ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

Li-S Energy Limited – ASX Code: LIS

Thursday 17 February 2022

Appendix 4D and Interim Financial Report

Li-S Energy Limited (ASX: LIS) ("LIS" or "the Company") is pleased to provide its Appendix 4D and Interim Financial Report for the Six Months Ended 31 December 2021.

This announcement has been authorised by the Board.

For further information contact:

Dr. Lee Finniear
Chief Executive Officer
On 07 3054 4555

LI-S ENERGY LIMITED

APPENDIX 4D AND INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

CONTENTS TO FINANCIAL REPORT

APPENDIX 4D

Highlights of results for announcement to the market

This information should be read in conjunction with the interim financial statements for the six months ended 31 December 2021.

Results for announcement to the market

Comparison to previous corresponding period	31 December 2021 $	31 December 2020 $	Change $	Change %
Total revenues	-	-	-	N/A
Profit / (loss)	(4,341,344)	(423,999)	(3,917,345)	(924)
Profit / (loss) after tax	(3,293,702)	(423,999)	(2,869,703)	(679)
Earnings / (loss) per share – cents (basic)	(0.53)	(0.08)	(0.45)	(563)
Net tangible assets per share – cents [1]	7.88	0.70	7.18	1,026

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

The Board has resolved not to issue an interim dividend.

DIRECTORS' REPORT

For the six months ended 31 December 2021

Your Directors submit their report for the six months ended 31 December 2021.

DIRECTORS

The names of the Company's Directors in office during the six months ended 31 December 2021 and until the date of this report are set out below. Directors who were in office for this period unless otherwise stated.

Ben Spincer	Non-Executive Director and Chairman
Robin Levison	Non-Executive Director
Anthony McDonald	Non-Executive Director
Hedy Cray	Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activity of Li-S Energy is to develop and commercialise a new type of battery and related products based on Lithium Sulphur (Li-S) and using boron nitride nanotubes (BNNT) as both an integrated protective insulation layer and a protective component in lithium anodes which will allow faster charging rates and increased battery cycle life. The Company also intends to capitalise on initial test results showing its Li-Nanomesh mitigates dendrite formation on Lithium anodes, in particular to extend the cycle life and enhance the commercial potential of Lithium Metal batteries.

REVIEW OF OPERATIONS

Initial Public Offering (IPO)

Li-S Energy completed its IPO with a $34 million capital raise and listed on the Australian Securities Exchange (ASX Code: "LIS") on 28 September 2021. The IPO was oversubscribed and well supported by retail and recognised institutional investors.

Research and Development Program

As noted in the Chairman's report for 30 June 2021, 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. An update on the four primary goals for 2022 and beyond follows:

1. Further optimise Li-S Energy technology, both the performance of our Lithium Sulphur batteries and the broader opportunities afforded by Li-Nanomesh

   - Li-S Energy has developed, and owns the IP, for a unique Li-Nanomesh composite material. Li-S Energy has proven that the Li-Nanomesh nano-material composite can inhibit dendrite formation in symmetric lithium cells. A range of additional cells have been manufactured and are under test to prove the effectiveness of Li-Nanomesh in suppressing dendrite formation across a broad range of different operating scenarios, for potential use in the manufacture of extended life lithium metal (Li-metal) batteries.
   - As noted in the Prospectus, we are expanding the research and development on the uses of Li-Nanomesh technology in other battery chemistries and currently testing on zinc and aluminium anodes to determine if Li-Nanomesh has a broader application than lithium anodes.

2. Produce Li-S Energy Batteries in pouch, cylinder and flexible battery formats to address the needs of partners and prospective customers who manufacture drones, electric cars, electric trucks, other electric vehicles, and other applications where battery weight is important such as the space sector.

    - Our single layer lithium sulphur pouch cells with BNNT showed a performance increase to more than 1,100 charge/discharge cycles in testing, more than 10 times the cycle life of typical lithium sulphur cells, while retaining greater than 60% of initial capacity.
    - We are developing multi-layer pouch cells in different configurations, with and without BNNT and Li-Nanomesh to test the performance of BNNT additives in multi-layer cells that are more typical of commercial cell construction. The first batch of 4 layer and 10 layer pouch cells have been built and are being tested.

3. Build a small scale commercial production facility, manufacture batteries and prove their benefits in commercial products with commercial partners

    - We are constructing battery optimisation and testing laboratories in Geelong, Victoria which are expected to be operational by March 2022. The facility includes two new automated cathode coating machines that will enable our team to rapidly scale up test cell production and deliver cells suitable for testing by collaboration partners.
    - We are using the intelligence and scientific results gained from our facility development in Geelong to design a small scale commercial production facility to further scale and automate the production of high quality Li-S cells to produce batteries for larger scale product Original Equipment Manufacturers (OEM) trials, and to gather production process data for battery manufacturers. The proposed facility is planned to include state-of-the-art cathode coaters, automated anode production equipment and pouch cell production, with the infrastructure including dry rooms, clean rooms, laboratories and offices.

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

    Developing the Resource Team
    - Dr Steve Rowlands was appointed as the Chief Technology Officer prior to our IPO and brings more than 8 years in charge of a large UK team of lithium-sulphur battery developers, including responsibility for development of an Li-S pilot production plant;
    - We are currently recruiting two senior management roles; and
    - Our Deakin University team has grown to 12 highly skilled scientists and technicians.

    Developing Intellectual Property Protection
    - The Company extended its intellectual property portfolio with a number of important “method of manufacture” developments in the use of nanomaterials which we are currently preparing for patent protection.

Commercialisation Partners

As noted in the Prospectus, Li-S Energy intended to collaborate with OEMs to prove the energy storage, technological and commercial benefits of Li-S Energy batteries in their real-world products. During this reporting period, Li-S Energy has announced the following two agreements with commercialisation partners:

Boeing's Insitu Pacific

The Insitu Pacific agreement is to integrate, test and eventually field Li-S Energy battery into Insitu Pacific's range of Uncrewed Aircraft Systems (UAS). The parties will work together to define and execute a program to manufacture and test batteries to the same size, weight and power constraints, utilising the same payload space and connectors. Li-S Energy and Insitu will then run a joint flight testing campaign at Insitu Pacific's test range in Queensland to prove the performance gains envisaged under this partnership. Should the advantages be realised, the UAS will be well positioned as a key contender for a number of global Small Tactical UAS opportunities with a range of Defence forces globally.

Insitu Pacific is a wholly owned subsidiary of Boeing, a global leader in aviation, aerospace and defence technology with government customers in more than 150 countries.

Janus Electric

The Janus Electric agreement is to develop and test Li-S Energy lithium sulphur and/or lithium metal battery cell technology incorporating BNNT and Li-Nanomesh, for use in Janus Electric exchangeable battery packs. The objectives is to increase vehicle range between battery exchanges and to reduce the total weight of each battery pack.

Janus Electric has developed a system to convert all diesel powered prime mover fleets to electric power and has developed a proprietary exchangeable battery system that negates the need for lengthy recharge times by allowing batteries to be swapped out of vehicles at designated change and charge stations in a matter of minutes. When used in conjunction with renewable energy, this would ultimately deliver a 'carbon zero' solution for electrifying Australia's road transport fleet.

Subject to successful testing and Li-S Energy being able deliver sufficient volume supply (and agreement of further commercial terms), Janus Electric intends to progressively phase out lithium-ion cells and purchase Li-S Energy cells to meet its projected requirements of 495,000 cells (total 247.5MWh) by the end of 2023, with additional demand growth expected in future years.

Process to Environmental, Social and Governance (ESG)

Li-S Energy takes its ESG responsibilities very seriously and intends to produce an annual sustainability report for this 2022 financial year.

ESG is a standing item on the Li-S Energy Board agenda and the company is currently putting the policies, controls and reporting systems in place to ensure a timely and relevant report can be prepared for shareholders and other stakeholders.

FINANCIAL RESULTS

Li-S Energy had a net loss after tax of $3,293,702 (2020: $423,999 net loss after tax). Major expenses incurred during the period were:

- IPO related expenses of $2,382,161 include:
    - Lead Manager's fees and expenses of $1,639,731;
    - ASX listing fees of $171,366; and
    - Professional fees of $571,064.

- Insurance costs of $432,072 and professional fees of $340,432.

- Share based payment expense (non-cash item) of $512,791 for the Directors' service rights ($493,456) and CEO's service rights ($19,335).

- Employee salaries and related expenses of $339,485.

- Management fees of $300,000 paid to PPK Aust. Pty Ltd.

The Company has recognised an income tax benefit of $1,047,642.

The Company has a strong balance sheet with total net assets of $53,841,902 (June 2021: $22,750,010) which includes net working capital of $47,750,121 (June 2021: $18,457,579). As a result of the capital raise of $34,000,001 the Company's cash balance is $46,846,995 (June 2021: $18,606,698).

Consistent with its research and development program, the Company has capitalised fixed assets of $254,638 (June 2021: $120,773) and intangible assets of $1,377,616 (June 2021: $991,863). The intangible assets include $307,815 of payments to Deakin University, for the work undertaken in relation to the research and development agreements entered into with the Company, and $77,938 in capitalised inventory. There were payments during the period of $60,150 made to BNNT Technology Limited for the purchase of BNNT.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Initial Public Offering (IPO)

Li-S Energy raised $34.0 million via an IPO, issued 40 million shares at $0.85 per share and listed on the Australian Securities Exchange on 28 September 2021.

Following the IPO and earlier funding rounds, Li-S Energy was well capitalised to pursue its commercial and research and development activities with a cash balance of about $52,900,000 immediately post the IPO. Of this, about $29,000,000 was for project expenditure with working capital of circa $16,500,000 to fund potential expansion and/or acceleration of existing projects, commencement of new development projects and the pursuit and engagement in revenue generating opportunities through Original Equipment Manufacturer (OEM) collaboration and other partnerships.

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

DIVIDENDS

There were no dividends declared or paid during the period.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Li-S Energy has signed the following research and development agreement with Deakin, under the Research Framework Agreement:

Solid State Electrolytes and Li-S Cells

The purpose of the project is to develop a more commercially practical, safe electrolyte to support stable, long term lithium metal cycling, stable sulphur electrochemistry and minimise polysulfide dissolution. The best performing liquid electrolytes will be incorporated into solid state electrolytes to identify optimum composition for long-term Li-S stability and performance in pouch cell configurations. Solid state electrolytes are the Holy Grail of the battery industry and the outcomes of this project should add world beating electrolyte IP to our existing cathode and anode IP.

The agreement commenced 1 February 2022. Total cost to Li-S Energy for this project is $1,670,785 and Deakin will be responsible for the costs of its personnel, equipment, workshops/offices/facilities, consumables and staff for technical, IT and OH&S support.

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, State and Federal Governments have imposed 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. Deakin University, who is contracted to provide the research and development for the Company, may have limitations 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

Further research and development will focus on:

Research and Development

- Subject to the outcomes of the initial Li-Metal/Nanomesh testing, we will scale up the prototype production of single and multi-layer pouch cells for Li-Metal battery development and testing in Geelong.
- Testing of alternative raw material supplies to reduce production costs
- Research into Solid State Li-S Batteries, in conjunction with the Australian Research Council (ARC), to establish and operate the ARC Industrial Transformation Research Hub in New, Safe and Reliable Energy Storage and Conversion Technologies.
- Li-S Energy is a partner in the CRC 4 Innovative Manufacturing bid currently under consideration by the Government.

Build a small scale commercial production facility

The size of the small scale commercial production facility is between 2,500 m^2 to 3,000 m^2 with 1,500 KVA to 2,000 KVA power. We are favouring the use of an existing building if a suitable premises is available, to reduce likely time to operation. Our focus remains on developing a facility in South East Queensland, where the Company is headquartered, and where our senior management is based.

This decision will need to be made over the coming months so the building configuration and build can be completed in time for the small scale commercial production facility to be commissioned.

Expanding the Resource Team

As noted earlier, we are in the process of employing key management roles but will continue to employ additional staff to support the various initiatives we have in progress. We also expect to expand the research and development team with specialty resources from Deakin, other universities, international companies and our commercial partners. This expansion is consistent with that proposed in our Prospectus.

Ben Spincer
Chairman
16 February 2022

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Building a better working world

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

As lead auditor for the review of the half-year financial report of Li-S Energy Limited for the half-year ended 31 December 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 review;

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

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

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
16 February 2022

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2021

	Notes	31 December 2021 $	31 December 2020 $
Revenue from contracts with customers		**-**	-
Cost of sales		**-**	-
GROSS PROFIT		**-**	-
Other income		**28,490**	-
Employee benefits expenses		**(339,485)**	-
Directors' fees	4	**-**	(30,000)
Share based payments expense	4	**(512,791)**	-
Management fees	18	**(300,000)**	(60,000)
Initial public offering expenses	7	**(2,382,161)**	-
Insurance expenses		**(432,072)**	-
Professional fees		**(340,432)**	-
Finance costs	5	**(4,681)**	-
Depreciation and amortisation expense	13.1	**(97,555)**	(27,884)
Unrealised gain/(loss) on investment at FVTPL	10	**91,100**	(277,671)
Administration expenses		**(51,757)**	(28,444)
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		**(4,341,344)**	(423,999)
Income tax (expense) benefit	6(a)	**1,047,642**	-
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		**(3,293,702)**	(423,999)
Earnings (loss) per share (in cents)			
Basic	17	**(0.53)**	(0.08)
Diluted	17	**(0.53)**	(0.08)
PROFIT (LOSS) FOR THE PERIOD		**(3,293,702)**	(423,999)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX		**(3,293,702)**	(423,999)

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

INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Notes	31 December 2021 $	30 June 2021 $
CURRENT ASSETS			
Cash		**46,846,995**	18,606,698
Trade and other receivables		**144,694**	226,143
Other assets	8	**1,067,794**	68,135
TOTAL CURRENT ASSETS		**48,059,483**	18,900,976
NON-CURRENT ASSETS			
Investments	9	**2,349,162**	2,258,062
Intangible assets	11	**1,377,616**	991,863
Property, plant and equipment	12	**254,638**	120,773
Right-of-use assets	13	**295,969**	-
Deferred tax assets	6(c)	**2,011,774**	921,733
TOTAL NON-CURRENT ASSETS		**6,289,159**	4,292,431
TOTAL ASSETS		**54,348,642**	23,193,407
CURRENT LIABILITIES			
Trade and other payables		**210,243**	443,397
Lease liabilities		**89,071**	-
Provisions		**10,048**	-
TOTAL CURRENT LIABILITIES		**309,362**	443,397
NON-CURRENT LIABILITIES			
Lease liabilities		**157,378**	-
Provisions		**40,000**	-
TOTAL NON-CURRENT LIABILITIES		**197,378**	-
TOTAL LIABILITIES		**506,740**	443,397
NET ASSETS		**53,841,902**	22,750,010
EQUITY			
Contributed equity	15	**56,867,644**	22,994,841
Reserves	16	**1,987,499**	1,474,708
Retained earnings (accumulated losses)		**(5,013,241)**	(1,719,539)
TOTAL EQUITY		**53,841,902**	22,750,010

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

INTERIM STATEMENT OF CASH FLOWS

for the six months ended 31 December 2021

	Notes	31 December 2021 $	31 December 2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
BAS received		**386,440**	-
Payments to suppliers and employees		**(2,161,339)**	(60,501)
Payments for IPO related costs		**(2,382,161)**	
Management fees paid to parent entity	18	**(300,000)**	(66,000)
Interest paid	5	**(4,681)**	(50)
Net cash from (used in) operating activities	5	**(4,461,741)**	(126,551)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets	11.1	**(760,985)**	(255,968)
Payments for property, plant and equipment	12.1	**(301,705)**	(99,835)
Net cash from (used in) investing activities		**(1,062,690)**	(355,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings – related parties		**-**	(1,091,267)
Proceeds from issue of shares	15.1	**34,000,001**	-
Transaction costs on issue of shares	15.1	**(169,598)**	-
Payment of lease liabilities		**(65,675)**	-
Net cash from (used in) financing activities		**33,764,728**	(1,091,267)
Net increase (decrease) in cash held		**28,240,297**	(1,573,621)
Cash at the beginning of the period		**18,606,698**	3,036,100
Cash at the end of the period		**46,846,995**	1,462,479

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

INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2021

	Notes	Contributed Equity $	Share Premium Reserve $	Share Rights Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2021		**22,994,841**	**1,347,650**	**127,058**	**(1,719,539)**	**22,750,010**
Total comprehensive income (loss) for the period						
Profit (loss) for the period		-	-	-	(3,293,702)	(3,293,702)
Other comprehensive income (loss) for the period		-	-	-	-	-
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**(3,293,702)**	**(3,293,702)**
Issue of ordinary shares on initial public offering	15.1	34,000,001	-	-	-	34,000,001
Issue of service rights for Non-Executive Directors	16.1	-	-	493,456	-	493,456
Issue of service rights for Executive	16.1	-	-	19,335	-	19,335
Transaction costs on issue of ordinary shares	15.1	(169,598)	-	-	-	(169,598)
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years	15.1	42,400				42,400
Balance as at 31 December 2021		**56,867,644**	**1,347,650**	**639,849**	**(5,013,241)**	**53,841,902**

	Notes	Contributed Equity $	Share Premium Reserve $	Equity Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2020		663,366	1,347,650	3,030,000	(35,148)	5,005,868
Total comprehensive income (loss) for the period						
Profit (loss) for the period		-	-	-	(423,999)	(423,999)
Other comprehensive income (loss) for the period		-	-	-	-	-
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**(423,999)**	**(423,999)**
Issue of ordinary shares on private placement		-	-	-	-	-
Issue of ordinary shares on purchase of investment		3,250,000	-	(3,250,000)	-	-
Transaction costs on issue of ordinary shares		(220,000)	-	220,000	-	-
Balance as at 31 December 2020		**3,693,366**	**1,347,650**	**-**	**(459,147)**	**4,581,869**

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2021

NOTE 1 CORPORATE INFORMATION

The financial statements of Li-S Energy Limited ("Li-S Energy" or "the Company") for the six months ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 16 February 2022.

Li-S Energy is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX Code: LIS). Li-S Energy is registered in Queensland and has its head office at Level 27, 10 Eagle Street, Brisbane, Queensland, 4000.

The principal activity of Li-S Energy is to develop and commercialise a new type of battery and related products based on Lithium Sulphur (Li-S) and using boron nitride nanotubes (BNNT) as both an integrated protective insulation layer and a protective component in lithium anodes which will allow faster charging rates and increased battery cycle life. The Company also intends to capitalise on initial test results showing its Li-Nanomesh mitigates dendrite formation on Lithium anodes, in particular to extend the cycle life and enhance the commercial potential of Lithium Metal batteries.

Li-S Energy raised $34,000,001 via an Initial Public Offering (IPO), issued 40,000,000 shares at $0.85 per share and listed on the Australian Securities Exchange on 28 September 2021.

Following the IPO and earlier funding rounds, Li-S Energy was well capitalised to pursue its commercial and research and development activities with a cash balance of about $52,900,000 immediately post the IPO. Of this, about $29,000,000 was for project expenditure with working capital of circa $16,500,000 to fund potential expansion and/or acceleration of existing projects, commencement of new development projects and the pursuit and engagement in revenue generating opportunities through Original Equipment Manufacturer (OEM) collaboration and other partnerships.

At 31 December 2021, Li-S Energy has cash of $46,846,995 and, as stated in in the Quarterly Activities and Cashflow Reports lodged with the ASX on 28 January 2022, Li-S Energy is still on track to meet the business objectives that sit behind the "use of funds" statement as described in the prospectus.

There were no other significant changes in the nature of the Company's principal activities during the period.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Statement of Compliance

The interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This financial report also complies with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual report for the year ended 30 June 2021, and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time for reporting periods beginning on or after 1 July 2021, but do not have an impact on the interim financial statements of the Company.

2.3 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.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's financial statements for the year ended 30 June 2021.

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

2.4 Going Concern

The interim financial statements have been prepared on the basis that the Group is a going concern, able to realise assets in the ordinary course of business and settle liabilities as and when they fall due. In making this assessment, the Directors have identified and considered the following:

- During the whole period, and at all times subsequent, the Company has been able to meet its obligations as and when they fall due;
- The Company maintains a strong balance sheet, with net assets of $53,841,902, which includes net working capital of $47,750,121 and cash of $46,846,995; and
- Current project plans and cash flow forecasts.

NOTE 3 SEGMENT INFORMATION

Operating segments have been determined based on consolidated financial information reviewed by the Directors and Executives who are the chief operating decision makers of the Company. The only reportable segment for 31 December 2021 is to develop and commercialise a new type of battery and related products based on Lithium Sulphur and using boron nitride nanotubes as both an integrated protective insulation layer and a protective component in lithium anodes which will allow faster charging rates and increased battery cycle life.

NOTE 4 SHARE BASED PAYMENT EXPENSE

	Notes	31 December 2021 $	31 December 2020 $
NED Equity Plan	16.1	493,456	-
Executive Rights Plan	16.1	19,335	-
		512,791	-

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 2024. 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 in accordance with their vesting profile.

Each tranche vests proportionally to the portion of the vesting period served by the Director. The daily cost of each tranche per director is $986. While tranche 1 is recognised as an expense over the first year of the service period, as Directors need to serve years 1, 2 and 3 respectively to participate in tranches 2 and 3, the service period for these latter tranches commenced on issuance of the instruments on 1 May 2021. As a result of this a portion of tranches 2 and 3 is recorded in earlier years and will see a disproportional expense recorded.

The vesting period for each tranche is from the Issue Date to the Vesting Date as shown in the table below:

Tranche	Issue Date	Vesting Date	Total Value $	30 June 2021 $	30 June 2022 $	30 June 2023 $	30 June 2024 $
1	1 May 2021	30 April 2022	360,000	167,390	192,610	-	-
2	1 May 2021	30 April 2023	360,000	41,744	244,929	73,327	-
3	1 May 2021	30 April 2024	360,000	24,396	145,978	143,498	46,128
Total			1,080,000	233,530	583,517	216,825	46,128

In the previous period, Directors received fees of $30,000.

The Chief Executive Officer (CEO) was granted 1,000,000 Service Rights on 12 November 2020 under the Li-S Energy Limited Executive Rights Plan. 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 in accordance with their vesting profile.

Each tranche vests proportionally to the portion of the vesting period served by the CEO. The daily cost of each tranche is $208. While tranche 1 is recognised as an expense over the first year of the service period, as the CEO needs to serve years 1, 2, 3 and 4 respectively to participate in tranches 2, 3 and 4 the service period for these latter tranches commenced on issuance of the instruments on 12 November 2020. As a result of this a portion of tranches 2, 3 and 4 is recorded in earlier years and will see a disproportional expense recorded.

The vesting period for each tranche is shown in the table below:

Tranche	Issue Date	Vesting Date	Total Value $	30 June 2021 $	30 June 2022 $	30 June 2023 $	30 June 2024 $	30 June 2025 $
1	12 November 2020	30 April 2022	16,250	12,900	3,350	-	-	-
2	12 November 2020	30 April 2023	16,250	5,353	8,306	2,591	-	-
3	12 November 2020	30 April 2024	16,250	3,502	5,532	5,441	1,775	-
4	12 November 2020	30 April 2025	16,250	2,606	4,118	4,118	4,064	1,344
Total			65,000	24,361	21,306	12,150	5,839	1,344

Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is recognised in prior periods if share rights ultimately exercised are different to that estimated on vesting.

NOTE 5 CASH FLOW INFORMATION

	Notes	31 December 2021 $	31 December 2020 $
5.1 Reconciliation of cash flows from operating activities			
Profit (loss) after income tax		(3,293,702)	(423,999)
Cash flows in operating activities but not attributable to operating result:			
Non-cash flows in operating profit:			
Share based payments expense	4	512,791	-
Unrealised (gain)/loss on financial assets at fair value through profit or loss	10	(91,100)	277,671
Depreciation and amortisation expense	13.1	97,555	27,884
Finance costs		4,681	-
Income tax expense (benefit)	6(b)	(1,047,642)	-
Net changes in working capital:			
(Increase) decrease in trade and other receivables		81,449	994
(Increase) decrease in prepayments		(502,667)	(8,250)
Increase (decrease) in trade and other payables		(233,154)	(851)
Increase (decrease) in provisions		10,048	-
Net cash (used in) provided by operating activities		(4,461,741)	(126,551)
5.2 Non-cash financing and investing activities			
During the period, the Company had no non-cash adjustments other than new leases		-	-

NOTE 6 INCOME TAX EXPENSE

	Notes	31 December 2021 $	31 December 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		(4,341,344)	(423,999)
Prima facie tax payable (benefit) at 25.0% (2020: 26.0%)		(1,085,335)	(110,240)
(Non-assessable income) non-deductible expenses			
Losses for which no deferred tax asset was recognised		-	38,046
Temporary differences for which no deferred tax asset or liability was recognised		19,954	72,194
Adjustment for change in statutory tax rate		13,687	-
Other (non-assessable income) non-deductible expenses		4,052	-
Income tax expense (benefit)		(1,047,642)	**-**
The applicable weighted average effective tax rate is as follows:		24%	0%
(b) The components of tax expense comprise:			
Current tax		(741,922)	-
Deferred tax		(305,720)	-
Income tax expense (benefit)		(1,047,642)	**-**

NOTE 6 INCOME TAX EXPENSE (continued)

	31 December 2021 $	30 June 2021 $
(c) Recognised in the Statement of Financial Position		
Tax losses	1,084,085	355,849
Property, plant and equipment	-	(26,002)
Investments	40,439	65,742
Accruals	11,745	19,799
Capital Raising Costs [1]	875,505	506,345
Total	2,011,774	921,733

Note 1 Of the recognised deferred tax assets an amount of $220,107 relating to capital raising costs was recognised directly in equity and the balance of $655,398 was recognised in profit or loss.

(d) Not recognised in the Statement of Financial Position		
Unrecognised deferred tax assets / deferred tax liabilities		
Tax losses	-	-
Temporary differences	-	-
Total	-	-

NOTE 7 SIGNIFICANT EVENTS AND TRANSACTIONS

Li-S Energy raised $34,000,001 via an IPO, issued 40,000,000 shares at $0.85 per share and listed on the Australian Securities Exchange on 28 September 2021.

Total IPO related expenses recognised in the Statement of Profit or Loss of $2,382,161 include Lead Manager's fees and expenses of $1,639,731, ASX listing fees of $171,366 and professional fees of $571,064.

Following the IPO and earlier funding rounds, Li-S Energy was well capitalised to pursue its commercial and research and development activities with a cash balance of about $52,900,000 immediately post the IPO. Of this, about $29,000,000 was for project expenditure with working capital of circa $16,500,000 to fund potential expansion and/or acceleration of existing projects, commencement of new development projects and the pursuit and engagement in revenue generating opportunities through Original Equipment Manufacturer (OEM) collaboration and other partnerships.

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

NOTE 8 OTHER ASSETS – CURRENT

	Notes	31 December 2021 $	30 June 2021 $
Prepaids		893,626	-
Deposits		153,471	-
Lease		20,697	41,472
Other		-	26,663
		1,067,794	68,135

Prepaids consist of insurance premiums of $492,074, research and development payments of $375,232 made to Deakin for which the work has yet to commence and other annual subscriptions of $26,320.

NOTE 8 OTHER ASSETS – CURRENT (continued)

Deposits are upfront payments for equipment purchases that have been ordered but not yet delivered.

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 has recognised $20,775 of the prepaid lease as an amortised cost in the period.

NOTE 9 INVESTMENTS – NON-CURRENT

	Notes	31 December 2021 $	30 June 2021 $
Investment in Zeta Energy LLC		2,349,162	2,258,062

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 AUD500,000 in Zeta Energy LLC (see Note 10).

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 Group 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 (ie as prices), or indirectly (ie derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

31 December 2021	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Non-current assets				
Unlisted equity securities	-	-	2,349,162	2,349,162
	-	-	2,349,162	2,349,162
30 June 2021				
Non-current assets				
Unlisted equity securities	-	-	2,258,062	2,258,062
	-	-	2,258,062	2,258,062

For assets and liabilities that are recognised on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The level 3 fair value assessment of unlisted equity securities has been based on a confirmation received from Zeta Energy LLC at 31 December 2021 that it holds a membership interest of 2.0467% of Zeta Energy LLC's and based on the most recent capital raise completed by it on or about 1 November 2021, the amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of $0.7256 at 31 December 2021 (see Note 9).

The revaluation of the investments results in an unrealised gain on the investment of $91,100.

NOTE 11 INTANGIBLE ASSETS - NON-CURRENT

	Notes	31 December 2021 $	30 June 2021 $
Development costs		1,377,616	991,863
Less: Accumulated amortisation and impairment		-	-
Total intangible assets		1,377,616	991,863
Reconciliations			
Opening balance		991,863	428,080
Additions		385,753	563,783
Disposals		-	-
Transfers		-	-
Impairment		-	-
Amortisation		-	-
Closing balance		1,377,616	991,863

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

11.1 A reconciliation of the additions for intangibles to the statement of cash flows follows:

Additions		385,753
Prepaid intangibles	8	375,232
		760,985

NOTE 12 PROPERTY, PLANT AND EQUIPMENT - NON-CURRENT

	Notes	31 December 2021 $	30 June 2021 $
Software – at cost		15,538	6,870
Less: Accumulated amortisation and impairment		(2,172)	-
		13,366	6,870
Plant and Equipment - at cost		267,357	127,036
Less: Accumulated depreciation and impairment		(26,085)	(13,133)
		241,272	113,903
Total property, plant and equipment of continuing operations		254,638	120,773

NOTE 12 PROPERTY, PLANT AND EQUIPMENT – NON-CURRENT (continued)

Reconciliations **31 December 2021**	**Software** **$**	**Plant & Equipment** **$**	**Total** **$**
Opening balance	6,870	113,903	120,773
Additions	8,668	140,321	148,989
Disposals	-	-	-
Transfers	-	-	-
Depreciation and amortisation	(2,172)	(12,952)	(15,124)
Closing balance	13,366	241,272	254,638
30 June 2021			
Opening balance	-	-	-
Additions	6,870	127,036	133,906
Disposals	-	-	-
Depreciation and amortisation	-	(13,133)	(13,133)
Closing balance	6,870	113,903	120,773

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

Additions		148,989
Deposits	8	153,471
Fixed assets classified as prepaids at 30 June 2021		(755)
		301,705

NOTE 13 RIGHT-OF-USE ASSET - NON-CURRENT

	Notes	**31 December 2021** **$**	**30 June 2021** **$**
Right-of-use asset – at cost		357,625	-
Less: Accumulated amortisation and impairment		(61,656)	-
		295,969	-
Opening balance		-	-
Additions		357,625	-
Disposals		-	-
Transfers		-	-
Depreciation and amortisation		(61,656)	-
Closing balance		295,969	-

13.1 Reconciliation of depreciation and amortisation

	Notes	**31 December 2021** **$**	**30 June 2021** **$**
Lease	8	20,775	41,471
Property, plant and equipment	12	15,124	13,133
Right-of-use asset	13	61,656	-
		97,555	54,604

NOTE 14 COMMITMENTS

Li-S Energy has made a commitment to Australian Research Council Research Hub in New, Safe and Reliable Energy Storage and Conversion Technologies for $750,000 cash and $250,000 in kind contributions over a period of five years.

Li-S Energy has outstanding commitments to Deakin of $2,920,402 over the period to December 2023 for the Research Projects entered into under the Research Framework Agreement (see Note 18).

NOTE 15 SHARE CAPITAL

15.1 Issued capital

	31 December 2021 $	30 June 2021 $
640,200,230 (30 June 2021: 600,200,230) ordinary shares fully paid	56,867,644	22,994,841
Movement in ordinary share capital		
Balance at the beginning of the financial period	22,994,841	663,366
New shares issued, net of transaction costs	33,872,803	22,331,475
	56,867,644	22,994,841

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.

Li-S Energy raised $34,000,001 via an Initial Public Offering (IPO), issued 40,000,000 shares at $0.85 per share and listed on the Australian Securities Exchange on 28 September 2021. The transaction costs of the capital raised were $169,598, less $42,400 recognised as a deferred tax asset, with net funds received being $33,872,803.

15.2 Share movements

	31 December 2021 No. of Shares	30 June 2021 No. of Shares
Number of ordinary shares on issue	640,200,230	600,200,230
Movement in ordinary shares on issue		
Balance at the beginning of the financial period	600,200,230	51,020,409
New shares issued	40,000,000	44,999,614
Share split (500,000:1 basis)	-	504,180,207
	640,200,230	600,200,230

NOTE 16 RESERVES

		31 December 2021 $	30 June 2021 $
Share rights reserve	16.1	639,849	127,058
Share premium reserve	16.2	1,347,650	1,347,650
		1,987,499	1,474,708

NOTE 16 RESERVES (continued)

Movement in reserves

16.1 Share rights reserve

		31 December 2021 $	30 June 2021 $
Opening balance		127,058	-
Issue of rights to Non-Executive Directors	4	493,456	110,000
Issue of service rights to Chief Executive Officer	4	19,335	17,058
Closing balance		639,849	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 4).

16.2 Share premium reserve

	31 December 2021 $	30 June 2021 $
Opening balance	1,347,650	1,347,650
Movement	-	-
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 of $2,010,916 at the date of the investment and the 1,020,409 shares issued to Zeta Energy LLC at $0.65 per share at the same time (see Notes 9 and 10).

16.3 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 17 EARNINGS (LOSS) PER SHARE

	31 December 2021	31 December 2020
	$	$
Profit/(loss) after tax	(3,293,702)	(423,999)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding used in calculating basic earnings per share [1]	623,243,708	556,124,458
Weighted average number of ordinary shares outstanding used in calculating diluted earnings per share [1, 2]	623,243,708	556,124,458
Basic earnings (loss) per share (cents)	(0.53)	(0.08)
Diluted earnings (loss) per share (cents)	(0.53)	(0.08)

NOTE 17 EARNINGS (LOSS) PER SHARE (continued)

Note 1 The weighted average number of ordinary shares outstanding used in calculating basic and diluted earnings per share for the current period include the 40,000,000 of shares issued on 16 September 2021 for the capital raise of $34,000,001. The comparative period has been adjusted for the impact of the share split on the shares issued on 15 July 2020.

Note 2 The weighted average number of ordinary shares outstanding used in calculating diluted earnings per share for the current period 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 4) as they are anti-dilutive.

NOTE 18 RELATED PARTY TRANSACTIONS

During the six months ended 31 December 2021, Li-S Energy had the following related party agreements and transactions:

BNNT Technology Limited (BNNTTL)

A supply agreement entered into on 9 July 2021 with BNNTTL to supply BNNTs for development, testing and manufacture of Li-S Energy batteries. There have been no material changes to the terms and conditions of this agreement as disclosed in Note 23 Events Subsequent to the End of the Reporting Period in the 30 June 2021 Annual Report.

Li-S Energy paid $60,150 (June 2021: nil) to BNNTTL for the purchase of BNNT during the period.

A distribution agreement entered into on 9 July 2021 with BNNTTL pursuant to which Li-S Energy is appointed as a worldwide distributor for BNNT products. There have been no material changes to the terms and conditions of this agreement as disclosed in Note 23 Events Subsequent to the End of the Reporting Period in the 30 June 2021 Annual Report.

There were no distribution payments for BNNT products during the period.

Deakin University (Deakin)

A Research Framework Agreement with Deakin which governs all Research Projects conducted under the agreement including ownership of existing and new intellectual property and use of and publishing of project intellectual property. There have been no material changes to the terms and conditions of this agreement as disclosed in Note 23 Events Subsequent to the End of the Reporting Period in the 30 June 2021 Annual Report.

The original 2-year lithium sulphur development project agreement was completed during the period.

New Research Projects commenced under the Research Framework Agreement during this period which Deakin is responsible for the costs of its personnel, equipment, workshops/offices/facilities, consumables and staff for technical, IT and OH&S support follow:

<u>Construction of multi-layer Lithium Sulphur Pouch Batteries</u>

The purpose of the Research Project was to construct and deliver four and ten layer pouch battery cells utilising Li-Nanomesh for cycle testing, the project was completed during the period.

<u>Construction of single and multi-layer Lithium Metal Pouch Batteries</u>

The purpose of the Research Project is to construct and deliver single and multi-layer pouch lithium metal battery cells utilising Li-Nanomesh for cycle testing. The agreement commenced 13 September 2021 and is schedule to complete by 28 February 2022.

NOTE 18 RELATED PARTY TRANSACTIONS (continued)

New testing facility at ManuFutures

The purpose of the Research Project is to scale up the cathode research and development facility to provide information to optimise the configuration and development of the small commercial production facility. The agreement commenced 1 December 2021 and should complete by 1 May 2022.

Lithium Sulphur Pouch Battery Optimisation

The purpose of the Research Project is to optimise the construction, materials, processes and composition of the Li-S Energy pouch cells and to produce and optimise multi-layer pouches with up to 40 electrode layers to maximise energy capacity and density. The agreement commenced 1 September 2021 and is scheduled to complete by 1 September 2023.

Li-Nanomesh Anode Protection

The purpose of the Research Project is to confirm how the Li-Nanomesh protects the lithium anode from dendrite formation in Li-S batteries, optimise the Li-Nanomesh material and provide the data to support the patent application of Li-Nanomesh. The agreement commenced 1 December 2021 and is scheduled to complete by 1 December 2023.

Li-S Energy paid Deakin University $683,047 (June 2021: $563,783) in relation to the Research Projects during the period.

Lease Agreements

Leases for two production bays in Deakin's ManuFutures advanced manufacturing hub in Waurn Ponds, Victoria. There have been no material changes to the terms and conditions of the lease agreements as disclosed in Note 23 Events Subsequent to the End of the Reporting Period in the 30 June 2021 Annual Report. Li-S Energy paid Deakin $75,850 (December 2020: nil) in relation to the leases during the period.

PPK Aust Pty Ltd (PPK Aust)

A Management Service Agreement entered into on 9 July 2021 with PPK Aust for the supply of administrative support services. There have been no material changes to the terms and conditions of this agreement as disclosed in Note 23 Events Subsequent to the End of the Reporting Period in the 30 June 2021 Annual Report. Li-S Energy paid PPK Aust $300,000 (December 2020: $60,000) for the management services provided during the period.

NOTE 19 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Li-S Energy has signed the following research and development agreement with Deakin, under the Research Framework Agreement:

Solid State Electrolytes and Li-S Cells

The purpose of the project is to develop a more commercially practical, safe electrolyte to support stable, long term lithium metal cycling, stable sulphur electrochemistry and minimise polysulfide dissolution. The best performing liquid electrolytes will be incorporated into solid state electrolytes to identify optimum composition for long-term Li-S stability and performance in pouch cell configurations. Solid state electrolytes are the Holy Grail of the battery industry and the outcomes of this project should add world beating electrolyte IP to our existing cathode and anode IP.

The agreement commenced 1 February 2022. Total cost to Li-S Energy for this project is $1,670,785 and Deakin will be responsible for the costs of its personnel, equipment, workshops/offices/facilities, consumables and staff for technical, IT and OH&S support.

NOTE 19 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

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, State and Federal Governments have imposed 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. Deakin University, who is contracted to provide the research and development for the Company, may have limitations 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

The Directors of the company declare that:

a) The accompanying interim financial statements and notes of Li-S Energy Limited are in accordance with the Corporations Act 2001 and:

   (i) Comply with Accounting Standard AASB 134 *Interim Financial Reporting* and IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board; and

   (ii) give a true and fair view of the Company’s financial position as at 31 December 2021 and of its performance for the six months ended on that date.

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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

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

Brisbane, 16 February 2022

EY

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

Conclusion

We have reviewed the accompanying half-year financial report of Li-S Energy Limited (the Company), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a. Giving a true and fair view of the Company's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Brad Tozer
Partner
Brisbane
16 February 2022