LI-S ENERGY LIMITED

ANNUAL REPORT 30 JUNE 2021

Li-S Energy

Contents

CHAIRMAN'S REPORT

Dear Shareholders,

I am excited in having the opportunity to present my first Li-S Energy's Chairman's Report. The main focus for the 2021 financial year has been transitioning Li-S Energy from its early stage lithium-sulphur battery research to its Initial Public Offer as an ASX listed company in September 2021. To achieve this result, I must recognise the support of my Board members Robin Levison, Tony McDonald and Hedy Cray plus retired Board members Glenn Molloy and Greg Pullen. The appointment of Dr Lee Finniear as the Chief Executive Officer, along with the ongoing support of Glenn Molloy as our Chief Strategic Adviser, has been vital in developing the strategy and operating plans underpinning Li-S Energy going forward.

BUSINESS OVERVIEW

Li-S Energy, in conjunction with Deakin University (**Deakin**) has developed novel battery technology using boron nitride nanotubes (**BNNTs**) as a nano-insulator in lithium-sulphur batteries.

Lithium-sulphur batteries (also known as Li-S batteries) have the potential to provide a much greater energy storage capacity than current lithium-ion batteries. However, to date their main drawback has been that they tend to fail after relatively few charging cycles, and this has inhibited their mass adoption. By using BNNTs and other novel components in its new lithium-sulphur battery technology, Li-S Energy has substantially increased cycle life. Test batteries have now demonstrated sustained performance over 600 charge/recharge cycles whilst retaining a specific energy capacity almost three times that of a typical commercial lithium-ion battery. These testing results have been validated in an independent research report.

SHAREHOLDER SUPPORT

To achieve the results to date, Li-S Energy has relied upon the continued support of its major shareholders, PPK Group Limited, Deakin University and BNNT Technology Limited. However, the Company has welcomed new shareholders with a $3,250,000 capital raise in July 2020 and a further $20,000,000 capital raise in April 2021 to Sophisticated and Institutional investors. The investors in these two capital raises will benefit from the ATO's Early Stage Innovation Company tax incentives and it is pleasing to note that Li-S Energy complies with these strict guidelines.

In December 2020, PPK Group Limited issued a special dividend being a distribution of in-specie shares in Li-S Energy owned by PPK. This resulted in PPK's shareholders becoming shareholders in Li-S Energy and an enormous opportunity for these shareholders to benefit from the future success of Li-S Energy directly through the shares that they own. The Board has provided further opportunity for existing Li-S Energy's shareholders to participate in the Initial Public Offer with up to 8,000,000 shares to be allocated to these shareholders.

We thank current and new shareholders for their support of Li-S Energy.

IPO PROGRESS

At this point we are in the final stages of completing the IPO of Li-S Energy and expect to be trading on the ASX in September 2021. This has been a huge effort by many people and we are looking to raise approximately $34,000,000 to invest in the growth of the Li-S Energy business into an Australian technology powerhouse.

We are very excited that the IPO is significant over-subscribed with support from institutional investors, small investors and the existing Li-S Energy shareholders. However, with so much support, there are also challenges, and we are disappointed in the necessity to scale back allocations to so many prospective shareholders.

OPERATING RESULTS

Li-S Energy had an operating loss before income tax of $2,283,399 (2020: $35,148 loss) for the year ended 30 June 2021, which consisted of the following:

- $1,193,104 of expenses were directly related to the IPO;
- $200,000 were management fees to PPK for ongoing services and support;
- $198,100 were the consulting costs for the Chief Executive Officer, including a $100,000 sign-on bonus;
- $127,058 was the accounting costs of the Service Rights granted to the directors and Chief Executive Officer; and
- $289,638 was the loss on the fair value movement of the investment in Zeta Energy LLC of which $222,481 of this loss was the exchange loss of currency movements in the AUD/USD.

The cash cost of $1,844,778 was primarily related to the work and effort undertaken to position Li-S Energy for a successful Initial Public Offering.

OUTLOOK

Worldwide demand for more powerful and efficient batteries is increasing exponentially with the development of electric vehicles (EVs), drones and grid storage solutions, plus portable devices such as mobile phones, personal computers, medical devices, and an extensive range of tools for consumer and industrial markets.

Affordable, high-performance lithium-sulphur batteries have the potential to fundamentally drive adoption in these markets, creating EVs that drive further, drones that fly longer and mobile devices that last for days instead of hours. Li-S Energy has an enviable opportunity to contribute to the development and production of lithium-sulphur batteries to supply a multitude of industries and uses.

The Li-S Energy research and development program is designed to provide a path to deliver Li-S Energy Batteries, materials and intellectual property to market. It has the following four primary goals:

1. Further optimise Li-S Energy technology

   The Company has successfully proven the breakthrough that BNNT and Li-Nanomesh can improve the cycle life of a lithium-sulphur battery. The Company believes continued optimisation of materials and construction will likely result in even greater increases in cell performance. Additional testing, including fast charging, higher capacity electrodes and other more aggressive use scenarios is likely to expand commercial use-cases, increase the total addressable market and so increase the value of Li-S Energy intellectual property.

2. Produce Li-S Energy Batteries in pouch, cylinder and flexible battery formats

   To maximise total addressable market and improve speed of adoption, Li-S Energy Batteries need to be manufactured in all common battery formats, including pouch, cylinder and coin cells. In addition, enabling bespoke and flexible form batteries would create a new class of battery to enable applications in flexible devices such as foldable phones and wearable devices such as headphones or smart watches.

3. Build pilot production line, manufacture batteries and prove their benefits in commercial products with commercial partners

   The clearest demonstration of Li-S Energy Battery benefits is to show its performance in real products in direct comparison to current lithium-ion batteries. The Company intends to collaborate with product original equipment manufacturers (OEMs) in key markets, retrofit their products with Li-S Energy Batteries, and have the OEM complete a comparative field test. If these tests show, for example, an EV with twice the range, or a drone with twice the flight time, it would be a clear demonstration of the Li-S Energy breakthrough to the public, the product OEMs and to battery manufacturers. The Company intends to use these early stage results to advance commercial discussions with product OEMs and battery manufacturers.

4. Develop intellectual property on how lithium-ion battery manufacturing plants can be adapted to produce Li-S Energy Batteries

   Creating rapid mass adoption would require one or more battery manufacturers to invest in the capability to produce Li-S Energy Batteries. The Company intends to build and operate a pilot scale battery production facility to demonstrate the manufacturability of Li-S Energy Batteries, and help battery manufacturers quantify how to adapt existing lithium-ion battery lines to produce Li-S Energy Batteries with the least amount of downtime and capital cost.

During these development stages the Company will seek to collaborate with battery manufacturers as well as various industries involved in the manufacture and supply of battery powered products.

To advance its strategy, Li-S Energy intends to scale up its development and production team, install a pilot battery production plant and, in collaboration with product manufacturers, retrofit Li-S Energy batteries into a range of products to demonstrate clearly the performance advantages. The Company's business model includes a plan to generate revenue by licensing intellectual property to battery manufacturers, collecting intellectual property royalties, and distributing pure BNNTs and other novel components to facilitate ongoing Li-S battery production.

Li-S Energy is building a strong management team and, with the ongoing support from Deakin's talented scientists and engineers, is well positioned to deliver on its objectives.

Yours sincerely,

BEN SPINCER
Chairman

DIRECTORS' REPORT

For the year ended 30 June 2021

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 year ended 30 June 2021.

DIRECTORS

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

Ben Spincer	Appointed 18 March 2021, appointed Chairman 19 March 2021
Glenn Molloy	Resigned as Executive Chairman on 19 March 2021, resigned as a Director on 11 June 2021
Robin Levison	
Anthony McDonald	
Hedy Cray	Appointed 21 April 2021
Greg Pullen	Resigned 18 March 2021

INFORMATION ON DIRECTORS

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

Dr Ben Spincer MA, PhD, GAICD. (Age 49)
Non-Executive Director and Chairman

Appointed as a Non-Executive Independent Director on 18 March 2021.

Ben is currently the Executive Director of Deakin Research Innovations, responsible for Deakin's commercial research partnerships, as well as the commercialisation and translation of the University's research and oversight of the ManuFutures advanced manufacturing scale-up facility. He was a member of the Victorian Government Innovation Taskforce in 2020 and represents Deakin on a number of research centre and institutes Boards.

Prior to joining Deakin in 2015, Ben was Director of Technology Strategy and Innovation at Telstra, working with the Chief Technology Officer to oversee the long-term technology strategy of the company and to instil a culture of innovation in the company. From 2007 to 2013, Ben was the Director of Investor Relations for Telstra, managing relationships between the company and its shareholders after its full privatisation.

Previously, Ben was Vice President and financial analyst at Credit Suisse in London covering the European telecom industry.

Mr Robin Levison CA, MBA, FAICD. (Age 63)
Non-Executive Director

Appointed as a Non-Executive Director on 12 July 2019 and a member of the Audit Committee.

Other listed public company directorships held in the last 3 years:

- *Director of PPK Group Limited and Executive Chairman from 22 October 2013 to 29 April 2015, Non-Executive Chairman from 29 April 2015 to 28 February 2016, and re-appointed Executive Chairman from 28 February 2016. Member of the PPK Group Limited Audit Committee 14 August 2017 to 25 January 2018.*
- *Non-Executive Director and Chairman of Mighty Craft Limited (formerly Founders First Limited) since 17 December 2019.*

Robin has 20 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. He is a Non-Executive Director of a number of PPK Group Limited's related companies including White Graphene Limited, BNNT Technology Limited (BNNTTL), BNNT Precious Metals Limited, 3D Dental Technology Pty Ltd, Ballistic Glass Pty Ltd, Craig International Ballistics Pty Ltd, Strategic Alloys Pty Ltd and AMAG Holdings Australia Pty Ltd.

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.

Mr Anthony McDonald LL.B. (Age 63)
Non-Executive Director

Appointed as a Non-Executive Director on 12 July 2019 and a member of the Audit Committee.

Other listed public company directorships held in the last 3 years:
- *Non-Executive Independent director of PPK Group Limited since 13 September 2017 and a member of the PPK Group Limited Audit Committee since 25 January 2018.*
- *Executive Director of Santana Minerals Limited from 15 January 2013 to December 2019 and Non-Executive Director (non-continuously) since December 2019.*
- *Non-Executive Independent Director of Plant Gas Limited since 19 November 2003 to 20 June 2019.*

Tony 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 19 years has held senior management roles in this sector. He is a Non-Executive Director of a number of PPK Group Limited's related companies including White Graphene Limited and Strategic Alloys Pty Ltd.

Ms Hedy Cray LL.B. (Hons), LL.M. (age 48)
Non-Executive Director

Appointed as a Non-Executive Director on 21 April 2021 and a member of the Audit Committee

Hedy graduated with a Bachelor of Laws with Honours in 1996 and a Master of Laws in 1999 from Queensland University of Technology. She has been a law firm partner since 2001 and a partner with Clayton Utz since 2005 and is the Senior Partner of the Workplace Relations Employment and Safety Group for the firm.

She has extensive experience in commercial and corporate strategy, risk management, corporate governance, acquisitions and company restructuring as well as employment, human capital and safety and has worked with multinationals across energy, renewable resources, manufacturing, transport and logistics and the government sector.

INFORMATION ON COMPANY SECRETARIES

Mr Ken Hostland CA/CPA (Canada), MBA, BCom (Age 63)
Chief Financial Officer and Joint Company Secretary

Appointed as Company Secretary on 12 July 2019. Mr Hostland is acting as Chief Financial Officer for Li-S Energy in accordance with an agreement between Li-S Energy and PPK Aust, a subsidiary of PPK Group Limited.

Ken is the Chief Financial Officer of PPK Group Limited and its related mining service companies and the Chief Financial Officer and Company Secretary for BNNTTL, White Graphene Limited, BNNT Precious Metals Limited, Strategic Alloys Pty Ltd, 3 D Dental Technology Pty Ltd and Ballistic Glass Pty Ltd.

Ken has more than 30 years' experience in Australia as a senior finance executive with public and private companies.

Mr Andrew Cooke LL.B. (age 60)
Joint Company Secretary

Appointed as Company Secretary on 8 July 2021. Mr Cooke's services as Joint Company Secretary are provided under a consultancy agreement with Mr Cooke's consultancy company.

Andrew has extensive experience in law, corporate finance and as a Director/Company Secretary of a number of ASX listed companies. Andrew was the Company Secretary for PPK Group Limited for nine years and is responsible for corporate administration together with stock exchange and regulatory compliance.

Pat Rogers (Age 50) BLaws, BBus Accy, FGIA

Appointed as Company Secretary on 4 May 2021, resigned on 26 July 2021.

PRINCIPAL ACTIVITIES

Li-S Energy is the result of a joint venture between Li-S Energy's founding Shareholders, PPK Group Limited (through its nominee subsidiary, PPK Aust. Pty Ltd (**PPK Aust**)), BNNT Technology Limited (**BNNTTL**) and Deakin. Li-S Energy was incorporated on 12 July 2019 with the objective of utilising BNNTTL and Deakin's existing technology and research to develop a battery technology based on more advanced lithium-sulphur chemistry, where BNNTs and other nanomaterials are incorporated into battery components to:

- Improve battery energy capacity when compares to current lithium-ion batteries; and
- Improve cycle life when compared to conventional lithium-sulphur batteries.

REVIEW OF OPERATIONS

Li-S Energy's research and development has shown that integrating BNNTs into lithium-sulphur battery components and architecture is an effective method of stabilising the battery components during charge and discharge, creating a lithium-sulphur battery cell with a cycle life approaching that of everyday consumer grade lithium-ion batteries. This offers the potential for a lithium-sulphur battery to finally be commercialised and mass produced.

For decades, scientists have known that using lithium and sulphur electrodes in a battery presented one of the best opportunities to create a high-performance battery. At 2,567Wh/kg, the theoretical energy density of a lithium-sulphur battery is in the order of five times that of a standard lithium-ion battery while they are also lighter, safer, faster charging, and using more environmentally friendly raw materials.

However, lithium-sulphur batteries have yet to be mass produced as they tended to fail after a low number of recharge cycles, making them of little use for most commercial applications. Li-S Energy's research and development has shown that integrating BNNTs into lithium-sulphur battery components and architecture is an effective method of stabilising the battery components during charge and discharge, creating a lithium-sulphur battery cell with a cycle life approaching that of everyday consumer grade lithium-ion batteries. This offers the potential for a lithium-sulphur battery to finally be commercialised and mass produced. Current test results have proven that the Li-S Energy battery cell with BNNTs performs substantially better in terms of cycling stability and energy density compared to an identical cell without BNNTs.

Development of the Li-S battery has continued at the ManuFutures building in Waurn Ponds, Victoria during this period, despite the impact of COVID-19. Li-S Energy has leased two production bays in ManuFutures for the expansion of its business plans and continues to have a lease over its laboratory until such time that is relocated to one of the two production bays.

FINANCIAL RESULTS

For the financial year ended 30 June 2021 Li-S Energy incurred a loss of $1,684,391 (2020: $35,148 loss).

Li-S Energy is in the early development stage and as such, certain costs are able to be capitalised as intangible assets where appropriate and those not directly attributable to the intangible asset (i.e. legal set up costs, audit fee accruals, etc.) are being expensed, hence it is not unusual to report losses initially.

The Company holds an investment in Zeta Energy LLC as at 30 June 2021. The investment is measured at fair value through profit or loss with $289,638 recorded as a loss on the fair value movement of the investment, of which $222,481 of this loss was the exchange loss of currency movements in the AUD/USD. The balance represented a movement in Zeta Energy LLC's rolling valuation.

REVIEW OF FINANCIAL CONDITION

Throughout the year Li-S Energy has increased the strength of its balance sheet through:

- The issue of 4,999,614 shares to Sophisticated Investors at $0.65 per share on 15 July 2020 to complete a $3,250,000 capital raise; and

- a share split on a 10 for 1 basis on 22 October 2020, restating total shares on issue of 560,200,230, thus valuing the shares issued to Sophisticated Investors on 15 July 2020 at $0.065 per share. On 9 April 2021 the company completed a $20,000,000 capital raise from Sophisticated Investors and issued 40,000,000 ordinary shares at $0.50 per share.

At 30 June 2021, the Company had $18,606,698 of cash in the bank, no debt, no interest bearing loans and trade and other payables of $443,397. The Company also had non-current assets of $3,370,698 (excluding deferred tax assets) of which $2,258,062 is its investment in Zeta Energy LLC, $991,863 of intangibles for the research and development work undertaken to 30 June 2021 and $120,773 of fixed assets.

Subsequent to the year end, Li-S Energy lodged an application with ASIC to list on the ASX, issue 40,000,000 ordinary shares and raise $34,000,000. After the costs of the offer, project expenditure and corporate overheads, the Company is estimating to have $16,466,058 in surplus working capital over a forward two year period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Li-S Energy issued 4,999,614 shares to Sophisticated Investors at $0.65 per share on 15 July 2020 to complete a $3.250M capital raise. Li-S Energy completed a share split on a 10 for 1 basis on 22 October 2020, restating total shares on issue of 560,200,230, thus valuing the shares issued to Sophisticated Investors on 15 July 2020 at $0.065 per share.

Li-S Energy has announced its intent to proceed to an Initial Public Offering before 31 December 2021 and preparations for this have commenced. On 9 April 2021 the company completed a $20,000,000 capital raise from Sophisticated Investors and issued 40,000,000 ordinary shares at $0.50 per share.

On 14 February 2021, Dr Lee Finniear was appointed the Chief Executive Officer of Li-S Energy.

On 18 March 2021, Ben Spincer was appointed a Director and on 19 March 2021 was appointed Chairman. Greg Pullen resigned as Director on 18 March 2021.

DIVIDENDS

There were no dividends declared or paid during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Operational Agreements

The Company has entered into a number of new operational agreements subsequent to the end of the financial year.

Supply Agreement with BNNTTL

On 9 July 2021, Li-S Energy and BNNTTL entered into a supply agreement for the supply of BNNTs to Li-S Energy for the purposes of using BNNTs in Li-S Energy's development, testing and manufacture of the Li-S Energy batteries. The key material terms of the supply agreement are as follows:

Term:	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
Termination:	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
Product supplied:	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.

Permitted Purpose:	Li-S Energy may only order BNNTs from BNNTTL to use BNNTs in the Customer's development, testing and manufacture of batteries (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing.
Other terms:	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

Distribution Agreement with BNNTTL

On 9 July 2021, Li-S Energy and BNNTTL have entered into a distribution agreement pursuant to which Li-S Energy is appointed as distributor for BNNT products within the battery industry, with certain exclusive distribution rights. The key material terms of the distribution agreement are as follows:

Term:	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
Termination:	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
Product used for distribution:	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.
Permitted Purpose:	Li-S Energy may only buy BNNTs from BNNTTL for the following Permitted Purposes (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing: (a) to distribute on an exclusive basis BNNTs to third party customers (**Customers**), provided the Customers are only permitted to use BNNTs to develop, test or manufacture lithium-sulphur batteries; and (b) to distribute on a non-exclusive basis BNNTs to Customers, provided the Customers are only permitted to use BNNTs to: a. develop, test or manufacture batteries that are not lithium-sulphur batteries (including to stockpile BNNTs for later use in accordance with forecasts); and b. manufacture nanomesh products incorporating BNNTs (including Li-Nanomesh) for the use in any form or type of battery. For clarity, Li-S Energy is not restricted from distributing Li-S Energy's Li-Nanomesh (or other nanomesh products), or BNNTs to Li-S Energy's customers who have a licence from Li-S Energy to manufacture Li-Nanomesh (or other nanomesh products).
Territory:	Worldwide
Nature of Appointment:	Distributor in the Territory for the Permitted Purpose during the Term. Exclusive distributor for the Permitted Purposes relating to the distribution in respect of lithium-sulphur batteries, for the first seven years of the agreement. Li-S Energy's 'exclusivity' in respect of distributing Li-Nanomesh and BNNTs for manufacture of Li-Nanomesh is by virtue of Li-S Energy owning the IP required to manufacture Li-Nanomesh.
Other terms:	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

Management Services Agreement with PPK Aust

On 9 July 2021, Li-S Energy and PPK Aust have entered into a management services agreement pursuant to which PPK Aust will provide to Li-S Energy administrative support services. The key material terms of the management services agreement are as follows:

Term:	The contract commenced on 1 May 2021 for an initial term of 3 years and can be renewed by PPK Aust for a further 3 year term upon notice being provided by PPK Aust not later than 3 months prior to the expiry of the initial term.
Termination:	Either party may terminate the agreement on 30 days' notice if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar. PPK Aust may terminate the agreement on 30 days' notice if it is not satisfied with the Annual Plan of Li-S Energy. Li-S Energy may terminate the agreement at will on 6 months' notice.
Appointment:	PPK Aust is appointed to provide management services to Li-S Energy which will see PPK Aust assist Li-S Energy with its administrative functions such as accounting, record keeping, reporting, assisting with insurance and recruitment. PPK Aust will also provide staff to act in key officer roles including the public officer, chief financial officer and company secretary. It is also appointed, to the extent permitted by law, facilitate/oversee the funding and capital raising requirements of the company (note this does not include acting as an advisor).
Fees:	PPK Aust will be paid a fee for providing the management services which will be $150,000 for the initial three months from 1 May 2021 to 31 July 2021. This fee, together with the scope and performance of the management services, will be subject to review between the parties every 3 months (this allows for resetting of the fee in the event that Li-S Energy experiences business changes that require PPK Aust to provide additional (or reduce) resources to effectively provide the services). PPK Aust will be paid a funding fee of up to 1% of any debt or capital raised that it facilitates. PPK Aust will be entitled to recover any disbursements or expenses it incurs on behalf of Li-S Energy or in providing the services.
Indemnity:	Li-S Energy indemnifies PPK Aust for any loss that arises from the performance by PPK Aust of its obligations under the agreement.
Other terms:	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

Research Framework Agreement with Deakin

On 8 July 2021, Li-S Energy and Deakin have entered into a research framework agreement which governs all research projects conducted between Li-S Energy and Deakin as set out in Project Schedules made under the agreement. The key material terms of the research framework agreement are as follows:

Term:	The contract commenced on 8 July 2021 and continues until terminated.
Termination:	Either party may terminate the agreement and any Project Schedule immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
Project Schedules:	The parties may from time to time enter into Project Schedules made under the agreement for research projects proposed and negotiated by the parties. Such Project Schedules include terms around payment, steering committees, specified personnel of the parties and insurances required.
Intellectual Property:	Each party will retain ownership of their respective intellectual property developed prior to the date a Project commences or is acquired or developed independent of the agreement, but grants a non-transferrable licence to the other party to use such background intellectual property for the purposes of the relevant Project.

	Any new intellectual property created, developed or discovered in the conduct of a Project vests in Li-S Energy (Project IP). Deakin is granted a non-exclusive, perpetual, non-transferable, royalty free licence to use the Project IP for the purposes of the Project and for non-commercial research, teaching and scholarly pursuits. Deakin must also seek Li-S Energy's prior consent before it publishes any part of the Project IP as part of any publication.

Termination of Shareholders Agreement

On 20 July 2021, PPK Aust., Deakin and BNNTTL executed a Deed of Termination of the Shareholders Agreement effective on the date of signing.

Employment Contracts

On 9 July 2021, Li-S Energy has entered into an employment contract with Dr Lee Finniear for his engagement as CEO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

Total Remuneration Package:	$300,000 annual salary (including superannuation). In addition to his annual salary, Dr Lee Finniear has been granted, and has elected to be issued, 1,000,000 Service Rights vesting over a four year term in accordance with the Executive Rights Plan. Dr Lee Finniear is also eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to $100,000.
Term:	The contract commenced on 1 July 2021 and continues until terminated.
Termination by CEO:	6 months' notice.
Termination by Li-S Energy:	6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Lee Finniear at common law.
Non-competition and non-solicitation:	To protect the interests of Li-S Energy and its intellectual property, Dr Lee Finniear will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract, (a) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia; (b) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; (c) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or (d) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.

As a result of the Dr Lee Finniear entering into an employment contract, the previous consulting agreement with his consultancy company was terminated as at 30 June 2021. Consulting fees paid to or owing to his consultancy company to 30 June 2021 were $198,100.

On 1 July 2021, Li-S Energy has entered into an employment contract with Dr Steve Rowlands for his engagement as CTO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

Total Remuneration Package:	$176,000 annual salary (including superannuation). Dr Steve Rowlands is eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to $16,000, and the Company's Executive Rights Plan on terms to be confirmed. The Company will also reimburse Dr Steve Rowlands for all reasonable relocation costs from the UK, including an annual economy return flight to the UK.
Term:	The contract commenced on 1 July 2021 (with a three month probation period) and continues until terminated.
Termination by CTO:	2 months' notice during the probation period. 6 months' notice.
Termination by Li-S Energy:	2 months' notice during the probation period. 6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Steve Rowlands at common law.
Non-competition and non-solicitation:	To protect the interests of Li-S Energy and its intellectual property, Dr Steve Rowlands will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract, (a) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia; (b) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; (c) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or (d) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.

Consulting Agreements

On 16 July 2021, a consulting agreement between Li-S Energy and Glenn Molloy's consultancy company, Corso Management Services Pty Ltd. The key terms of the consultancy agreement are as follows:

Designated Person:	While the contract is between Li-S Energy and Glenn Molloy's consultancy company, the agreement requires that the services to be provided by Glenn Molloy unless otherwise agreed in writing by Li-S Energy and for Glenn Molloy to remain an employee of the consultancy company.
Entitlements:	A daily rate to be agreed between the parties. Mr Molloy is not paid any fees in respect of travel time to and from the locations where work is performed.
Term:	The contract commenced on 12 June 2021 and is for a period of 24 months unless terminated earlier by Li-S Energy as permitted under the agreement.
Termination:	Subject to annual renewal by written agreement, the contract terminates on 12 June 2023 or Li-S Energy can immediately terminate the agreement if Mr Molloy: (a) commits any act involving fraud, deceit, dishonesty or other serious misconduct (whether in relation to Li-S Energy or otherwise); (b) becomes bankrupt or commits any act of bankruptcy;

	(c) is charged with any serious criminal offence; (d) refuses or fails to comply with any lawful request made by Li-S Energy or any of its Directors; (e) is unable to properly perform the essential elements of the Chief Commercial Actions Officer role whether as a result of illness, accident or otherwise; or (f) is in breach of any obligations under the contract and fails to rectify the breach within 5 business days after being requested to do by Li-S Energy. Either party may terminate on 3 months' notice.
Non-competition and non-solicitation:	To protect the interests of Li-S Energy and its intellectual property, Mr Molloy will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract, (a) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy; (b) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; (c) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or (d) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation. This restraint will not prevent Mr Molloy from performing his roles or holding his interest in PPK Group Limited entities or entities it holds an interest in.

On 7 July 2021, a consulting agreement between Li-S Energy and Andrew Cooke's consultancy company, AJC Corporate Services Pty Ltd was entered into. The agreement is made on standard commercial terms for services for the provision of company secretarial services.

Australian Research Council Industrial Transformation Research Hub

Deakin University has been awarded grant funding by the Australian Research Council (ARC) to establish and operate the ARC Industrial Transformation Research Hub in new safe reliable energy storage and conversion technologies. Under the grant agreement Deakin University must enter into a participant's agreement with each participating organisation before the research program can start.
On 11 May 2021, Li-S Energy signed the participant's agreement and the contract commences when all parties have executed their agreement. As at 30 June 2021, the other participants had not yet signed the agreement.

Commitment:	Cash contributions of $150,000 per year for five years totalling $750,000 and in-kind contributions of $50,000 per year for five years totalling $250,000.
Term:	The contract is for a period of 5 years unless terminated earlier by ARC as permitted under the agreement.
Termination:	The contract terminates on the fifth anniversary of the commencement date of the agreement or the date of which the final report is submitted to the ARC, whichever is later. Deakin University may terminate this agreement if the grant agreement with ARC is terminated for any reason or if the ARC suspends or reduces the scope of the research program or grant funding. Alternatively the agreement may be terminated if the participating organisations agree there is no longer a valid reason for continuing with the research program.

Lodgement of IPO Prospectus and Proposed Capital Raising

On 29 July 2021, Li-S Energy lodged a prospectus to raise $34,000,000, issue 40,000,000 ordinary shares and list on the ASX. As a result of this prospectus, the number of ordinary shares potentially outstanding is as follows:

	Number of Ordinary Shares
Outstanding and issued at 30 June 2021	600,200,230
Issued as a result of capital raising in the prospectus	40,000,000
Total outstanding and issued at the completion of the prospectus	640,200,230
Potentially issuable ordinary shares under the Service Rights as detailed in the Remuneration Report disclosed in the Directors' Report [1]	3,160,000
Issued and potentially issuable ordinary shares at the date of the prospectus	643,360,230

[1] Assuming all Service Rights vest and are converted to ordinary Shares.

The Prospectus opened on 2 August 2021 and closed on 13 August 2021 as the capital raise was oversubscribed. Li-S Energy made an application to the ASX, in accordance with the Prospectus, and is progressing the application with the ASX. There remain a number of steps before the ASX is in a position to confirm conditional listing approval, which are understood to be procedural for listing, and it is expected the listing will occur in September 2021.

Impact of COVID-19

Events relating to COVID-19 have resulted in significant economic volatility. There is continued uncertainty as to the ongoing and future response of governments and authorities globally, and a further Australian economic downturn is possible. As such, the full impact of COVID-19 to consumer behaviour, employees and the Company are not fully known. Given this, the impact of COVID-19 could potentially be materially adverse to the Company's financial and/or operational performance. Further, any government or industry measures may materially adversely affect the Company's operations and are likely beyond the Company's control.

Due to COVID-19, the State and Federal Governments have imposed social-distancing restrictions which have, and may, disrupt the operations of the Company. 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 has imposed restrictions from time-to-time. Deakin University, who is contracted to provide the research and development for the Company, 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. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the Company.

Due to COVID-19, the manufacture of equipment and parts and the supply of raw materials in foreign markets may be restricted or delayed which could impact on the Company's operations.

There have been no other matter or circumstance that has arisen since the end of the financial period 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

In 2021, Li-S Energy produced a strategic development program to:

1. Further optimise Li-S Energy technology;
2. Produce Li-S Energy Batteries in pouch, cylinder and flexible battery formats;
3. Build pilot production line, manufacture batteries and prove their benefits in commercial products with commercial partners; and
4. Develop intellectual property on how lithium-ion battery manufacturing plants can be adapted to produce Li-S Energy Batteries.

From the strategic development program, Li-S Energy produced business plans and budgets for the following components:

Core Technology

1. Li-S Energy Battery Optimisation

2. Li-Nanomesh Anode Protection

3. Pilot, Pouch and Cylinder Battery Production Plant

4. Retrofit Batteries to Products

5. Modelling, Simulation and In-situ Monitoring

Projects to further enhance Li-S Energy Battery Intellectual Property

6. Flexible Form Battery

7. Solid State Battery

8. 3D Printed Battery

With the funds from the $34,000,000 capital raise, the Company will execute the strategic development plans and business plans as noted above.

OPTIONS AND UNISSUED SHARES

There are 2,160,000 Service Rights granted to Non-Executive Directors under the NED Equity Plan and 1,000,000 Service Rights under the Executive Rights Plan. See the Remuneration Report below for further information.

ENVIRONMENTAL ISSUES

Li-S Energy 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.

PROCEEDINGS ON BEHALF OF THE COMPANY

No matter or circumstance has arisen which is not otherwise dealt with in this Annual Report that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of the company in subsequent years.

REMUNERATION REPORT

The Directors of Li-S Energy present the Remuneration Report for Directors and executives, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001. The Directors have determined that they, the Chief Executive Officer, the Chief Financial Officer and the Chief Technology Officer are the key management personnel.

Remuneration Policy

The remuneration policy of the Company has been designed to align directors' and executives objectives and performance with shareholder and business results by providing a fixed remuneration component and offering specific Short Term Incentives (STIs) based on key performance areas affecting the Company's financial results and Long Term Incentives (LTIs) based on increases to Li-S Energy's share price and retention of key people.

The Li-S Energy Board believes the remuneration policy to be appropriate and effective in its ability to attract, retain and motivate directors and executives of high quality and standard to manage the affairs of the Company and create goal congruence between directors, executives and shareholders.

The remuneration policy, setting the terms and conditions for directors and executives was developed by the Board after taking advice from Godfrey Remuneration Group. The policy for determining the nature and amount of remuneration for board members and executives is detailed in the paragraphs which follow.

Remuneration of non-executive directors is determined by the Board from the maximum amount available for distribution to the non-executive directors as approved by shareholders. Currently this amount is set at $800,000 per annum in aggregate and is to be approved by shareholders at the next Annual General Meeting.

In determining the appropriate level of directors' fees, data from surveys undertaken of other public companies similar in size or market section to the Company is taken into account, as well as advice from Godfrey Remuneration Group.

Non-Executive Directors (NEDs)

The following table details the total compensation each Non-Executive Director is entitled to receive in relation to their duties as a Director of Li-S Energy, the Directors do not receive any additional fees for participation on any Committees.

Director	Directors' Fees $ (including superannuation)
Dr Ben Spincer	120,000
Mr Robin Levison	80,000
Mr Tony McDonald	80,000
Ms Hedy Cray	80,000

Director fees for Ben Spincer include his responsibilities as the Chairman.

Li-S Energy has adopted the NED Equity Plan under which the Board of the Company may invite Non-Executive Directors to apply for Service Rights to be issued in accordance with, and subject to the terms of the Plan. Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company.

The following table indicates the amount of fees that a NED can sacrifice in return for a grant of Service Rights.

Financial Year	Fees Sacrifice ($)	Tranche	Number of Service Rights
Non-Executive Directors (NEDs)			
2021	80,000	1	160,000
2022	80,000	2	160,000
2023	80,000	3	160,000
Chairman			
2021	120,000	1	240,000
2022	120,000	2	240,000
2023	120,000	3	240,000

NEDs will sacrifice total Director fees of $80,000 for 160,000 Service Rights and the Chairman will sacrifice total Director fees of $120,000 for 240,000 Service Rights for each Financial Year. There is no amount payable other than the sacrificed fees for the Service Rights. The Directors believe that accepting Share Rights in lieu of cash remuneration aligns their risk/reward with that of the Shareholders.

The number of Service Rights are calculated by dividing the amount of sacrificed fees by the Share price of $0.50 per Share being the price at which Shares were issued in the April 2021 capital raise. The fair value of these Service Rights at the time that they were granted have been independently valued at $0.50 each.

The Service Rights were issued as at 1 May 2021 and will vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED holds the office of NED on those dates. Each consecutive tranche commences annually on the vesting date of the prior tranche.

Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of holding the office of NED and any role as an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being a NED.

If a NED ceased to hold the office of a NED during a tranche then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche. All subsequent tranches will lapse.

Any unvested Service Rights that do not vest will lapse.

A NED must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Service Rights (vested or unvested).

If the Board forms the view that a NED has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.

Executives

The Board is responsible for approving remuneration policies and packages applicable to executives of the Company. The broad remuneration policy is to ensure that the remuneration package properly reflects the person’s duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of high quality and standard.

A review of the compensation arrangements for executives is conducted by the full Board at a duly constituted Directors’ meeting.

The Board conducts its review annually based on established criteria which includes:

- the individual’s performance;
- reference to market data for broadly comparable positions or skill sets in similar organisations or industry;
- the performance of the Company during the relevant period; and
- the broad remuneration policy of the Company.

Executives may receive bonuses and/or fees based on the achievement of specific goals of the consolidated entity.

Company Performance and Shareholder Wealth for Executive Remuneration

The two methods employed in achieving this aim are:

Short Term Incentives

Li-S Energy has an STI in place which is paid as salary and superannuation above their normal contracts and aligned with key performance indicators (KPIs) as determined by the board. The KPIs are developed from the strategic and operating plans and are chosen to reflect the core drivers of short-term performance and deliver sustainable value to the Company, its shareholders and its customers. Participation in the STI is considered on an annual basis.

Long Term Incentives

Li-S Energy has adopted a plan called the Li-S Energy Limited Executive Rights Plan (**Executive Rights Plan**) under which the Board of the Company may invite certain eligible persons, to apply for Service Rights or Performance Rights to be issued in accordance with, and subject to the terms of, the Executive Rights Plan.

Each Service Right or Performance Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company.

The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Plan. Non-Executive Directors are excluded from Participation in the Plan.

As at the date of this Prospectus, the following Service Rights have been granted under the Executive Rights Plan:

Executive	Number of Service Rights (unvested)
Dr Lee Finniear	1,000,000

On 12 November 2020 Dr Lee Finniear was granted 1,000,000 Service Rights which vest in four equal tranches on 30 April 2022, 2023, 2024 and 2025, subject to continuity of his engagement during the Measurement Periods. The Service Rights have a nil exercise price. Each consecutive tranche commences annually on the vesting date of the prior tranche

The Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of being an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being an employee of the Company.

If Dr Lee Finniear ceases his employment during a tranche then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche. All subsequent tranches will lapse.

Any unvested Service Rights that do not vest will lapse.

Dr Lee Finniear must not enter into an arrangement with anyone if it would have the effect of limiting his exposure to risk in relation to Service Rights (vested or unvested).

If the Board forms the view that Dr Lee Finniear has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.

The fair value of these Service Rights at the time that they were granted have been independently valued at $0.065 each.

Remuneration Details for the year ended 30 June 2021 for Directors' and Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP") of Li-S Energy and consulting fees to other related parties are shown in the table below:

2021	Short Term Benefits: Salary & Fees ($)	(3)Cash Bonus ($)	Non-Monetary ($)	Post employment Super-annuation ($)	Long Term Benefits ($)	Termination Payments ($)	(1)Share Based Payments ($)	Total ($)	Performance Related %
Directors									
Non-Executive									
B Spincer	-	-	-	-	-	-	36,668	36,668	-
A McDonald(2)	16,667	200,000	-	-	-	-	24,444	241,111	83
R Levison(2)	16,667	100,000	-	-	-	-	24,444	141,111	71
H Cray	-	-	-	-	-	-	24,444	24,444	-
G Pullen	-	-	-	-	-	-	-	-	-
Total Non-Executive	33,334	300,000	-	-	-	-	110,000	443,334	
Executive									
G Molloy(2)	16,667	400,000	-	-	-	-	-	416,667	96
Total Executive	16,667	400,000	-	-	-	-	-	416,667	96
Total Directors	50,001	700,000	-	-	-	-	110,000	860,001	
Other Key Management Personnel									
L Finniear(2)(4)	98,100	100,000	-	-	-	-	17,058	215,158	46
K Hostland	-	100,000	-	-	-	-	-	100,000	100
M Winfield	-	50,000	-	-	-	-	-	50,000	100
G Walsh	-	50,000	-	-	-	-	-	50,000	100
Total Other	98,100	300,000	-	-	-	-	17,058	415,158	
Total Key Management Personnel	148,101	1,000,000	-	-	-	-	127,058	1,275,159	

(1) Equity settled share based payments. Service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests.

(2) Salary & Fees include directors fees paid from 1 July 2020 to 30 April 2021 and consulting fees paid from 14 February 2021 to 30 June 2021.

(3) Cash bonus was paid for work undertaken in relation to the Li-S Energy IPO and was above normal work responsiblities. Bonuses were invested in shares in Li-S Energy in off-market-transfers at $0.50 per share.

(4) Cash bonus was in relation to a sign-on fee for leaving his previous place of employment.

As at the end of the financial year, the number of ordinary shares held by directors and Key Management Personnel during the 2021 reporting period is set out below:

2021	Share Balance at Start of Year	Shares Issued via PPK's In-specie Dividend	Shares Acquired	Shares Sold	Shares Held at the End of the Reporting Period	Service Rights Granted During the Reporting Period	Total Securities Held at the End of the Reporting Period
Directors							
Non-Executive							
B Spincer	-	-	200,000	-	200,000	720,000	920,000
A McDonald	-	166,961	700,000	-	866,961	480,000	1,346,961
R Levison	-	1,576,917	1,200,000	-	2,776,917	480,000	3,256,917
H Cray	-	-	27,201	-	27,201	480,000	507,201
Total Non-Executive	-	1,743,878	2,127,201	-	3,871,079	2,160,000	6,031,079
Executive							
G Molloy	-	5,640,784	800,000	-	6,440,784	-	6,440,784
Total Executive	-	5,640,784	800,000	-	6,440,784	-	6,440,784
Total Directors	-	7,384,662	2,927,201	-	10,311,863	2,160,000	12,471,863
Other Key Management Personnel							
L Finniear	-	-	200,000	-	200,000	1,000,000	1,200,000
Total Other	-	-	200,000	-	200,000	1,000,000	1,200,000
Total Key Management Personnel	-	7,384,662	3,127,201	-	10,511,863	3,160,000	13,671,863

OTHER TRANSACTIONS WITH RELATED PARTIES OF THE COMPANY

There were no other transactions with directors and/or their related parties during the year.

(End of the Remuneration Report)

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
Ben Spincer	9	9
Glenn Molloy	12	12
Robin Levison	15	15
Anthony McDonald	15	15
Hedy Cray	5	5
Greg Pullen	5	5

There were no separate Audit Committee meetings held, all audit related matters were addressed by the full Board.

CORPORATE GOVERNANCE STATEMENT

Li-S Energy's directors and management are committed to conducting business ethically and in accordance with high standards of corporate governance. A copy of Li-S Energy's Corporate Governance Statement can be found in the corporate governance section of Li-S Energy's website at [www.lis.energy.](http://www.lis.energy)

RISK & CONTROL COMPLIANCE STATEMENT

As Li-S Energy intends to list on the ASX, the Company complies with the ASX Listing Rules and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Recommendations 4th edition") and discloses in this Annual Report the extent of its compliance with the ASX Recommendations.

Throughout the reporting period, and as at the date of signing of this Directors' Report, the Company was in compliance with a majority of the ASX Recommendations in all material respects as more fully detailed in Li-S Energy's corporate governance section as set out on its website.

In accordance with the Recommendations, the Board has:

- received and considered reports from management regarding the effectiveness of the Company's management of its material business risks; and
- received assurance from the people performing each of the Chief Executive Officer and Chief Financial Officer functions regarding the financial statements and the effective operation of risk management systems and internal controls in relation to financial reporting risks.

AUDIT COMMITTEE

The details of the composition, role and Terms of Reference of the Li-S Energy's Audit Committee are available on the Company's website at www.lis.energy.

During the reporting period, the Li-S Energy Audit Committee consisted of the following:

Hedy Cray	Non-Executive Independent Director, Chairperson
Robin Levison	Non-Executive Director
Anthony McDonald	Non-Executive Independent Director

The Company's lead signing and review External Audit Partner, the Chairman, Chief Executive Officer and Chief Financial Officer and selected consultants attend meetings of the Audit Committee by standing invitation.

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.

NON-AUDIT SERVICES

In 2021, EY were engaged to provide tax advice and compliance services, and were paid $5,000, and an Independent Limited Assurance Report in relation to the Li-S Energy IPO for which $69,950 of costs were accrued at 30 June 2021.

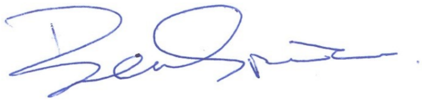
ROUNDING OF ACCOUNTS

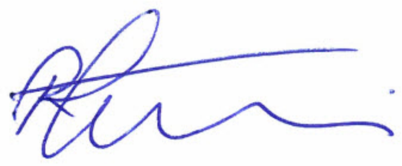
The amounts contained in the financial report have been rounded to the nearest dollar (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument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

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2021 and a copy of this declaration forms part of this Directors' Report.

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





BEN SPINCER
Chairman

ROBIN LEVISON
Non-Executive Independent Director

Brisbane, 2 September 2021

Building a better
working world

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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 2021, 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.

This declaration is in respect of Li-S Energy Limited.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
2 September 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Administration expenses		(108,793)	(62,330)
IPO Expenses		(1,193,104)	-
Professional costs		(218,042)	-
Audit Fees	6	(41,000)	-
Management fees	22.4	(200,000)	-
Directors' fees		(50,000)	-
Share based payments expense	4	(127,058)	-
Depreciation and amortisation expense	4	(54,604)	-
Finance costs		(1,160)	(9,038)
Unrealised gain (loss) on investment at FVTPL	14	(289,638)	36,220
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		(2,283,399)	(35,148)
Income tax (expense) benefit	5	599,008	-
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		(1,684,391)	(35,148)
OTHER COMPREHENSIVE INCOME (LOSS) NET OF INCOME TAX		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(1,684,391)	(35,148)
Earnings per share (in cents)			
Basic	21	(0.29)	-
Diluted	21	(0.29)	-

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Notes	2021 $	2020 $
CURRENT ASSETS			
Cash and cash equivalents	9	18,606,698	3,036,100
Trade and other receivables	10	226,143	116,524
Other current assets	11	68,135	37,347
TOTAL CURRENT ASSETS		18,900,976	3,189,971
NON-CURRENT ASSETS			
Intangible assets	12	991,863	428,080
Investments	14	2,258,062	2,547,136
Property, Plant & Equipment	13	120,773	-
Deferred Tax assets (net)	5	921,733	-
Other non-current assets	11	-	37,348
TOTAL NON-CURRENT ASSETS		4,292,431	3,012,564
TOTAL ASSETS		23,193,407	6,202,535
CURRENT LIABILITIES			
Trade and other payables	15	443,397	11,549
Interest bearing loans	16	-	1,185,118
TOTAL CURRENT LIABILITIES		443,397	1,196,667
TOTAL LIABILITIES		443,397	1,196,667
NET ASSETS		22,750,010	5,005,868
EQUITY			
Contributed equity	17.1	22,994,841	663,366
Reserves	18	1,474,708	4,377,650
Retained earnings (accumulated losses)		(1,719,539)	(35,148)
Capital and reserves attributable to owners of Li-S Energy Limited		22,750,010	5,005,868
TOTAL EQUITY		22,750,010	5,005,868

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Notes	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers		(462,309)	(251,538)
Payments for IPO related costs		(941,820)	-
Management fees paid to parent entity		(120,000)	-
BAS received		-	500
Interest paid		(1,216)	-
Net cash provided by (used in) operating activities	4	(1,525,345)	(251,038)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of intangibles		(563,783)	(419,042)
Payments for purchases of property, plant & equipment		(133,906)	-
Payment for acquisition of investment		-	(500,000)
Net cash provided by (used in) investing activities		(697,689)	(919,042)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings – related parties		-	1,176,080
Repayment of borrowings – related parties		(1,185,118)	-
Proceeds from capital raisings	17.2	20,000,000	3,250,100
Transaction costs on issue of shares	17.2	(1,021,250)	(220,000)
Net cash provided by (used in) financing activities		17,793,632	4,206,180
Net increase (decrease) in cash held		15,570,598	3,036,100
Cash at the beginning of the financial year	4.2	3,036,100	-
Cash at the end of the financial year	9	18,606,698	3,036,100

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Notes	Contributed Equity $	Share Premium Reserve $	Share Options Reserve $	Equity Reserve $	Accumulated Losses $	Total Attributable to Owners of Li-S Energy Ltd $	Total Equity $
ENTITY								
At 1 July 2020		663,366	1,347,650	-	3,030,000	(35,148)	5,005,868	5,005,868
Total comprehensive income (loss) for the year								
Profit (loss) for the year		-	-	-	-	(1,684,391)	(1,684,391)	(1,684,391)
Other comprehensive income (loss) for the year		-	-	-	-	-	-	-
Total comprehensive income (loss) for the year		-	-	-	-	(1,684,391)	(1,684,391)	(1,684,391)
Issue of share capital on private placement	17.2	23,250,000	-	-	(3,250,000)	-	20,000,000	20,000,000
Issue of service rights for Non-Executive Directors	18.1	-	-	110,000	-	-	110,000	110,000
Issue of service rights for Executives	18.1	-	-	17,058	-	-	17,058	17,058
Transaction costs for issue of share capital	17.2	(918,525)	-	-	220,000	-	(698,525)	(698,525)
At 30 June 2021		22,994,841	1,347,650	127,058	-	(1,719,539)	22,750,010	22,750,010

STATEMENT OF CHANGES IN EQUITY

for the year ended 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							
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)
Issue of share capital on private placement	17.1	100	-	3,250,000	-	3,250,100	3,250,100
Issue of share capital on purchase of investment	17.1	663,266	1,347,650	-	-	2,010,916	2,010,916
Transaction costs for issue of share capital		-	-	(220,000)	-	(220,000)	(220,000)
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 2021

NOTE 1 CORPORATE INFORMATION

The financial statements of Li-S Energy Limited ("Li-S Energy" or "the Company") for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 2 September 2021 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 is registered in Queensland and has its head office at Level 27, 10 Eagle Street, Brisbane, Queensland 4000.

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 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 Information has been prepared on an accruals basis and are based on historical costs, except for investments measured at fair value.

The accounting policies have been consistently applied unless otherwise stated.

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

The Company applied for the first time certain standards and amendments, which are effective for the financial period ended 30 June 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

AASB 2018-6 amends AASB 3 to clarify that to be considered a business, an integrated set of activities and assets included, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

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

AASB 2018-7 principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to 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 Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the conceptual framework is to assist the AASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which develop their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Company is in Australian Dollars ($AUD).

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.

2.4 Operating expenses

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

2.5 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.

2.6 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.

2.7 Trade receivables

The Company makes use of a simplified approach in accounting for trade 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.

2.8 Property, plant and equipment

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation and impairment. The cost of fixed assets constructed includes the cost of materials used in construction, direct labour and an appropriate proportion of fixed and variable overheads.

The depreciable amount of all fixed assets, including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the profit and loss of the entity in the year of disposal.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate Straight Line
Leasehold Improvements	Over the term of the lease
Plant & Equipment	33% – 50%

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 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 such as a) selling, administrative and other general overhead expenditure, unless this expenditure can be directly attributed to preparing the asset for use; b) identified inefficiencies and initial operating losses incurred before the asset achieves planned performance; and c) expenditure on training staff to operate the asset, 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.

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset. Management made this assessment on the basis that the Company has one Cash Generating Unit and the equity raising price implied a value for the Company in excess of its recorded assets and liabilities.

2.10 Financial instruments

Initial recognition and measurement

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.

Fair value

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

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Company according to the hierarchy stipulated in AASB13 as follows:

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

The Company's investment in Zeta Energy LLC is at fair value through profit and loss and is measured as a Level 3 financial instrument.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2.7.

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 business model.

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 marketplace (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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.11 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 to 60 days, except for imported items for which 90 or 120 day payment terms are normally available.

2.12 Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss statement over the period of the loans and borrowings using the effective interest method. Bank loans are subject to set-off arrangements.

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 it is probable 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share Based Payments

The Company operates equity-settled Share right-based incentive plans for its Directors and executives. All goods and services received in exchange for the grant of any Share-based payment are measured at their fair value of the instruments granted. Where Directors and executives are rewarded using Share right-based payments, the cost of Directors' and executives' services is determined by the fair value at the date when the grant is made using an appropriate valuation model and revalued when modified.

All Share-based remuneration is ultimately recognised in employee benefits expense with a corresponding credit to a Share rights reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on best available estimate of the number of Share rights expected to vest. Non-market vesting conditions are included in assumptions about the number of Share rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of Share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if Share rights ultimately exercised are different to that estimated on vesting.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the Share-based payment transaction, or is otherwise beneficial to the holder. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.15 Dividends

Provision is made for dividends declared, and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at the end of the reporting period.

2.16 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.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. 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 transfers 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if 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 (i.e. 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.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption (i.e. 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.

2.17 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.

2.18 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.

2.19 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.

Significant Management Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset. Management made this assessment on the basis that the Company has one Cash Generating Unit and the equity raising price implied a value for the Company in excess of its recorded assets and liabilities.

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. Given advancements in the Company's activity, product development and capital raising which has indicated a significant value for its operations an assessment has been made that it is probable that future short term taxable income would be realised to allow the deferred tax assets to be utilised and they have been recognised with no valuation allowance in the period.

2.22 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.

2.23 Going Concern

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

- there was $18,606,698 of cash in the bank;
- project plans and budgets provided to complete the projects;
- a planned capital raising of $34,000,000, pre costs, with an Initial Public Offering in the coming months and an expectation that the capital raising will be fully subscribed; 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", segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers.

Operating segments have been determined based on reports reviewed by the Directors. The Directors and the Senior Management are the chief operating decision makers of the Company. The only reportable segment for 30 June 2021 is the development and commercialisation of the Li-S Energy Battery.

NOTE 4 CASH FLOW INFORMATION

	Notes	2021 $	2020 $
4.1 Reconciliation of cash flows from operating activities			
Profit (loss) after income tax attributed to owners of Li-S Energy Limited		(1,684,391)	(35,148)
Cash flows in operating activities but not attributable to operating result:			
Non-cash flows in operating profit:			
Unrealised gain (loss) on investment at FVTPL	14	289,074	(36,220)
Share based payment expense	7.1	127,058	-
Depreciation and amortisation expense		54,604	-
Net changes in working capital:			
(Increase) decrease in trade and other receivables		(109,619)	(116,523)
(Increase) decrease in deferred tax asset		(599,008)	-
(Increase) decrease in prepaids		(34,911)	(74,695)
Increase (decrease) in trade and other payables		431,848	11,548
Net cash (used in) provided by operating activities		(1,525,345)	(251,038)
4.2 Reconciliation of Cash			
For the purposes of the cash flow statement, cash includes:			
Cash at bank and on hand		18,606,698	600
Cash held in trust		-	3,035,500
	9	18,606,698	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	2021 $	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		(2,283,399)	(35,148)
Prima facie tax payable (benefit) at 26.0% (2020: 27.5%)		(593,684)	(9,666)
(Non-assessable income) non-deductible expenses			
Current year losses for which no deferred tax asset was recognised		-	9,666
Adjustments in respect of deferred income tax of previous years		(12,661)	-
Other		7,337	-
Income tax expense (benefit)		(599,008)	-
The applicable weighted average effective tax rate is as follows:		26%	0%
(b) The components of tax expense comprise:			
Current tax		(355,849)	-
Deferred tax in profit and loss		(243,159)	-
Income tax expense (benefit)		(599,008)	-
© Recognised in the Statement of Financial Position			
Tax losses		355,849	-
Property Plant and Equipment		(26,002)	-
Investments		65,742	-
Accruals		19,799	-
Capital Raising Costs [1]		506,345	-
Total		921,733	-

Note 1 Of the recognised deferred tax assets an amount of $322,725 relating to capital raising costs was recognised directly in equity and the balance of $183,620 was recognised in profit or loss.

(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

Remuneration of the auditor of the Company for:		
- auditing or reviewing the year end financial report	19,500	8,000
- auditing the 31 December 2020 financial report	13,500	-
- additional charges for auditing or reviewing 30 June 2020	8,000	-
- Other – tax compliance and other corporate compliance matters	5,000	-
- Other - Independent Limited Assurance Report in relation to the IPO	69,950	-
	115,950	8,000

NOTE 7 KEY MANAGEMENT PERSONNEL REMUNERATION

7.1 Key management personnel remuneration

	Notes	2021 $	2020 $
Short-term benefits		1,148,101	-
Share-based payments	2.14	127,058	-
Post-employment benefits		-	-
		1,271,15	-

During the reporting period, the Company recognises the Directors and Chief Executive Officer as being the only key management personnel. For the 30 June 2021 financial year, the Company paid the Chief Financial Officer and two executives of BNNTTL for their assistance with the IPO but they are not considered to be key management personnel. See the Directors' Report for details of their remuneration policy and benefits.

7.2 Equity instruments

The Non-Executive Directors were granted 2,160,000 Service Rights on 1 May 2021 under the Li-S Energy Limited NED Equity Plan. These Service Rights were granted in lieu of the Directors taking remuneration as directors fees for the three years ending 30 April 2014. The key features of the issuance are as follows:

- The exercise price payable by the holder is $Nil.
- The Service Rights will vest to the NED over a 3-year period.
- The vesting of Service Rights requires continued tenure as a Director of the Company. There are no other performance conditions.
- On vesting the Service Right will expire if unexercised 15 years post the initial grant date.
- Should a Director cease being a Director in the vesting period the unvested Service Rights will be forfeited in proportion based on plan rules.
- Each Service Right converts to one ordinary Share in the Company.

The Service Rights have been independently valued at $0.50 each. A total expected expense should all Service Rights vest of $1,080,000 will be recorded in the profit and loss over the forward 3-year period post grant, in accordance with their vesting profile.

The Chief Executive Officer was granted 1,000,000 Service Rights on 12 November 2020 under the Li-S Energy Limited Executive Rights Plan. The key features of the issuance are as follows:

- The exercise price payable by the holder is $Nil.
- The Service Rights will vest to the Chief Executive Officer in equal tranches of 250,000 Service Rights on 30 April 2022, 2023, 2024 and 2025.
- The vesting of Service Rights requires continued tenure as an executive of the Company. There are no other performance conditions. Directors do however have the right to vary the number of vested Service Rights.
- On vesting the Service Right will expire if unexercised 15 years post the initial grant date.
- Should an executive cease being an executive in the vesting period the unvested Service Rights will be forfeited in proportion based on plan rules. The unexpired portion of the tranche relevant to the date of termination will vest in proportion and all future unvested tranches will expire.
- Each Service Right converts to one ordinary Share in the Company.

The Service Rights have been independently valued at an average value of $0.065 cents each. A total expected expense should all Service Rights vest of $65,000 will be recorded in the profit and loss over the forward four year period post grant, in accordance with their vesting profile.

The fair value of the NED Service Rights and the CEO Service Rights was determined using a Black Scholes model. As the Service Rights are exercisable for $Nil the fair value of each Service Right is the difference between $Nil and the fair value of a share on the date of grant. All other Black Scholes variables have no impact on the valuation. The share price of $50 cents and $6.5 cents was determined to be the share price at date of issue based on proximate capital raisings completed to the grant date.

NOTE 8 DIVIDENDS

	Notes	2021 $	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 2021 financial year	2.15	-	-
(c) Franked dividends			
Franking credits available for subsequent financial years based on a tax rate of 26.0% (2020: 27.5%)		-	-

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			
Cash at bank and on hand	2.6	18,606,698	600
Cash held in trust		-	3,035,500
		18,606,698	3,036,100

NOTE 10 TRADE AND OTHER RECEIVABLES

Current			
GST receivable	2.22	220,643	-
Other receivables	2.7	5,500	22,673
Receivable from Deakin University		-	93,851
		226,143	116,524

NOTE 11 OTHER ASSETS

Current		
Lease	41,472	37,347
Other	26,663	-
	68,135	37,347

Other amount relates to costs incurred to date in relation to the Li-S Energy's IPO. On the successful IPO these costs will transfer to equity.

NON-CURRENT		
Lease	-	37,348
	-	37,348

Deakin provides the premises at the ManuFutures building at no cost and in return the Company has agreed to sell the glove box to Deakin for $1 at the completion of the project. The Company intends to relocate its laboratory from this premise to the new production bay it has leased in the ManuFutures building. The Company has recognised $34,601 of the prepaid lease as an amortised cost in the year (2020: $6,871).

NOTE 12 INTANGIBLE ASSETS - NON-CURRENT

	Notes	2021 $	2020 $
Development Costs	2.9	991,863	428,080
Less: Accumulated amortisation and impairment		-	-
Total intangibles		991,863	428,080

Reconciliations

2021		
Opening balance	428,080	-
Additions	563,783	428,080
Disposals	-	-
Transfers	-	-
Impairment	-	-
Depreciation & amortisation expense	-	-
Closing balance	991,863	428,080

2020	
Opening balance	-
Additions	428,080
Disposals	-
Transfers	-
Impairment	-
Depreciation & amortisation expense	-
Closing balance	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 PROPERTY PLANT AND EQUIPMENT - NON-CURRENT

Software – at cost	2.8	6,870	-
Less: Accumulated amortisation and impairment		-	-
		6,870	-
Plant and Equipment - at cost	2.8	127,036	-
Less: Accumulated depreciation and impairment		13,133	-
		113,903	-
Total property, plant and equipment of continuing operations		120,773	-

Reconciliations	Software $	Plant & Equipment $	Total $
2021			
Opening balance	-	-	-
Additions	6,870	127,036	133,906
Disposals	-	-	-
Transfers	-	-	-
Impairment	-	-	-
Depreciation & amortisation expense	-	(13,133)	(13,133)
Closing balance	6,870	113,903	120,773

NOTE 14 INVESTMENTS

	Notes	2021 $	2020 $
Investment in Zeta Energy LLC	2.10	2,258,062	2,547,136

On 16 June 2020, Li-S Energy acquired a membership interest in Zeta Energy LLC by issuing 2.0% of Li-S Energy's share capital to Zeta Energy LLC and receiving 2.0% of the non-voting limited liability interest in Zeta Energy LLC for a value of AUD2,010,916. Li-S Energy made a further cash investment of $500,000 in Zeta Energy LLC.

Li-S Energy received confirmation from Zeta Energy LLC at 30 June 2021 that it holds a membership interest of 2.069% of Zeta Energy LLC's capital raising value which equates to AUD2,258,062 converted to Australian Dollars at the prevailing exchange rate of $0.7518 at 30 June 2021. The revaluation of the investments results in an unrealised loss of the investment of $67,157 and a foreign exchange loss of $221,917. On 26 June 2021 Li-S Energy was notified by Zeta Energy LLC that the requirement for Li-S Energy to complete an Initial Public Offering by 31 December 2021 had been removed.

NOTE 15 TRADE AND OTHER PAYABLES

	Notes	2021 $	2020 $
Trade payables – unsecured	2.11	20,117	11,549
Sundry payables and accruals - unsecured		423,280	-
		443,397	11,549

Trade and other payables include $100,117 owing to PPK Aust. Pty Ltd.

NOTE 16 INTEREST BEARING LOANS

	Notes	2021 $	2020 $
PPK Aust. Pty Ltd	2.12	-	1,033,109
BNNT Technology Limited	2.12	-	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 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. The loan facility agreements were terminated on the repayment of the loans.

NOTE 17 SHARE CAPITAL

17.1 Issued capital

	Notes	2021 $	2020 $
600,200,230 (2020: 51,020,409) ordinary shares fully paid		22,994,841	663,366
Movements in ordinary share capital			
Balance at the beginning of the financial period[1]		663,366	100
New shares issued, net of transaction costs	2.17	22,331,475	-
Shares issued on acquisition, net of costs		-	663,266
		22,994,841	663,366

[1] The beginning of the financial period for the 2020 comparatives was the date of incorporation, 12 July 2019.

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.

17.2 New shares issued

	2021	2020
Movements in number of ordinary shares		
Settlement on 15 July 2020 as part of capital raise @ $0.65 per share	3,250,000	
Less: transaction costs	(162,800)	
	3,087,200	
Issued for cash on 9 April 2021 as part of capital raise @ $0.50 per share	20,000,000	
Less: transaction costs	(755,725)	
	19,244,275	
New shares issued for cash, net of transaction costs	22,331,475	
Issued on 16 June 2020 on acquisition of interest in Zeta Energy LLC		663,266
Total shares issued on acquisition, net of transaction costs	22,331,475	663,266

17.3 Share movements

	2021	2020
Movements in number of ordinary shares		
Opening balance	51,020,409	100
Share split on a 500,000 for 1 basis – restated[1]		49,999,900
		50,000,000
New shares issued[2]		1,020,409
		51,020,409
New shares issued[3]	4,999,614	
	56,020,023	
Share split on a 500,000 for 1 basis – restated[4]	504,180,207	
	560,200,230	
New shares issued[5]	40,000,000	
Closing balance	600,200,230	51,020,409

1 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.

2 On 16 June 2020, issued 1,020,409 shares for a 2% non-voting limited liability interest in Zeta Energy LLC.

3 On 15 July 2020, issued 4,999,614 shares for cash at $0.65 per share.

4 On 22 October 2020, the Directors resolved to split the shares on a 10 for 1 basis, restating total shares to 560,200,230.

5 On 9 April 2021, issued 40,000,000 shares for cash at $0.50 per share.

NOTE 18 RESERVES

	Notes	2021 $	2020 $
Share option reserve		127,058	-
Share premium reserve		1,347,650	1,347,650
Equity reserve		-	3,030,000
		1,474,708	4,377,650

Movement in reserves

18.1 Share options reserve

Opening balance	-	-
Issue of service rights to Non-Executive Directors	110,000	-
Issue of service rights to Chief Executive Officer	17,058	-
Closing balance	127,058	-

The share options reserve is used to recognise the value of equity settled share-based payments granted as service rights to Non-Executive Directors under the NED Equity Plan and to the Chief Executive Officer under the Executive Rights Plan as part of their remuneration (see Note 7.2).

18.2 Share premium reserve

Opening balance	1,347,650	-
Movement	-	1,347,650
Closing balance	1,347,650	1,347,650

The share premium reserve is to recognise the difference between the value of the investment in Zeta Energy LLC (see Note 14) of $2,010,916 at the date of the investment and the 1,020,409 shares issued to Zeta Energy LLC (see Note 17.3) at $0.65 per share at the same time.

18.3 Equity reserve

Opening balance	3,030,000	-
Movement	(3,030,000)	3,030,000
Closing balance	-	3,030,000

The equity reserve was to recognise the cash received of $3,250,000 prior to 30 June 2020, net of transaction costs of $220,000, for the 5,000,000 shares that were subsequently issued in July 2020.

18.4 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 19 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.

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

19.1 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 significant interest rate risk during the year.

(ii) Equity price risk

Equity securities price risk is the risk that changes in market prices will affect the fair value of future cash flows of the Company's investments.

The Company is exposed to equity price risk through the movement in its membership interest in its investment in Zeta Energy LLC if and when Zeta Energy LLC raises capital or completes its initial public offering and is listed on a stock exchange. The equity price risk is determined by market forces and are outside the control of the Company. The risk of loss is limited to the capital invested. A 1% movement in equity value would cause a movement in the investment of approximately $22,000.

(iii) 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.

19.2 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 credit risk. All cash is invested with Tier 1 Australian banks.

19.3 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 has payables of $443,397 which are primarily for the year end 30 June 2021. These amount share a contractual maturity of 15-45 days.

NOTE 20 FAIR VALUE OF FINANCIAL INVESTMENTS

The carrying values of financial assets and liabilities listed below approximate their fair value.

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

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Company according to the hierarchy stipulated in AASB13 as follows:

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

NOTE 20 FAIR VALUE OF FINANCIAL INVESTMENTS (continued)

31 June 2021	Notes	Level 1 $	Level 2 $	Level 3 $	Total $
Non-current assets					
Unlisted equity securities	14	-	-	2,258,062	2,258,062
		-	-	2,258,062	2,258,062
30 June 2020					
Non-current assets					
Unlisted equity securities	14	-	-	2,547,136	2,547,136
		-	-	2,547,136	2,547,136

The level 3 fair value assessment of unlisted equity securities has been based on advice provided by the investee company as to the most recent capital raise completed by it on or about 30 June 2021. This amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of $0.7518 at 30 June 2021 (see Note 14).

NOTE 21 EARNINGS (LOSS) PER SHARE

	30 June 2021	30 June 2020
	$	$
Profit/(loss) after tax from continuing operations	(1,684,391)	(35,148)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding used in calculating basic earnings per share [1]	567,131,895	500,000,000
Weighted average number of ordinary shares outstanding used in calculating diluted earnings per share [1, 2]	567,131,895	500,000,000
Basic earnings (loss) per share (cents)	(0.29)	-
Diluted earnings (loss) per share (cents)	(0.29)	-

Note 1 The weighted average number of ordinary shares outstanding used in calculating basic and diluted earnings per share have been adjusted for the impact of the share split on the shares issued on 15 July 2020 and the shares issued on 9 April 2021. The comparative period has been adjusted for the share split that occurred on 20 February 2020 and the shares issued on 16 June 2020.

Note 2 The weighted average number of ordinary shares outstanding used in calculating diluted earnings per share has not been adjusted for 2,160,000 Service Rights granted under the NED Equity Plan and 1,000,000 Service Rights granted under the Executive Rights Plan (Note 7.2) as they are anti-dilutive.

NOTE 22 RELATED PARTY TRANSACTIONS

See Note 16 for related party loans and Notes 10,11 and 12 for related party transactions that occurred during the reporting period and Note 23 for related party transactions that occurred subsequent to the reporting period.

22.1 Transactions with Directors, Key Management Personnel and Other Related Parties

Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP") of Li-S Energy and consulting fees to other related parties are shown in the table below:

	Short Term Benefits								
	Salary & Fees	[3]Cash Bonus	Non-Monetary	Post employment Super-annuation	Long Term Benefits	Termination Payments	[1]Share Based Payments	Total	Performance Related
2021	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**%**
Directors									
Non-Executive									
B Spincer	-	-	-	-	-	-	36,667	36,667	
A McDonald[2]	16,667	200,000	-	-	-	-	24,444	241,111	83
R Levison[2]	16,667	100,000	-	-	-	-	24,444	141,111	71
H Cray	-	-	-	-	-	-	24,444	24,444	
G Pullen	-	-	-	-	-	-	-	-	
Total Non-Executive	33,334	300,000	-	-	-	-	109,999	443,333	
Executive									
G Molloy[2]	16,667	400,000	-	-	-	-	-	416,667	96
Total Executive	16,667	400,000	-	-	-	-	-	416,667	96
Total Directors	50,001	700,000	-	-	-	-	109,999	860,000	
Other Key Management Personnel									
L Finniear[2][4]	98,100	100,000	-	-	-	-	17,058	215,158	46
K Hostland	-	100,000	-	-	-	-	-	100,000	100
M Winfield	-	50,000	-	-	-	-	-	50,000	100
G Walsh	-	50,000	-	-	-	-	-	50,000	100
Total Other	98,100	300,000	-	-	-	-	17,058	415,158	
Total Key Management Personnel	148,101	1,000,000	-	-	-	-	127,057	1,275,158	

(1) Equity settled share based payments. Service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests.

(2) Salary & Fees include directors fees paid from 1 July 2020 to 30 April 2021 and consulting fees paid from 14 February 2021 to 30 June 2021.

(3) Cash bonus was paid for work undertaken in relation to the Li-S Energy IPO and was above normal work responsiblities. Bonuses were invested in shares in Li-S Energy in off-market-transfers at $0.50 per share.

(4) Cash bonus was in relation to a sign-on fee for leaving his previous place of employment.

The following table details the total compensation each Non-Executive Director is entitled to receive in relation to their duties as a Director of Li-S Energy, the Directors do not receive any additional fees for participation on any Committees.

Director	**Directors' Fees $ (including superannuation)**
Dr Ben Spincer	120,000
Mr Robin Levison	80,000
Mr Tony McDonald	80,000
Ms Hedy Cray	80,000

Director fees for Ben Spincer include his responsibilities as the Chairman.

NOTE 22 RELATED PARTY TRANSACTIONS (continued)

Li-S Energy has adopted the NED Equity Plan under which the Board of the Company may invite Non-Executive Directors to apply for Service Rights to be issued in accordance with, and subject to the terms of the Plan. Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company. The following table indicates the amount of fees that a NED can sacrifice in return for a grant of Service Rights.

Financial Year	Fees Sacrifice ($)	Tranche	Number of Service Rights
Non-Executive Directors (NEDs)			
2021	80,000	1	160,000
2022	80,000	2	160,000
2023	80,000	3	160,000
Chairman			
2021	120,000	1	240,000
2022	120,000	2	240,000
2023	120,000	3	240,000

NEDs will sacrifice total Director fees of $80,000 for 160,000 Service Rights and the Chairman will sacrifice total Director fees of $120,000 for 240,000 Service Rights for each Financial Year. There is no amount payable other than the sacrificed fees for the Service Rights.
The number of Service Rights are calculated by dividing the amount of sacrificed fees by the Share price of $0.50 per Share being the price at which Shares were issued in the April 2021 capital raise. The fair value of these Service Rights at the time that they were granted have been independently valued at $0.50 each.

The Service Rights were issued as at 1 May 2021 and will vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED holds the office of NED on those dates. Each consecutive tranche commences annually on the vesting date of the prior tranche.

As at the end of the financial year, the number of ordinary shares held by directors and Key Management Personnel during the 2021 reporting period is set out below. All Service Rights are unvested at 30 June 2021:

2021	Share Balance at Start of Year	Shares Issued via PPK's In-specie Dividend	Shares Acquired	Shares Sold	Shares Held at the End of the Reporting Period	Service Rights Granted During the Reporting Period	Total Securities Held at the End of the Reporting Period
Directors							
Non-Executive							
B Spincer	-	-	200,000	-	200,000	720,000	920,000
A McDonald	-	166,961	700,000	-	866,961	480,000	1,346,961
R Levison	-	1,576,917	1,200,000	-	2,776,917	480,000	3,256,917
H Cray	-	-	27,201	-	27,201	480,000	507,201
Total Non-Executive	-	1,743,878	2,127,201	-	3,871,079	2,160,000	6,031,079
Executive							
G Molloy	-	5,640,784	800,000	-	6,440,784	-	6,440,784
Total Executive	-	5,640,784	800,000	-	6,440,784	-	6,440,784
Total Directors	-	7,384,662	2,927,201	-	10,311,863	2,160,000	12,471,863
Other Key Management Personnel							
L Finniear	-	-	200,000	-	200,000	1,000,000	1,200,000
Total Other	-	-	200,000	-	200,000	1,000,000	1,200,000
Total Key Management Personnel	-	7,384,662	3,127,201	-	10,511,863	3,160,000	13,671,863

NOTE 22 RELATED PARTY TRANSACTIONS (continued)

At 30 June 2021, Li-S Energy has the following related party agreements in place:

22.2 A Shareholders Deed between PPK Aust. Pty Ltd (PPK), Deakin University (Deakin) and BNNT Technology Limited (BNNTTL) sets out the respective rights and obligations of those shareholders as members of Li-S Energy Limited and the arrangements for the management, control and funding of the Company. Key terms of the deed in relation to the shareholders and directors' management and control are:

- any shareholder holding at least 10% of the issued share capital of the Company shall be entitled to appoint one director to the board;
- where BNNTTL is entitled to appoint a director to the board, PPK will nominate and appoint that director;
- the directors by unanimous resolution, may appoint an independent director and each director has one vote;
- the Chairman is appointed by PPK;
- a quorum for a board meeting is one director appointed by PPK and one director appointed by BNNTTL;
- to the extent permitted by law, a director may make a decision in the interest of the shareholder which appoint the director, without being required to have regard to the interests of the other shareholders to the Deed individually or collectively;
- management vests in the board;
- a quorum for a meeting of shareholders shall be the shareholders who alone or together have a combined equity share of greater than 50% and must include one representative from PPK and one representative from BNNTTL;
- each shareholder is entitled to one vote per share held by that shareholder; and
- all decisions of the directors or the shareholders must be made by ordinary resolution except for specific decisions which require unanimous or special majority resolutions as defined in the deed.

On 20 July 2021, PPK Aust., Deakin and BNNTTL executed a Deed of Termination of this Shareholders Agreement.

22.3 Deakin University

- Research and Development Agreement to conduct the services for the Li-S battery project for a period of 2 years. This agreement was superseded by a research framework agreement which was signed on 8 July 2021.
- 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.
- Leases for two production bays that are beside each other in Deakin's ManuFutures advanced manufacturing hub in Waurn Ponds, Victoria. Each lease consists of 157 square metres space, a 58 square metre office and monthly rent of $4,741 plus GST with a CPI increase at each anniversary date. Both leases commence on 1 July 2021 and lease 1 expires on 31 December 2023 and lease 2 expires on 30 June 2024, there are no options for further terms.

22.4 PPK Aust. Pty Ltd

- Shareholders Agreement in which PPK Aust. 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. The loan facility agreement was terminated on the repayment of the loan on 20 July 2020.
- 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. The loan facility agreement was terminated on the repayment of the loan on 20 July 2020.
- An agreement for management services at $10,000 per month from 1 July 2021. This agreement was superseded by a new management service agreement signed on 9 July 2021 with an effective date of 1 May 2021. Management fees paid to PPK Aust for the financial year were $200,000. An amount of $80,000 is unpaid at 30 June 2021.

22.5 BNNT Technology Limited

- Shareholders Agreement in which BNNTTL must provide its technical skills and know how.
- Supply Agreement in which BNNTTL has agreed to supply 100 grams of BNNT per annum at $1,000 per gram for a 2 year period. This agreement has been superseded by a new supply agreement signed on 9 July 2021.
- 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. The loan facility agreement was terminated on the repayment of the loan on 20 July 2020.

NOTE 23 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Operational Agreements

The Company has entered into a number of new operational agreements subsequent to the end of the financial year.

Supply Agreement with BNNTTL

On 9 July 2021, Li-S Energy and BNNTTL entered into a supply agreement for the supply of BNNTs to Li-S Energy for the purposes of using BNNTs in Li-S Energy's development, testing and manufacture of the Li-S Energy batteries. The key material terms of the supply agreement are as follows:

Term:	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
Termination:	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
Product supplied:	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.
Permitted Purpose:	Li-S Energy may only order BNNTs from BNNTTL to use BNNTs in the Customer's development, testing and manufacture of batteries (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing.
Other terms:	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

Distribution Agreement with BNNTTL

On 9 July 2021, Li-S Energy and BNNTTL have entered into a distribution agreement pursuant to which Li-S Energy is appointed as distributor for BNNT products within the battery industry, with certain exclusive distribution rights. The key material terms of the distribution agreement are as follows:

Term:	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
Termination:	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
Product used for distribution:	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.
Permitted Purpose:	Li-S Energy may only buy BNNTs from BNNTTL for the following Permitted Purposes (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing: (c) to distribute on an exclusive basis BNNTs to third party customers (**Customers**), provided the Customers are only permitted to use BNNTs to develop, test or manufacture lithium-sulphur batteries; and (d) to distribute on a non-exclusive basis BNNTs to Customers, provided the Customers are only permitted to use BNNTs to: a. develop, test or manufacture batteries that are not lithium-sulphur batteries (including to stockpile BNNTs for later use in accordance with forecasts); and

b. manufacture nanomesh products incorporating BNNTs (including Li-Nanomesh) for the use in any form or type of battery.

	For clarity, Li-S Energy is not restricted from distributing Li-S Energy's Li-Nanomesh (or other nanomesh products), or BNNTs to Li-S Energy's customers who have a licence from Li-S Energy to manufacture Li-Nanomesh (or other nanomesh products).
Territory:	Worldwide
Nature of Appointment:	Distributor in the Territory for the Permitted Purpose during the Term. Exclusive distributor for the Permitted Purposes relating to the distribution in respect of lithium-sulphur batteries, for the first seven years of the agreement. Li-S Energy's 'exclusivity' in respect of distributing Li-Nanomesh and BNNTs for manufacture of Li-Nanomesh is by virtue of Li-S Energy owning the IP required to manufacture Li-Nanomesh.
Other terms:	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

Management Services Agreement with PPK Aust

On 9 July 2021, Li-S Energy and PPK Aust have entered into a management services agreement pursuant to which PPK Aust will provide to Li-S Energy administrative support services. The key material terms of the management services agreement are as follows:

Term:	The contract commenced on 1 May 2021 for an initial term of 3 years and can be renewed by PPK Aust for a further 3 year term upon notice being provided by PPK Aust not later than 3 months prior to the expiry of the initial term.
Termination:	Either party may terminate the agreement on 30 days' notice if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar. PPK Aust may terminate the agreement on 30 days' notice if it is not satisfied with the Annual Plan of Li-S Energy. Li-S Energy may terminate the agreement at will on 6 months' notice.
Appointment:	PPK Aust is appointed to provide management services to Li-S Energy which will see PPK Aust assist Li-S Energy with its administrative functions such as accounting, record keeping, reporting, assisting with insurance and recruitment. PPK Aust will also provide staff to act in key officer roles including the public officer, chief financial officer and company secretary. It is also appointed, to the extent permitted by law, facilitate/oversee the funding and capital raising requirements of the company (note this does not include acting as an advisor).
Fees:	PPK Aust will be paid a fee for providing the management services which will be $150,000 for the initial three months from 1 May 2021 to 31 July 2021. This fee, together with the scope and performance of the management services, will be subject to review between the parties every 3 months (this allows for resetting of the fee in the event that Li-S Energy experiences business changes that require PPK Aust to provide additional (or reduce) resources to effectively provide the services). PPK Aust will be paid a funding fee of up to 1% of any debt or capital raised that it facilitates. PPK Aust will be entitled to recover any disbursements or expenses it incurs on behalf of Li-S Energy or in providing the services.
Indemnity:	Li-S Energy indemnifies PPK Aust for any loss that arises from the performance by PPK Aust of its obligations under the agreement.
Other terms:	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

Research Framework Agreement with Deakin

On 8 July 2021, Li-S Energy and Deakin have entered into a research framework agreement which governs all research projects conducted between Li-S Energy and Deakin as set out in Project Schedules made under the agreement. The key material terms of the research framework agreement are as follows:

Term:	The contract commenced on 8 July 2021 and continues until terminated.
Termination:	Either party may terminate the agreement and any Project Schedule immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
Project Schedules:	The parties may from time to time enter into Project Schedules made under the agreement for research projects proposed and negotiated by the parties. Such Project Schedules include terms around payment, steering committees, specified personnel of the parties and insurances required.
Intellectual Property:	Each party will retain ownership of their respective intellectual property developed prior to the date a Project commences or is acquired or developed independent of the agreement, but grants a non-transferrable licence to the other party to use such background intellectual property for the purposes of the relevant Project. Any new intellectual property created, developed or discovered in the conduct of a Project vests in Li-S Energy (Project IP). Deakin is granted a non-exclusive, perpetual, non-transferable, royalty free licence to use the Project IP for the purposes of the Project and for non-commercial research, teaching and scholarly pursuits. Deakin must also seek Li-S Energy's prior consent before it publishes any part of the Project IP as part of any publication.

Termination of Shareholders Agreement

On 20 July 2021, PPK Aust., Deakin and BNNTTL executed a Deed of Termination of the Shareholders Agreement effective on the date of signing.

Employment Contracts

On 9 July 2021, Li-S Energy has entered into an employment contract with Dr Lee Finniear for his engagement as CEO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

Total Remuneration Package:	$300,000 annual salary (including superannuation). In addition to his annual salary, Dr Lee Finniear has been granted, and has elected to be issued, 1,000,000 Service Rights vesting over a four year term in accordance with the Executive Rights Plan. Dr Lee Finniear is also eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to $100,000.
Term:	The contract commenced on 1 July 2021 and continues until terminated.
Termination by CEO:	6 months' notice.
Termination by Li-S Energy:	6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Lee Finniear at common law.

Non-competition and non-solicitation:	To protect the interests of Li-S Energy and its intellectual property, Dr Lee Finniear will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract, (e) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia; (f) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; (g) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or (h) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.

As a result of the Dr Lee Finniear entering into an employment contract, the previous consulting agreement with his consultancy company was terminated as at 30 June 2021. Consulting fees paid to or owing to his consultancy company to 30 June 2021 were $198,100.

On 1 July 2021, Li-S Energy has entered into an employment contract with Dr Steve Rowlands for his engagement as CTO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

Total Remuneration Package:	$176,000 annual salary (including superannuation). Dr Steve Rowlands is eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to $16,000, and the Company's Executive Rights Plan on terms to be confirmed. The Company will also reimburse Dr Steve Rowlands for all reasonable relocation costs from the UK, including an annual economy return flight to the UK.
Term:	The contract commenced on 1 July 2021 (with a three month probation period) and continues until terminated.
Termination by CTO:	2 months' notice during the probation period. 6 months' notice.
Termination by Li-S Energy:	2 months' notice during the probation period. 6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Steve Rowlands at common law.
Non-competition and non-solicitation:	To protect the interests of Li-S Energy and its intellectual property, Dr Steve Rowlands will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract, (e) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia; (f) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; (g) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or (h) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.

Consulting Agreements

On 16 July 2021, a consulting agreement between Li-S Energy and Glenn Molloy's consultancy company, Corso Management Services Pty Ltd. The key terms of the consultancy agreement are as follows:

Designated Person:	While the contract is between Li-S Energy and Glenn Molloy's consultancy company, the agreement requires that the services to be provided by Glenn Molloy unless otherwise agreed in writing by Li-S Energy and for Glenn Molloy to remain an employee of the consultancy company.
Entitlements:	A daily rate to be agreed between the parties. Mr Molloy is not paid any fees in respect of travel time to and from the locations where work is performed.
Term:	The contract commenced on 12 June 2021 and is for a period of 24 months unless terminated earlier by Li-S Energy as permitted under the agreement.
Termination:	Subject to annual renewal by written agreement, the contract terminates on 12 June 2023 or Li-S Energy can immediately terminate the agreement if Mr Molloy: (g) commits any act involving fraud, deceit, dishonesty or other serious misconduct (whether in relation to Li-S Energy or otherwise); (h) becomes bankrupt or commits any act of bankruptcy; (i) is charged with any serious criminal offence; (j) refuses or fails to comply with any lawful request made by Li-S Energy or any of its Directors; (k) is unable to properly perform the essential elements of the Chief Commercial Actions Officer role whether as a result of illness, accident or otherwise; or (l) is in breach of any obligations under the contract and fails to rectify the breach within 5 business days after being requested to do by Li-S Energy. Either party may terminate on 3 months' notice.
Non-competition and non-solicitation:	To protect the interests of Li-S Energy and its intellectual property, Mr Molloy will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract, (e) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy; (f) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; (g) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or (h) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation. This restraint will not prevent Mr Molloy from performing his roles or holding his interest in PPK Group Limited entities or entities it holds an interest in.

On 7 July 2021, a consulting agreement between Li-S Energy and Andrew Cooke's consultancy company, AJC Corporate Services Pty Ltd was entered into. The agreement is made on standard commercial terms for services for the provision of company secretarial services.

Australian Research Council Industrial Transformation Research Hub

Deakin University has been awarded grant funding by the Australian Research Council (ARC) to establish and operate the ARC Industrial Transformation Research Hub in new safe reliable energy storage and conversion technologies. Under the grant agreement Deakin University must enter into a participant's agreement with each participating organisation before the research program can start.

On 11 May 2021, Li-S Energy signed the participant's agreement and the contract commences when all parties have executed their agreement. As at 30 June 2021, the other participants had not yet signed the agreement.

Commitment:	Cash contributions of $150,000 per year for five years totalling $750,000 and in-kind contributions of $50,000 per year for five years totalling $250,000.
Term:	The contract is for a period of 5 years unless terminated earlier by ARC as permitted under the agreement.
Termination:	The contract terminates on the fifth anniversary of the commencement date of the agreement or the date of which the final report is submitted to the ARC, whichever is later. Deakin University may terminate this agreement if the grant agreement with ARC is terminated for any reason or if the ARC suspends or reduces the scope of the research program or grant funding. Alternatively the agreement may be terminated if the participating organisations agree there is no longer a valid reason for continuing with the research program.

Lodgement of IPO Prospectus and Proposed Capital Raising

On 29 July 2021, Li-S Energy lodged a prospectus to raise $34,000,000, issue 40,000,000 ordinary shares and list on the ASX. As a result of this prospectus, the number of ordinary shares potentially outstanding is as follows:

	Number of Ordinary Shares
Outstanding and issued at 30 June 2021	600,200,230
Issued as a result of capital raising in the prospectus	40,000,000
Total outstanding and issued at the completion of the prospectus	640,200,230
Potentially issuable ordinary shares under the Service Rights as detailed in the Remuneration Report disclosed in the Directors' Report [1]	3,160,000
Issued and potentially issuable ordinary shares at the date of the prospectus	643,360,230

[1] Assuming all Service Rights vest and are converted to ordinary Shares.

The Prospectus opened on 2 August 2021 and closed on 13 August 2021 as the capital raise was oversubscribed. Li-S Energy made an application to the ASX, in accordance with the Prospectus, and is progressing the application with the ASX. There remain a number of steps before the ASX is in a position to confirm conditional listing approval, which are understood to be procedural for listing, and it is expected the listing will occur in September 2021.

Impact of COVID-19

Events relating to COVID-19 have resulted in significant economic volatility. There is continued uncertainty as to the ongoing and future response of governments and authorities globally, and a further Australian economic downturn is possible. As such, the full impact of COVID-19 to consumer behavior, employees and the Company are not fully known. Given this, the impact of COVID-19 could potentially be materially adverse to the Company's financial and/or operational performance. Further, any government or industry measures may materially adversely affect the Company's operations and are likely beyond the Company's control.

Due to COVID-19, the State and Federal Governments have imposed social-distancing restrictions which have, and may, disrupt the operations of the Company. 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 has imposed restrictions from time-to-time. Deakin University, who is contracted to provide the research and development for the Company, 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. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the Company.

Due to COVID-19, the manufacture of equipment and parts and the supply of raw materials in foreign markets may be restricted or delayed which could impact on the Company's operations.

There have been no other matter or circumstance that has arisen since the end of the financial period 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.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2021

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 2021 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. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.

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

Signed in accordance with a resolution of the Directors:

BEN SPINCER	**ROBIN LEVISON**
Chairman	**Non-Executive Director**

Brisbane, 2 September 2021

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working world

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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 2021, 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 2021 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 (including Independence Standards)* (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.

- 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
2 September 2021