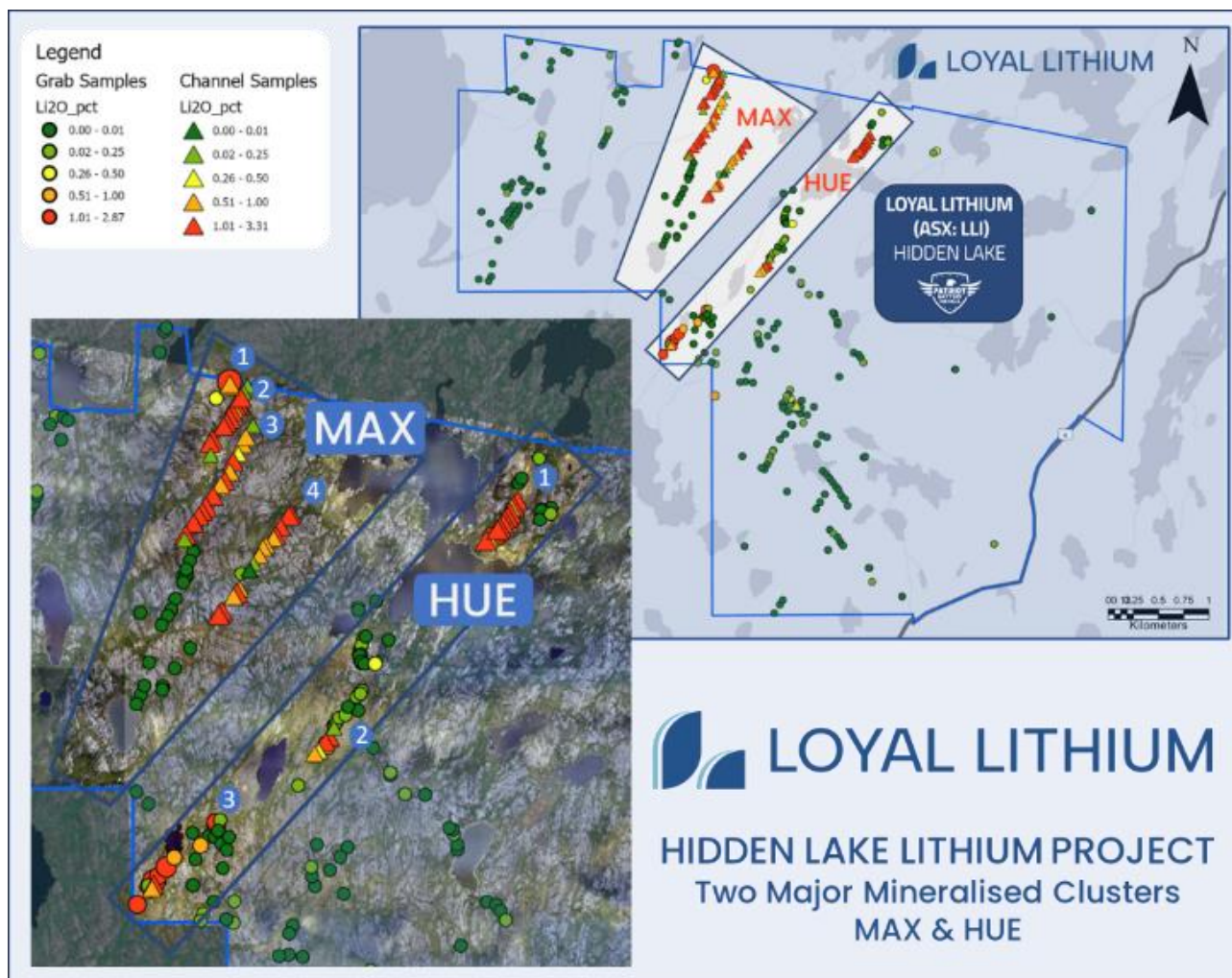


Figure 6 – Mineralised lithium pegmatite dykes at the Hidden Lake Lithium Project, Yellowknife, Northwest Territories, Canada.

Scotty Lithium Project

The Scotty Lithium Project covers 56.5 km² of active claims, 67 km north of the mining town of Beatty and is accessible year-round via HWY 95 and HWY 267. The project is also strategically located via HWY 95, only 189 km northwest of Las Vegas, 330km from Tesla's Nevada Gigafactory and 517 km from Reno in the Tier 1 mining jurisdiction of Nevada, USA, proximal to existing power infrastructure. The Scotty Lithium Project is adjacent to the existing Nevada Lithium Ltd (CSE:NVLH) Bonnie Claire Project with similar geology and large drill intercepts of lithium mineralisation. Scotty is less than 100km from Albemarle's operational Silver Peak Mine in Clayton Valley (NYSE: ALB) and Loneer's Rhyolite Ridge Lithium-Boron Project (ASX:INR).

- The Scotty Lithium Project has strong mineralisation, with assay results from its inaugural sonic drilling campaign with average grades of 1,120ppm lithium (700ppm cut-off-grade), with a peak lithium value of 4,007ppm. The campaign consisted of 3 sonic drill holes, with an average depth of 171m for a total of 513m.
- These results allowed for an independent consultant to determine a JORC Exploration Target for the Project of 460 million tonnes (Mt) at 1145 ppm to 837 Mt at 1175 ppm at a 700ppm cut-off-grade (Figure 7), indicating a potentially significant large sediment hosted lithium resource. The potential quantities and grades are conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and the Company is uncertain if further exploration will result in the estimation of a Mineral Resource.

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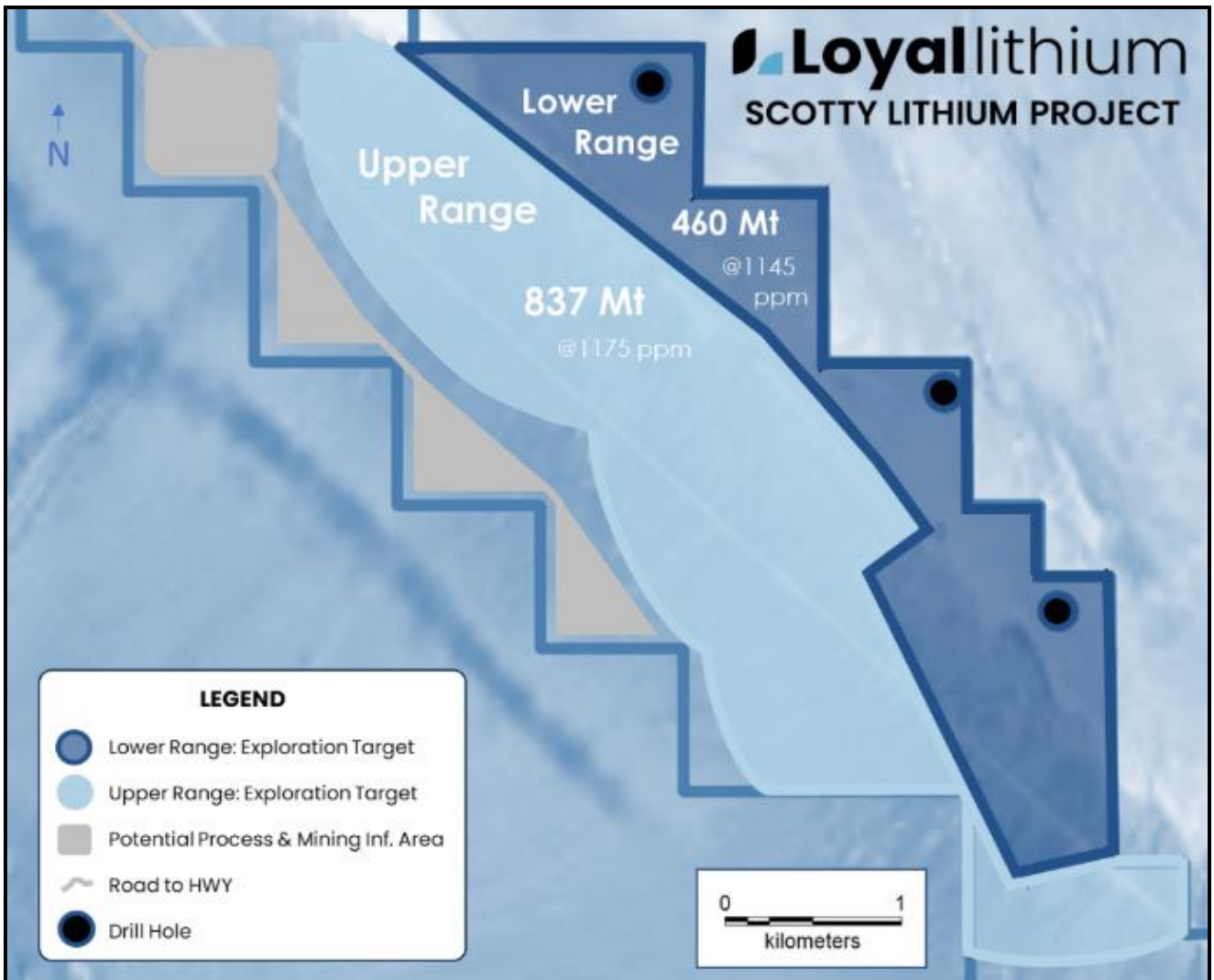


Figure 7 – Scotty Lithium Project – Map showing the Exploration Target domains.

Brisk Lithium Project

A total of 192 mining claims covering 98.5km² were acquired in 2022, which are divided into six separate claim blocks, extending over 70km in an east-west direction (Figure 8). The Brisk Lithium Project contains several targets generated in the 2022 field campaign at Areas 1, 2 and 3 that require further field testing. Due to the capacity constraints of geological contractor availability during summer 2023 shortened field season, the Company prioritised fieldwork at the Trieste Lithium Project, the site of a major lithium discovery.



Figure 8 - Brisk Lithium Project.

Western Australia

Rehabilitation of drilling pads and access tracks was completed with DMIRS submissions to close off POWs. Several confidential expressions of interest were received for Loyal Lithium's West Australian projects.

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

1. Monger North Project: Loyal Lithium discovered a 16,400 oz JORC Inferred gold resource to 110m, open to both the northwest and southwest at depth with increasing gold grade found at depth. A mining lease application is now across the resource.
2. Monger South Project: Gold, nickel and silver-copper-zinc outcrop assays and ultrafine soils anomalies found by LLI on the Project

Finance Update

Cash available to the Company as at 30 June 2024 was \$4.733m which excludes over \$1.5m in Sales Tax refunds and Quebec Mining Tax credits which are forecast to be returned to the Company over the coming months.

Payments for the Half included:

- Exploration and Evaluation Expenditure during the half year ended 30 June 2024 was \$2.614m. Full details of exploration activity during the Half are set out in this report and relate primarily to exploration activities including drilling, assay analysis, and interpretation as well as a geophysical survey (Mobile MTm) and geological consultants' services.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

The following events have occurred subsequent to the period end:

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Peretz Shapiro
Non-Executive Chairman

12 September 2024

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

As lead auditor for the review of Loyal Lithium Limited for the half-year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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

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



Benjamin Lee
Director

BDO Audit Pty Ltd

Melbourne, 12 September 2024

Consolidated statement of profit or loss and other comprehensive income	12
Consolidated statement of financial position	13
Consolidated statement of changes in equity	14
Consolidated statement of cash flows	15
Notes to the consolidated financial statements	16
Directors' declaration	23
Independent auditor's review report to the members of Loyal Lithium Limited	24

General information

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

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

5/10 Johnston Street
Peppermint Grove WA 6011

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 September 2024. The directors have the power to amend and re-issue the financial statements

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Loyal Lithium Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2024



		Consolidated	
	Note	30 June 2024 \$'000	30 June 2023 \$'000
Revenue			
Other income		55	-
Interest income	2	116	47
Expenses			
Employee benefits		(344)	(372)
Depreciation and amortisation	3	(4)	(9)
Professional fees		(414)	(261)
Administration		(374)	(375)
Project due diligence		(25)	-
Cost associated with re-compliance prospectus		-	(501)
Impairment of exploration expenditure		(169)	(264)
Share-based payments	9	(610)	(77)
Finance costs	3	(1)	(1)
Loss before income tax expense		(1,770)	(1,813)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,770)	(1,813)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(380)	74
Other comprehensive income for the half-year, net of tax		(380)	74
Total comprehensive income for the half-year		(2,150)	(1,739)
Loss for the half-year is attributable to:			
Non-controlling interest		-	-
Owners of Loyal Lithium Limited		(1,770)	(1,813)
		(1,770)	(1,813)
		Cents	Cents
Basic earnings per share	14	(1.71)	(2.99)
Diluted earnings per share	14	(1.71)	(2.99)

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

		Consolidated	
	Note	30 June 2024 \$'000	31 Dec 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	4	4,733	6,400
Trade and other receivables	5	920	667
Total current assets		5,653	7,067
Non-current assets			
Property, plant and equipment		6	10
Exploration and evaluation	6	22,417	19,803
Total non-current assets		22,423	19,813
Total assets		28,076	26,880
Liabilities			
Current liabilities			
Trade and other payables	7	587	1,033
Provisions		107	82
Total current liabilities		694	1,115
Total liabilities		694	1,115
Net assets		27,382	25,765
Equity			
Issued capital	8	33,324	30,122
Reserves	10	4,995	4,810
Accumulated losses		(10,937)	(9,167)
Total equity		27,382	25,765

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Loyal Lithium Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2024

Consolidated	Issued capital \$'000	Foreign currency reserves \$'000	Share-based payment reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2023	12,740	(3)	3,556	(5,203)	748	11,838
Loss after income tax expense for the half-year	-	-	-	(1,813)	-	(1,813)
Other comprehensive income for the half-year, net of tax	-	74	-	-	-	74
Total comprehensive income for the half-year	-	74	-	(1,813)	-	(1,739)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 9)	-	-	317	-	-	317
Issue of shares and options for acquisition of American Consolidated Lithium Pty Ltd	2,520	-	608	-	(748)	2,380
Balance at 30 June 2023	15,260	71	4,481	(7,016)	-	12,796

Consolidated	Issued capital \$'000	Foreign currency reserves \$'000	Share based payment reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2024	30,122	(35)	4,845	(9,167)	-	25,765
Loss after income tax expense for the half-year	-	-	-	(1,770)	-	(1,770)
Other comprehensive income for the half-year, net of tax	-	(380)	-	-	-	(380)
Total comprehensive income for the half-year	-	(380)	-	(1,770)	-	(2,150)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 9)	-	-	565	-	-	565
Issue of shares	3,202	-	-	-	-	3,202
Balance at 30 June 2024	33,324	(415)	5,410	(10,937)	-	27,382

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

Loyal Lithium Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2024



		Consolidated	
	Note	30 June 2024	30 June 2023
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		55	-
Payments to suppliers and employees (inclusive of GST)		(2,425)	(1,300)
		(2,370)	(1,300)
Interest received		116	47
Finance charges		(1)	-
Net cash used in operating activities		(2,255)	(1,253)
Cash flows from investing activities			
Payments for exploration activities	6	(2,614)	(1,569)
Net cash used in investing activities		(2,614)	(1,569)
Cash flows from financing activities			
Proceeds from issue of shares	8	3,352	-
Share issue transaction costs	8	(150)	-
Net cash from financing activities		3,202	-
Net decrease in cash and cash equivalents		(1,667)	(2,822)
Cash and cash equivalents at the beginning of the financial half-year		6,400	6,574
Cash and cash equivalents at the end of the financial half-year	4	<u>4,733</u>	<u>3,752</u>

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

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Note 1. Material accounting policy information

These general purpose financial statements of Loyal Lithium Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled (referred to hereafter as the 'Group') consisting of for the interim half-year reporting period ended 30 June 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 *'Interim Financial Reporting'* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2023 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, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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

For the half-year ended 30 June 2024, the Group recorded a loss after income tax and non-controlling interest of \$1,770,000; showed net cash outflow from investing activities of \$2,614,000 and net cash outflows from operating activities of \$2,255,000. The Group's ability to continue as a going concern is dependent upon it being able to successfully raise further funding in the next 12 months from the date of the half year financial report.

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

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

- As at the date of the half year financial report 30 June 2024, the entity had cash and cash equivalents of approximately \$4,733,000.
- The Board have prepared budgets which indicates significant expenditure to advance the entity's exploration projects.
- The Board are confident of raising further capital through equity raising within the next 12 months when deemed necessary.
- Management have prepared budgets which demonstrates that, based on the above factors the Group has sufficient funds available to meet its commitments for at least twelve months from the date of the half year financial report.

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

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

At the date of approval of these financial statements, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2024. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary.

Note 2. Operating segments

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

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

	Interest income		Geographical non-current assets	
	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 \$'000	31 Dec 2023 \$'000
Australia	115	47	6	10
Canada	1	-	14,474	11,890
United States	-	-	7,943	7,913
	<u>116</u>	<u>47</u>	<u>22,423</u>	<u>19,813</u>

Note 3. Expenses

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	<u>4</u>	<u>9</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	<u>1</u>	<u>1</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>30</u>	<u>28</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	<u>314</u>	<u>344</u>

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	30 June 2024 \$'000	31 Dec 2023 \$'000
Cash at bank	3,483	2,350
Cash on deposit	<u>1,250</u>	<u>4,050</u>
	<u>4,733</u>	<u>6,400</u>

Note 5. Current assets - trade and other receivables

	Consolidated	
	30 June 2024	31 Dec 2023
	\$'000	\$'000
Trade receivables	7	-
Prepayments	208	294
Other receivables	705	373
	<u>913</u>	<u>667</u>
	<u>920</u>	<u>667</u>

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	30 June 2024	31 Dec 2023
	\$'000	\$'000
Scotty lithium project	7,943	7,913
Trieste lithium project	6,386	4,384
Brisk lithium project	1,030	1,027
Hidden lake lithium project	7,058	6,479
	<u>22,417</u>	<u>19,803</u>

30 June 2024

	Consolidated
	\$'000
Balance on 1 January 2024	19,803
Expenditure during the half year	<u>2,614</u>
Balance on 30 June 2024	<u>22,417</u>

30 June 2023

	Consolidated
	\$'000
Balance on 1 January 2023	5,648
Cost of project acquisition	2,381
Expenditure during the half year	<u>1,569</u>
Balance on 30 June 2023	<u>9,598</u>

Note 7. Current liabilities - trade and other payables

	Consolidated	
	30 June 2024	31 Dec 2023
	\$'000	\$'000
Trade payables	456	1,023
Other payables	131	10
	<u>587</u>	<u>1,033</u>

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Note 8. Equity - issued capital

	Consolidated			
	30 June 2024 Shares	31 Dec 2023 Shares	30 June 2024 \$'000	31 Dec 2023 \$'000
Ordinary shares - fully paid	109,983,063	101,537,319	33,324	30,122

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2024	101,537,319		30,122
Exercise performance right – Brisk project	19 March 2024	1,000,000	\$0.00	-
Exercise performance right	19 March 2024	100,000	\$0.00	-
Share Placement	24 May 2024	7,345,744	\$0.45	3,306
Transfer from share-based payment reserve upon issuing of shares		-	\$0.00	46
Less transaction costs		-	\$0.00	(150)
Balance	30 June 2024	<u>109,983,063</u>		<u>33,324</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.

Note 9. Share-based payments

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

30 June 2024	\$'000
Balance at 1 January 2024	4,845
Share-based payment expenses	610
Exercise performance rights	(45)
Balance at 30 June 2024	<u>5,410</u>
30 June 2023	\$'000
Balance at 1 January 2023	3,556
2,000,000 exercise price \$0.60 - issued to consultant	77
3,499,999 exercise price \$0.50 - acquisition of remaining 20% interest of ACL	608
Option fee paid for Osisko project	240
Balance at 30 June 2023	<u>4,481</u>

Note 9. Share-based payments (continued)

Options

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

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

30 June 2024

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
07/07/2021	01/07/2024	\$0.30	12,535,550	-	-	-	12,535,550
31/05/2022	07/07/2024	\$0.30	4,000,000	-	-	-	4,000,000
02/05/2022	25/05/2025	\$0.30	500,000	-	-	-	500,000
12/12/2022	15/12/2025	\$0.70	2,000,000	-	-	-	2,000,000
29/06/2022	25/07/2025	\$0.35	1,000,000	-	-	-	1,000,000
04/04/2023	31/03/2026	\$0.60	2,000,000	-	-	-	2,000,000
31/05/2023	31/05/2026	\$0.50	3,499,999	-	-	-	3,499,999
26/06/2023	28/03/2026	\$0.60	4,000,000	-	-	-	4,000,000
08/08/2023	08/08/2026	\$0.75	400,000	-	-	-	400,000
21/03/2024	02/02/2027	\$0.75	-	1,200,000	-	-	1,200,000
			29,935,549	1,200,000	-	-	31,135,549

Recognised in	Employee options Profit & Loss
Grant date	21 Mar 2024
Number of options issued	1,200,000
Expiry date	2 Feb 2027
Share price at grant date	\$0.31
Exercise Price	\$0.75
Expected Volatility	110%
Risk-Free Interest Rate	3.64%
Underlying fair value at grant date	\$0.16
Fair Value	\$186,546 (\$36,592 expensed in the current HY)

Performance Rights

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

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Note 9. Share-based payments (continued)

Grant date	Expiry Date	Fair value on grant date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at end of the year
25/07/2022	2023 to 2024	\$0.1754	500,000	-	-	-	500,000
26/06/2023	27/07/2027	\$0.0225	1,000,000	-	(1,000,000)	-	-
26/06/2023	27/07/2027	\$0.0225	2,000,000	-	-	-	2,000,000
26/06/2023	21/03/2028	\$0.1079	500,000	-	-	-	500,000
26/06/2023	21/03/2028	\$0.2375	250,000	-	-	-	250,000
26/06/2023	21/03/2028	\$0.2375	250,000	-	-	-	250,000
26/06/2023	21/03/2028	\$0.1022	1,000,000	-	-	-	1,000,000
26/06/2023	21/03/2028	\$0.1083	250,000	-	-	-	250,000
26/06/2023	21/03/2028	\$0.1022	250,000	-	-	-	250,000
26/06/2023	21/03/2028	\$0.2375	100,000	-	(100,000)	-	-
15/11/2023	15/11/2028	\$0.1773	333,333	-	-	-	333,333
15/11/2023	15/11/2028	\$0.1605	333,333	-	-	-	333,333
15/11/2023	15/11/2028	\$0.1667	333,334	-	-	-	333,334
15/11/2023	15/11/2028	\$0.1773	1,000,000	-	-	-	1,000,000
15/11/2023	15/11/2028	\$0.1605	1,000,000	-	-	-	1,000,000
15/11/2023	15/11/2028	\$0.1667	1,000,000	-	-	-	1,000,000
21/03/2024	01/02/2029	\$0.3100	-	1,700,000	-	(300,000)	1,400,000
			<u>10,100,000</u>	<u>1,700,000</u>	<u>(1,100,000)</u>	<u>(300,000)</u>	<u>10,400,000</u>

No additional performance rights or performance shares were issued during the half year. Please refer to the annual report of 31 December 2023 for the detail information of the existing performance rights.

Note 10. Equity - reserves

	Consolidated	
	30 June 2024	31 Dec 2023
	\$'000	\$'000
Foreign currency reserve	(415)	(35)
Share-based payments reserve	5,410	4,845
	<u>4,995</u>	<u>4,810</u>

Share-based payments reserve

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

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Note 11. Contingent assets

The Group has operations in Quebec, Canada, for its Trieste and Brisk projects. The projects' spending is eligible for a refundable tax credit relating to resources of 38.75%, subject to meeting the requirement upon submitting the annual tax return. The estimated amount is approximately \$1,171,000 for the outstanding income year. No amount has been recognised as at the reporting date.

Note 12. Contingent liabilities

The Group has royalty payables for its exploration projects if certain milestones are achieved. Other than the royalties, there are no other contingent liabilities or contingent assets at 30 June 2024 and 31 December 2023.

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Note 13. Events after the reporting period

The following events have occurred subsequent to the period end:

- The Company announced that due to current market conditions, the Company is mindful of ensuring that the approximately \$4.7M in cash reserve as of 30 June 2024, will be spent prudently and frugally. As such, the Company has made various cuts and reductions to its corporate expenses across the business.
- Considering the above, the Company announced that the Executive Chairman, Peretz Schapiro, will transition to the role of Non-Executive Chairman, with Chairman fees reduced to \$60,000 per annum.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 14. Earnings per share

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Loss after income tax	(1,770)	(1,813)
Non-controlling interest	-	-
Loss after income tax	<u>(1,770)</u>	<u>(1,813)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>103,699,618</u>	<u>60,556,299</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>103,699,618</u>	<u>60,556,299</u>
	Cents	Cents
Basic earnings per share	(1.71)	(2.99)
Diluted earnings per share	(1.71)	(2.99)

The share-based payments were not assumed to be exercised because they were anti-dilutive in the periods.


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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 Group's financial position as at 30 June 2024 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



Peretz Shapiro
Non-Executive Chairman

12 September 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Loyal Lithium Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Loyal Lithium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

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

- i. Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the half-year ended on that date; and
- ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for conclusion

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

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

Material uncertainty relating to going concern

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

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is true and fair and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

BDO Audit Pty Ltd



Benjamin Lee
Director

Melbourne, 12 September 2024