LI-S ENERGY LIMITED

ANNUAL REPORT 2020

2020 FINANCIAL REPORT

CONTENTS

DIRECTORS' REPORT

The directors of Li-S Energy Limited ("Li-S Energy" or the "Company") present their report together with the financial statements of the Company for the financial period from incorporation on 12 July 2019 to 30 June 2020.

DIRECTORS

The following persons were Directors in office at any time during or since the beginning of the financial year:

Glenn Molloy
Robin Levison
Anthony McDonald
Greg Pullen

INFORMATION ON DIRECTORS

Details of the current Directors' and experience are detailed below:

Glenn Molloy (Age 65)
Appointed as Executive Chairman on 12 July 2019.

Member of the PPK Group Limited Board since listing on 21 December 1994.

Chairman of the PPK Group Limited Audit Committee since 14 August 2017.

Founder of the former entity Plaspak Pty Limited in 1979, appointed Executive Director in September 2009.

Glenn Molloy founded the former entity Plaspak Pty Ltd in 1979 and has acted as a director of PPK since that time. He has extensive experience on public company boards, and in advising publicly listed and private entities on commercial aspects of mergers, acquisitions and divestment activities. He is a Non-Executive Director of PPK's associated unlisted company 3D Dental Technology Limited and is Chairman of BNNT Technology Limited.

Robin Levison CA MBA FAICD **(**Age 62)

Appointed as a Non-Executive Independent Director on 12 July 2019.

Member of the PPK Group Limited Board since 22 October 2013, alternative member of the BNNT Technology Limited Board since 28 February 2019, member of the Craig International Ballistics Pty Ltd Board since 16 December 2019 and member of the 3D Dental Technology Limited Board since 5 March 2020.
Member of the PPK Group Limited Audit Committee 14 August 2017, resigned 25 January 2018.
Executive Chairman from 22 October 2013 to 29 April 2015 and re-appointed from 28 February 2016.
Non-Executive Chairman from 29 April 2015 to 28 February 2016.
Non-executive Director and Chairman of Founders First Limited.

Robin Levison has 19 years of public company management and board experience. During this time, he has served as Managing Director at Industrea Limited and Spectrum Resources Limited and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. Robin holds a Master of Business Administration from the University of Queensland, is a Member of the Institute of Chartered Accountants Australia and NZ and is a Graduate and Fellow of Australian Institute of Company Directors. Robin recently retired as Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council.

Anthony John McDonald LL.B, (Age 62)

Appointed as a Non-Executive Independent Director on 12 July 2019.

Member of the PPK Group Limited Board since 13 September 2017.
Member of the PPK Group Limited Audit Committee since 25 January 2018.

Tony McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981 and was admitted as a solicitor in 1981. He has been involved in the natural resource sector for many years both within Australia and internationally and for the past 18 years has held senior management roles in this sector. He is a Director of Santana Minerals Limited.

Gregory Pullen PhD MBA GAICD (Age 64)
Appointed as a Non-Executive Independent Director on 26 March 2020.

Senior Manager Commercialisation and Translation, Deakin University
Greg heads the team responsible for assessing and protecting novel Intellectual Property, developing commercialisation plans and finding partners for these new technologies. He holds a PhD in Immunology from Monash University, an MBA from Deakin University, and is a Graduate of the Australian Institute of Company Directors. He is currently a Director on three other company boards – Athena Medicines Limited, FLAIM Systems Limited and BNNT Technology Limited.

Greg has worked for several universities in licensing and technology development roles, and has significant business development experience in the medical devices, pharmaceutical and biotechnology sectors. Greg has worked for major Australian companies such as CSL, where he was a member of the commercial team that licensed the Gardasil™ HPV vaccine to Merck, as well as several listed biotechnology companies and the Australian subsidiaries of international diagnostic and medical device companies.

INFORMATION ON COMPANY SECRETARY

Ken Hostland CA/CPA (Canada), MBA **(**Age 62)

Appointed Company Secretary on 12 July 2019.

Ken has experience as a company secretary for public and private companies and has been appointed Chief Financial Officer of the Company.

PRINCIPAL ACTIVITIES

Li-S Energy Limited (Li-S Energy) was incorporated on 12 July 2019 as one of the initial application projects identified in the Joint Venture Research Agreement with Deakin University and announced by PPK Group Limited on 16 October 2019. The principal activity of Li-S Energy is to develop and commercialise a new type of battery based on Lithium Sulphur (Li-S) and using boron nitride nanotubes (BNNT) as both an integrated protective insulation layer and a component in composite anodes which will allow faster charging rates, greater energy capacity and increased battery cycle life.

This project has been under research at Deakin University for some 6 years and Deakin University has a patent pending titled "Flexible Lithium-Sulfur Batteries". Li-S Energy has the exclusive global license to commercialise products using the patent for a period of twenty years. Li-S Energy has a two year Research and Development agreement with Deakin University to provide the resources and support to develop the Li-S battery using BNNT as the enabler and an agreement with PPK Aust. Pty Ltd (PPK Aust.) to source the financing for the development and commercialisation of the Li-S battery.

During the year, the main focus has been on obtaining the financing for the project and continuing the ongoing development work by Deakin University. Funding has been obtained, initially by PPK Aust. through shareholder loans to Li-S Energy and then a $3,250,000 capital raising from sophisticated investors.

The Company had no employees in the financial year and the activities undertaken were performed by the Directors or employees of the shareholder companies.

There have been no other significant changes in the nature of these activities during the year.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Company had a loss of $35,148, which was after administration and finance costs of $71,368, primarily for incorporation and legal costs and a foreign exchange gain on its investment in Zeta Energy LLC. The Company also incurred $428,080 for Deakin University's development costs on the Li-S project, which have been capitalised as an intangible, and $93,851 for equipment that has been purchased and is recoverable from Deakin University under the Research and Development agreement. Li-S Energy has also purchased equipment to be used by Deakin University exclusively for the Li-S project and this will be leased to Deakin University in lieu of charging for cost of the premises where the project is being undertaken and has been recognised as a prepaid lease cost.

On 16 June 2020, Li-S Energy acquired an economic interest in Zeta Energy LLC, a Delaware limited liability company that is in a pre-IPO period, by issuing 2.0% of Li-S Energy's share capital (pre Li-S Energy's capital raise) to Zeta Energy LLC and receiving 2.0% of the non-voting limited liability economic interest in Zeta Energy LLC (pre-IPO capital raise). Li-S Energy made a further cash investment of $500,000 in the company for a total investment of circa 2.2416% of Zeta Energy LLC. Zeta Energy LLC was valued at USD70,000,000, prior to its capital raise, thus the investment by Li-S Energy is valued at USD1,730,000.

Zeta Energy LLC is developing and commercialising battery technology developed at Rice University in Houston, Texas and has an exclusive license to seven US and foreign patents and approximately 30 pending patents. The battery being developed uses a hybrid anode created from graphene and carbon nanotubes. Zeta Energy LLC is in the prototype development stage, within the next years would have built a low volume pilot facility and within the next 2 years would expect to have commercial sales.

Li-S Energy commenced a capital raising in May 2020 of $3,250,000 to issue 5,000,000 shares to sophisticated shareholders at $0.65 per share which was completed in June 2020 and the shares were issued in July 2020. After costs to raise capital of $220,000, the net funds of $3,030,000 were used to repay the loan to PPK Aust. of $1,033,109, the loan to BNNT Technology Limited of $152,009 for the purchase of equipment and the remaining funds to finance ongoing development work and early commercialisation of the Li-S battery products.

Li-S Energy has also entered into an agreement with BNNT Technology Limited to purchase up to 100 grams of BNNT, at $1,000 per gram before the price can be negotiated, for development of the Li-S battery.

Li-S battery development has been impacted by COVID-19 with Deakin University having to restrict access to campus buildings and staff required to work from home. Directors are of the understanding that completion dates of the project will be adjusted to recognise the impact of COVID-19.

On 30 June 2020, Li-S Energy became a public company.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS

No dividends were declared or paid during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Company's main operations are at Deakin University's campus located at Geelong, Victoria. To slow the spread of COVID-19 in Victoria, the Victorian government imposed Stage 4 restrictions for metropolitan Melbourne from 2 August 2020 and Stage 3 restrictions for regional Victoria from 5 August 2020, which includes Geelong.

Deakin University has had its own restrictions with access to campus by staff, students and visitors restricted to help maintain health and safety protocols, with staff and visitor access reviewed case-by-case. As a result, limits have been placed on the number of staff and contractors permitted in the workspace at one time. We are however continuing with the installation of new equipment during this time whilst adhering to these restrictions. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the Company.

The Company issued 5,000,000 ordinary shares to sophisticated investors on 15 July 2020 for which the funds of $3,250,000 had been received prior to the financial year end, were held in trust, and are disclosed as an equity reserve on the statement of financial position.

There have been no other matter or circumstance that has arisen since the end of the financial year which is not otherwise dealt with in this report or in the Financial Statements 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 years.

FUTURE DEVELOPMENTS

The company intends to develop and commercialise Li-S battery products.

OPTIONS AND UNISSUED SHARES

There were no options issued or unissued shares during the financial year.

ENVIRONMENTAL ISSUES

BNNT is committed to:

- the effective management of environmental issues having the potential to impact on its business; and
- minimising the consumption of resources utilised by its operations.

The Company has otherwise complied with all government legislation and regulations with respect to disposal of waste and other materials and has not received any notices of breach of environmental laws and/or regulations.

REMUNERATION REPORT (audited)

The Directors are considered to the be the key management personnel and did not receive any remuneration during the year.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director is as follows:

	DIRECTORS' MEETINGS	
	Number Eligible to attend	Number Attended
G Molloy	4	4
R Levison	4	4
A McDonald	4	4
G Pullen	1	1

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

DIRECTORS' INDEMNIFICATION

The Company has not, during or since the end of financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Company against a liability incurred as such by an officer. The Company did not have any insurance premiums paid during the reporting period.

AUDITOR'S INDEMNIFICATION

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2020 and a copy of this declaration forms part of this Directors' Report.

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

GLENN MOLLOY
Executive Chairman

ROBIN LEVISON
Non-Executive Independent Director

Brisbane, 26 August 2020

Building a better
working world

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of LI-S Energy Limited

As lead auditor for the audit of the financial report of LI-S Energy Limited for the financial year ended 30 June 2020, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Brad Tozer
Partner
26 August 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the period from incorporation to 30 June 2020

	Notes	2020 $
Revenue from contracts with customers		-
Cost of sales		-
GROSS PROFIT		-
Administration expenses		(62,330)
Finance costs		(9,038)
Foreign exchange gain (loss) on financial assets at fair value through the profit or loss		36,220
LOSS BEFORE INCOME TAX EXPENSE		(35,148)
Income tax (expense) benefit attributable to profit	5	-
LOSS AFTER INCOME TAX EXPENSE		(35,148)
LOSS IS ATTRIBUTED TO:		
Owners of Li-S Energy Limited		(35,148)
OTHER COMPREHENSIVE INCOME		
Items that may be re-classified to profit or loss		-
OTHER COMPREHENSIVE INCOME (LOSS) NET OF INCOME TAX		-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(35,148)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:		
Owners of Li-S Energy Limited		(35,148)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 $
CURRENT ASSETS		
Cash and cash equivalents	9	3,036,100
Trade and other receivables	10	116,524
Other current assets	11	37,347
TOTAL CURRENT ASSETS		3,189,971
NON-CURRENT ASSETS		
Intangible assets	12	428,080
Investment	13	2,547,136
Other non-current assets	11	37,348
TOTAL NON-CURRENT ASSETS		3,012,564
TOTAL ASSETS		6,202,535
CURRENT LIABILITIES		
Trade and other payables	14	11,549
Interest bearing loans	15	1,185,118
TOTAL CURRENT LIABILITIES		1,196,667
TOTAL LIABILITIES		1,196,667
NET ASSETS		5,005,868
EQUITY		
Contributed equity	16	663,366
Share premium reserve	17	1,347,650
Equity reserve	17	3,030,000
Retained earnings (accumulated losses)		(35,148)
Capital and reserves attributable to owners of Li-S Energy Limited		5,005,868
TOTAL EQUITY		5,005,868

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

for the period from incorporation to 30 June 2020

	Notes	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments to suppliers		(251,538)
BAS received		500
Net cash provided by (used in) operating activities	4	(251,038)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of intangibles		(419,042)
Purchase of investment		(500,000)
Net cash provided by (used in) investing activities		(919,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other borrowings		1,176,080
Proceeds from capital raise at incorporation	16.1	100
Proceeds from capital raise - Australia	16.3	3,250,000
Payment of transaction costs for issued share capital - Australia	16.3	(220,000)
Net cash provided by (used in) financing activities		4,206,180
Net increase (decrease) in cash held	4.2	3,036,100
Cash at the beginning of the financial year		-
Cash at the end of the financial year	9	3,036,100

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the period from incorporation to 30 June 2020

	Notes	Contributed Equity $	Share Premium Reserve $	Equity Reserve $	Accumulated Losses $	Total Attributable to Owners of Li-S Energy Ltd $	Total Equity $
ENTITY							
As at 16 July 2019		-	-	-	-	-	-
Total comprehensive income (loss) for the year							
Profit (loss) for the year		-	-	-	(35,148)	(35,148)	(35,148)
Other comprehensive income (loss) for the year		-	-	-	-	-	-
Total comprehensive income (loss) for the year		-	-	-	(35,148)	(35,148)	(35,148)
Transactions with owners in their capacity as owners							
Issue of share capital	16.1, 17	100	-	3,030,000	-	3,030,100	3,030,100
Issue of share capital on purchase of investment	16.1, 17	663,266	1,347,650	-	-	2,010,916	2,010,916
Total transactions with owners in their capacity as owners		663,366	1,347,650	3,030,000	-	-	-
At 30 June 2020		663,366	1,347,650	3,030,000	(35,148)	5,005,868	5,005,868

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

NOTE 1 CORPORATE INFORMATION

The financial statements of Li-S Energy Limited ("Li-S Energy" or "the Company") for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 26 August 2020 as required by the Corporation Act 2001.

Li-S Energy is a for-profit public company limited by shares, incorporated and domiciled in Australia.

Li-S Energy Limited (Li-S Energy) was incorporated on 16 July 2019 as one of the initial application projects identified in the Joint Venture Research Agreement with Deakin University and announced by PPK Group Limited on 16 October 2019. The principal activity of Li-S Energy is to develop and commercialise a new type of battery based on Lithium Sulphur (Li-S) and using boron nitride nanotubes (BNNT) as both an integrated protective insulation layer and a component in composite anodes which will allow faster charging rates and increased battery cycle life.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Statement of Compliance

These general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for plant and equipment and intangible assets which are measured at the lower of carrying amounts and fair value, less costs to sell, and impairment is recognised when the fair value of the asset is less than the historical cost.

2.2 New and revised standards that are effective for these financial statements

The Company applied AASB 16 *Leases* for the first time. Several other amendments and interpretations apply for the first time for the year ending 30 June 2020, but do not have an impact on the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 16 Leases

AASB 16 *Leases* supersedes AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease* sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet method.

The Company adopted AASB 16 with the date of initial application of 16 July 2019, the date the Company was incorporated.

The Company has no leases.

AASB Interpretation 23 Uncertainty Over Income Tax Treatments

AASB Interpretation 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Company considers the Interpretation did not have an impact on the financial statements..

AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies AASB 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in AASB 9 applies to such long-term interests.

The amendments also clarified that, in applying AASB 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying AASB 28 *Investments in Associates and Joint Ventures.*

These amendments had no impact on the financial statements as the Company does not have any long-term interests in associates and joint ventures.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to AASB 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in that joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2019.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control was obtained in stages.

Amendments to AASB 11 Joint Arrangements

A party that participates in, but does not have joint control might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in AASB 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 July 2019.

These amendments had no impact on the financial statements of the Company as there is no transaction where the Company participated in a joint operation where subsequently joint control was obtained.

Amendments to AASB 112 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 July 2019. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, the had no impact on the financial statements of the Company.

Amendments to AASB 123 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 July 2019.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

2.3 New and revised standards that are issued but not effective for these financial statements

AASB 2014–10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates or Joint Ventures*.

The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on loss of control or significant influence is retained in a transaction involving and associate or joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

The mandatory effective date of AASB 2014–10 has been deferred to 1 January 2022 by AASB 2017–5. When these amendments are first adopted, the amendment is not expected to have a material impact on the financial statements of the Company.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-6 amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

When these amendments are first adopted for the year ending 30 June 2021, the amendment is not expected to have a material impact on the financial statements of the Company.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 2018-7 principally amends AASB 101 and AASB 108. The amendments refine the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

When these amendments are first adopted for the year ending 30 June 2021, the amendment is not expected to have a material impact on the financial statements of the Company.

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised Conceptual Framework for Financial Reporting (Conceptual Framework).

The application of Conceptual Framework is limited to for profit entities that have public accountability.

When these amendments are first adopted for the year ending 30 June 2021, the amendment is not expected to have a material impact on the financial statements of the Company.

2.4 Foreign currency translation

Functional and presentation currency

The financial statements are presented in Australian Dollars ($AUD), which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions during the period are converted to Australian currency at rates of exchange applicable at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses, whether realised or unrealised, resulting from the settlement of such transactions, amounts receivable and payable in foreign currency at the reporting date, and from the re-measurement of monetary items at year end exchange rates are recognised in profit and loss.

Non-monetary items are not retranslated at year end and are measured at historical cost (translated using the exchange rate at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

2.5 Revenue and revenue recognition

Revenue will arise mainly from the sale of Li-S battery products.

To determine whether to recognise revenue, the Company will follow a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligation;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligations are satisfied.

Revenue is recognised, based on the transaction price allocated to the performance obligation, after consideration of the terms of the contract and customary business practices. The transaction price is the amount of the consideration that the Company expects to be entitled to receive in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties (ie sales taxes and duties). The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue will arise mainly from the sale of Li-S battery products and will be recognised at a point in time when they leave the manufacturing plant and control has passed to the buyer. Revenue is measured at the fair value of consideration received or receivable, net of returns, trade allowances and duties and taxes paid.

2.6 Operating expenses

Operating expenses are recognised in the profit or loss upon utilisation of the services or at the date of their origin.

2.7 Finance costs

All borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is necessary to complete and prepare the asset for its intended use or sale. Other finance and borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

2.8 Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand, and at call deposits with banks or financial institutions, net of bank overdrafts as they are considered an integral part of the Company's cash management.

2.9 Trade receivables and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix which is based on the historical credit loss experience for the customer segments. At every reporting date, the historical credit loss experience is reviewed and updated, if appropriate, and changes in the forward-looking estimates are analysed. For this financial year, the Company did not have any expected lifetime credit losses.

All financial assets, except for those at fair value through profit or loss (FVPL), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

2.10 Intangible assets

Research and Development

Research is recognised as an expense as incurred. Costs incurred on development (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets at cost less any accumulated amortisation and impairment losses and amortised over the period of expected future sales from the related projects. The carrying value of development costs is reviewed annually when the asset is not yet ready for use, or when events or circumstances indicate that the carrying value may be impaired.

2.11 Financial instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company's investment in Zeta Energy LLC is at fair value through profit and loss.

i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Financial assets are classified according to the characteristics of their contractual cash flow and the Company's business model for managing them. Except for those trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do contain a significant financing component for which the Company has applied the practical expedient are measured at the transaction price as disclosed in Note 2.9.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit and loss ("FVTPL)", irrespective of the busines model.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date (ie the date that the Company commits to purchase or sell the asset).

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through the OCI with no recycling of cumulative gains or losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised.

The Company's financial assets at amortised cost includes trade receivables.

Financial assets fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, impairment losses or reversals are recognised in the statement of profit and loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company has no debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value though OCI when they meet the definition of equity under AASB 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company has no equity instruments at fair value through OCI.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit and loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group similar financial assets) is primarily derecognised (ie removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Financial liabilities

Initial measurement and recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables,, or as derivatives as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable financial statements.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated up initial recognition as FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Trade and other payables

These amounts represent unpaid liabilities for goods received and services provided to the Company prior to the end of the financial year. The amounts are unsecured and are normally settled within 30 days. Trade and other payables are presented as current liabilities.

2.13 Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are only recognised for deductible temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or liability if they arose in a transaction other than a business combination that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if there is reasonable certainty that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

2.14 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.14.1 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (ie the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfer to the Company at the end of the lease term or the costs reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

There were no leases where the Company was the lessee.

2.14.2 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual lease guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (ie changes to future payments resulting from a change in an index or rate to be used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14.3 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term. There were no short-term or low-value leases during the financial year.

There were no short-term or leases of low-value assets.

2.14.4 Company as lessor

There were no leases where the Company was the lessor.

2.15 Equity

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefit.

2.16 Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote in which case no liability is recognised.

2.17 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements 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.

Impairment of intangibles – development costs

The Company capitalises costs for product development projects. Initial capitalisation of costs is based on Management's judgement, after making inquiries from engineers, scientists and other qualified professionals that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, Management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and expected period of benefits.

This includes significant investment in the development of new manufacturing processes to produce 99% pure BNNT in commercial quantities in batch production and ultimately in continuous production. Further investment is incurred in BNNT application projects to undertake the research and development of new and existing technologies and products where BNNT can be used to create and/or improve these technologies and products.

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the intangible asset which might have an impact on the estimated future cash flows from the investment that can be reliably estimated. Based on the information available to Management, there was no impairment charge of the intangibles at the reporting date.

Deferred Tax Asset

Deferred tax asset is only recognised to the extent that there is reasonable certainty of realising future taxable amounts sufficient to recover the carrying value. Due to carry forward tax losses and an expectation that the current challenging industry conditions would continue in the short term, the Directors assessed that deferred tax assets would only be recognised to the extent of, and offset against, available deferred tax liabilities.

No deferred tax assets were recognised during the year (Note 5).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Goods and Services Tax (GST)

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2.19 Going Concern

The Directors consider the Company's going concern and based on:

- previous project plans and budgets provided to complete the project;
- there was $1,846,296 of cash in the bank, net of loan repayments that occurred in July 2020 ;
- continued interest from potential investors in the Li-S Energy projects as evidenced by the capital raising in June 2020; and
- the likelihood of ongoing support from PPK Group Limited.

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

NOTE 3 SEGMENT INFORMATION

The Company applies AASB 8 Operating Segments whereby segment information is presented using a "management approach" i.e. 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 on the basis of reports reviewed by the Directors. The Directors are considered to be the chief operating decision makers of the Company. The only reportable segments for 30 June 2020 is the development and commercialisation of the Li-S battery.

NOTE 4 CASH FLOW INFORMATION

		2020
	Notes	**$**
4.1 Reconciliation of cash flows from operating activities		
Profit (loss) after income tax attributed to owners of Li-S Energy Limited		(35,148)
Cash flows in operating activities but not attributable to operating result:		
Non-cash flows in operating profit:		
Foreign exchange gains (losses)		(36,220)
Net changes in working capital:		
(Increase) decrease in trade and other receivables		(116,523)
(Increase) decrease in prepayments		(74,695)
Increase (decrease) in trade and other payables		11,548
Net cash (used in) provided by operating activities		(251,038)
4.2 Reconciliation of Cash		
For the purposes of the cash flow statement, cash includes:		
Cash at bank and on hand		600
Cash held in trust		3,035,500
	9	3,036,100
4.3 Non-cash financing and investing activities		
During the period, the Company had no non-cash adjustments		-
		-

NOTE 5 INCOME TAX EXPENSE

	Notes	2020 $
(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		(35,148)
Prima facie tax payable (benefit) at 27.5%		(9,666)
(Non-assessable income) non-deductible expenses		
Current year losses for which no deferred tax asset was recognised		9,666
Current year temporary differences for which no deferred tax asset or liability was recognised		-
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)		-
(c) Deferred tax recognised on other comprehensive income through Available-for-sale Financial Asset reserve relating to valuing investments at fair value		-
(d) Not recognised in the Statement of Financial Position		
Unrecognised deferred tax assets / deferred tax liabilities		
Tax losses		9,666
Temporary differences		-
Total		9,666

NOTE 6 AUDITOR'S REMUNERATION

	Notes	2020 $
Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report		8,000
- non-audit services (accounting / technical advice)		-
		8,000

NOTE 7 KEY MANAGEMENT PERSONNEL REMUNERATION

The Directors are considered to the be the key management personnel and did not receive any remuneration during the year.

NOTE 8 DIVIDENDS

	Notes	2020 $
(a) Dividends paid		
2020 No interim dividend was declared or paid		-
(b) Dividends declared after balance date		
The directors have not declared a final ordinary fully dividend for the 2020 financial year		-
(c) Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 27.5%		-

NOTE 8 DIVIDENDS (continued)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

The amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

NOTE 9 CASH AND CASH EQUIVALENTS - CURRENT

		2020
	Notes	**$**
Current		
Cash at bank and on hand		600
Cash held in trust		3,035,500
		3,036,100

NOTE 10 OTHER RECEIVABLES – CURRENT

		2020
	Notes	**$**
Current		
Other receivables		22,673
Receivable from Deakin University		93,851
		116,524

The Company purchased equipment which, under the Research and Development agreement, are costs to be incurred by Deakin University.

NOTE 11 PREPAYMENTS

		2020
	Notes	**$**
CURRENT		
Lease		37,347
		37,347
NON-CURRENT		
Lease		37,348
		37,348

The Company purchased equipment to be used by Deakin University, exclusively for the Li-S project, and in return Deakin University will provide the premises at no cost.

NOTE 12 INTANGIBLE ASSETS - NON-CURRENT

	Notes	2020 $
Development Costs		428,080
Less: Accumulated amortisation and impairment		-
Total intangibles		428,080

Reconciliations

2020	Total
Carrying amount at start of year	-
Additions	428,080
Disposals	-
Transfers	-
Impairment	-
Depreciation & amortisation expense	-
Carrying amount at end of year	428,080

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

NOTE 13 INVESTMENT

	Notes	2020 $
Investment in Zeta Energy LLC		2,547,136

On 16 June 2020, Li-S Energy acquired an economic interest in Zeta Energy LLC by issuing 2.0% of Li-S Energy's share capital (pre capital raise) to Zeta Energy LLC and receiving 2.0% of the non-voting limited liability economic interest in Zeta Energy LLC (with a pre capital raise value of USD70,000,000) translated at $0.6962 for a value of AUD2,010,916. The shares issued to Zeta Energy LLC were valued at $0.65 per share being the same price that the new shares were issued to sophisticated investors (see Note 16.3). Li-S Energy made a further cash investment of $500,000 in Zeta Energy LLC.

Li-S Energy has a contingent liability in that if it doesn't complete its initial public offering by 31 December 2021 then 50% of the share swap will be cancelled retroactive to 16 June 2020.

NOTE 14 TRADE AND OTHER PAYABLES

	Notes	2020 $
Trade payables - unsecured		11,549

NOTE 15 INTEREST BEARING LOANS

	Notes	2020 $
PPK Aust. Pty Ltd		1,033,109
BNNT Technology Limited		152,009
		1,185,118

The shareholders have provided financing, as per the Shareholders Agreement, in the form of short term loans to fund the development costs incurred by Deakin University and the purchase of equipment for the Li-S battery project. The loans are interest bearing at 4.5% per annum, unsecured and were repaid on 20 July 2020 from funds received in the capital raising.

NOTE 16 SHARE CAPITAL

	2020
	$
16.1 Issued capital	
51,020,409 ordinary shares fully paid	
Movements in ordinary share capital	
Balance at date of incorporation	100
Share split on a 500,000 for 1 basis - restated	100
New shares issued, net of transaction costs	663,266
	663,366

On 20 February 2020, the Directors resolved to split the shares on a 500,000 for 1 basis with total paid up capital remaining at $100.

The shares have no par value. Ordinary shares participate in dividends and the proceeds of winding up in proportion to the number of shares held. Each ordinary share is entitled to one vote at shareholder meetings.

16.2 Share movements

Movements in number of ordinary shares	
Balance at date of incorporation	100
Share split on a 500,000 for 1 basis - restated	50,000,000
New shares issued, net of transaction costs	1,020,409
	51,020,409

16.3 New shares issued subsequent to the end of the reporting period

	$
Issued for cash to fund the development of the Li-S @$0.65 per share	3,250,000
Less transaction costs for issued share capital	(220,000)
	3,030,000

NOTE 17 RESERVES

	$
Share premium reserve	1,347,650
Equity reserve	3,030,000
	4,377,650

Movement in reserves

Share premium reserve	$
Balance at date of incorporation	-
Value of investment in Zeta Energy LLC in excess of shares issued to Zeta Energy LLC	1,347,650
Closing balance	1,347,650

Equity reserve	$
Balance at date of incorporation	-
Capital from new shares issued subsequent to end of reporting period	3,030,000
Closing balance	3,030,000

17.1 Share premium reserve

The share premium reserve is to recognise the difference between the value of the investment in Zeta Energy LLC (see Note 13) of $2,010,916 and the 1,020,409 shares issued to Zeta Energy LLC (see Note 16.3) at $0.65 per share.

17.2 Equity reserve

The equity reserve is to recognise the cash received of $3,250,000 prior to 30 June 2020 for the 5,000,000 shares at $0.65 per share, net of transaction costs of $220,000, that were issued subsequent to the end of the reporting period.

NOTE 17 RESERVES (continued)

Capital Risk Management

The Company considers its capital to comprise its ordinary share capital, reserves and retained earnings.
In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth and distributions. In order to achieve this objective, the Company seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or incurring debt, the Company considers not only its short-term position but also its long-term operational and strategic objectives.

NOTE 18 FINANCIAL RISK MANAGEMENT

Financial risk Management

The Directors have overall responsibility for the establishment and oversight of the financial risk management framework. The Company's activities expose it to a range of financial risks including market risk, credit risk and liquidity risk. The Company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material.

18.1 Market risk

Market risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, equity price risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a security will fluctuate due to changes in interest rates. Exposure to interest risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties and other persons. The Company was not exposed to interest rate risk during the year.

The company's exposure to its floating interest rate financial assets and liabilities follows:

		2020
	Notes	**$**
Sensitivity disclosure analysis		
Financial Assets		
Cash and cash equivalents		3,036,100
		3,036,100

The Company has performed sensitivity analysis relating to its interest rate risk based on the Company's year end exposure. This sensitivity demonstrates the effect on after tax results and equity which could result from a movement in interest rates of +/- 1%.

Change in after tax profit	
- increase in interest rate by 1%	30,361
- decrease in interest rate by 1%	(30,361)

A Sensitivity analysis was not performed on the interest bearing loans as these were repaid on 20 July 2020.

(ii) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial item will fluctuate as a result of movements in foreign exchange rates. The Company's exposure to foreign exchange relates to its investment in Zeta Energy LLC, a company domiciled in USA. The Company manages the foreign exchange risk by monitoring the potential benefits of the strategic and economic benefits of this investment and, the ability to divest the investment should the need arise.

18.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. At balance date, the Company does not have material exposure to liquidity risk.

NOTE 18 FINANCIAL RISK MANAGEMENT (continued)

18.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's objective to mitigate liquidity risk is by monitoring forecast cash flows and ensuring that adequate facilities or financing options are maintained. At balance date, the Company does not have material exposure to liquidity risk.

NOTE 19 RELATED PARTY TRANSACTIONS

See note 15 for related party loans and notes 10,11 and 12 for related party transactions that occurred during the reporting period.

Li-S Energy has the following related party agreements in place:

Deakin University

- Research and Development Agreement to conduct the services for the Li-S battery project for a period of 2 years
- Technology License Agreement provides exclusive global rights to commercialise Li-S battery products using the Patent Pending titled "Flexible Lithium Sulfur Batteries" for a period of 20 years and Deakin University receives a royalty of 1.5% of the gross sales

PPK Aust. Pty Ltd

- Shareholders Agreement in which PPK Aust. Pty Ltd must manage the funding of Li-S Energy and commercialise the Li-S battery products
- Loan Agreement to a maximum amount of $772,756 to fund the Li-S battery project, interest bearing at 4.5% and maturing in 36 months from the date the loan is advanced or such other date the parties agree in writing.
- Loan Agreement to a maximum amount of $500,000 to fund the acquisition of shares in Zeta Energy LLC, interest bearing at 4.5% and maturing within 5 days of receiving the funds from the capital raising or such other date the parties agree in writing.

BNNT Technology Limited

- Shareholders Agreement in which BNNT Technology Limited must provide its technical skills and know how
- Supply Agreement in which BNNT Technology Limited has agreed to supply 100 grams of BNNT per annum at $1,000 per gram for a 2 year period
- Loan Agreement to a maximum amount of $500,000 to fund the Li-S battery project, interest bearing at 4.5% and maturing in 36 months from the date the loan is advanced or such other date the parties agree in writing.

NOTE 20 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The Company's main operations are at Deakin University's campus located at Geelong, Victoria. To slow the spread of COVID-19 in Victoria, the Victorian government imposed Stage 4 restrictions for metropolitan Melbourne from 2 August 2020 and Stage 3 restrictions for regional Victoria from 5 August 2020, which includes Geelong.

Deakin University has had its own restrictions with access to campus by staff, students and visitors restricted to help maintain health and safety protocols, with staff and visitor access reviewed case-by-case. As a result, limits have been placed on the number of staff and contractors permitted in the workspace at one time. We are however continuing with the installation of new equipment during this time whilst adhering to these restrictions. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the Company.

Other than the issuance of shares as per note 16.3, there have been no other matter or circumstance that has arisen since the end of the financial year which is not otherwise dealt with in this report or in the Financial Statements 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 years.

LI-S ENERGY LIMITED
ACN 634 839 857
C/O PPK GROUP LIMITED
LEVEL 27, 10 EAGLE STREET
BRISBANE QLD 4000

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2020

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

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

   (i) Giving a true and fair view of is financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

   (ii) Complying with Australia Accounting Standards (including the Australian Accounting Interpretations) 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.

2. Note 2 confirms that the financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

GLENN MOLLOY	**ROBIN LEVISON**
Executive Chairman	**Executive Director**

Dated this 26th day of August 2020

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent Auditor's Report to the Members of LI-S Energy Limited

Opinion

We have audited the financial report of LI-S Energy Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

► Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

► Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Building a better
working world

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Brad Tozer
Partner
Brisbane
26 August 2020