

LE LITHIUM ENERGY LTD



ANNUAL REPORT
2022

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The **2022 Corporate Governance Statement** can be found at the following URL on the Company's website:
<https://lithiumenergy.com.au/who-we-are/corporate-governance/>

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ASX CODE

LEL

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COMPANY PROJECTS

ABOUT LITHIUM ENERGY LIMITED (ASX:LEL)

Lithium Energy Limited is an ASX listed battery minerals company which is developing its flagship Solaroz Lithium Brine Project in Argentina and the Burke Graphite Project in Queensland. The Solaroz Lithium Project (LEL:90%) comprises 12,000 hectares of highly prospective lithium mineral concessions located strategically within the Salar de Olaroz Basin in South America's "Lithium Triangle" in north-west Argentina. The Solaroz Lithium Project is directly adjacent to or principally surrounded by mineral concessions being developed into production by Allkem Limited (ASX/TSX:AKE) and Lithium Americas Corporation (TSX/NYSE:LAC). The Burke Graphite Project (LEL:100%) contains a high-grade graphite deposit and presents an opportunity to participate in the anticipated growth in demand for graphite and graphite related products.

SOLARZO LITHIUM BRINE PROJECT (ARGENTINA)

(90%)

Lithium Energy's flagship Solaroz Lithium Brine Project comprises 8 mineral concessions totalling approximately 12,000 hectares, located approximately 230 kilometres north-west of the provincial capital city of Jujuy within South America's 'Lithium Triangle' in North-West Argentina (refer Figure 1) in the Salar de Olaroz basin (the **Olaroz Salar**).

The highly prospective nature of the Solaroz Project is highlighted by its close proximity to two world class Lithium brine assets, being the flagship Olaroz Lithium Facility of Allkem Limited (ASX/TSX:AKE) (formerly Orocobre Limited) (**Allkem**)¹ and the advanced Cauchari-Olaroz development project held by Lithium Americas Corporation (TSX/NYSE:LAC) (**Lithium Americas**) (under a joint venture with Ganfeng Lithium).

The Solaroz Project is directly adjacent to or principally surrounded by concessions held by Allkem and Lithium Americas in the Olaroz Salar (refer Figure 2). Allkem's Olaroz Lithium Facility at the Olaroz Salar (under a joint venture with Tokyo Stock Exchange listed Toyota Tsusho Corporation (TYO:8015)) has been extracting lithium brine and producing lithium carbonate since ~2015.² Lithium Americas' Cauchari-Olaroz Project is located in the Olaroz Salar and neighbouring Salar de Cauchari adjacent to Allkem's Olaroz Lithium Facility.³

The location of Lithium Energy's Solaroz concessions is outlined in Figures 2 and 11.



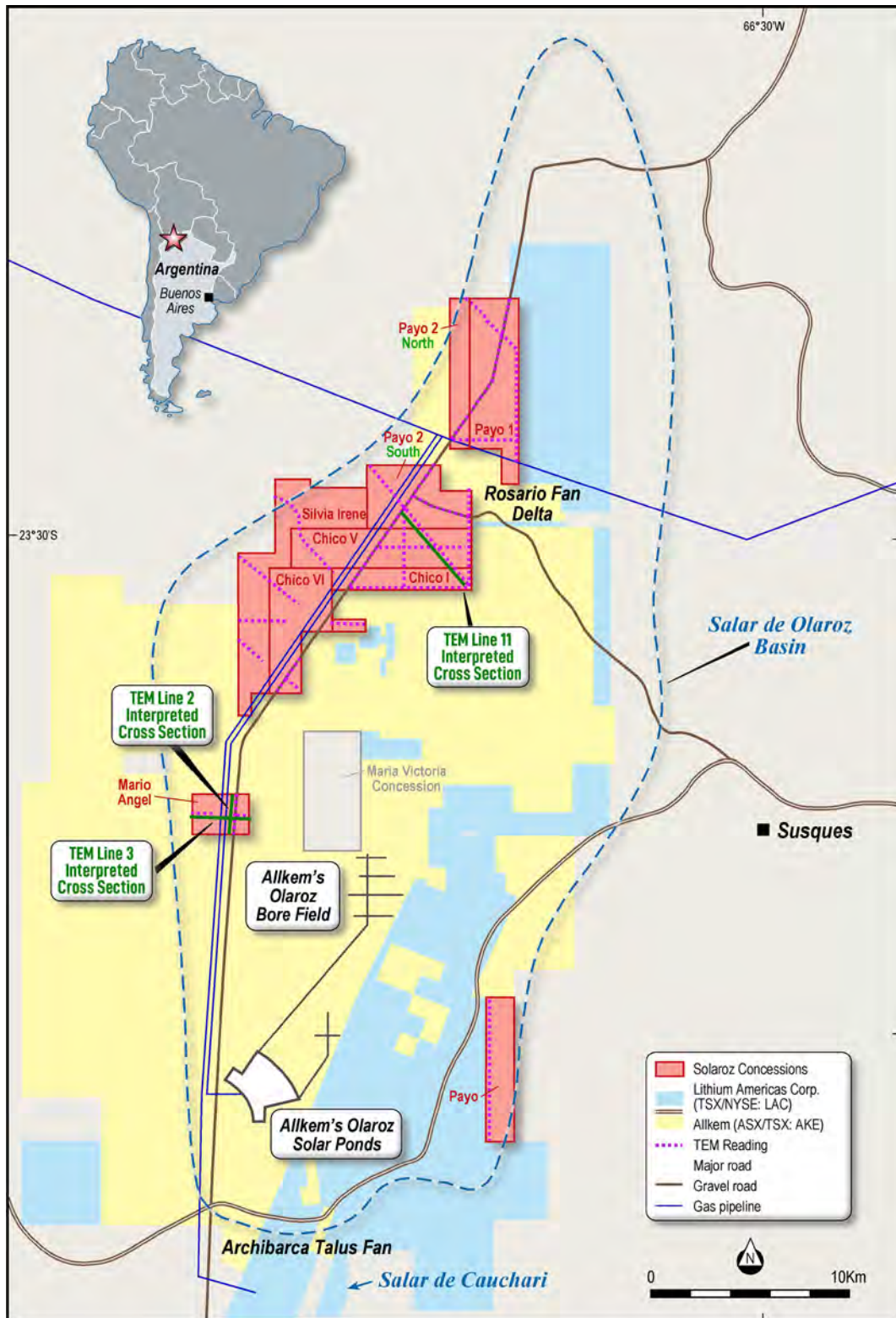
Figure 1: Lithium Projects Located in 'Lithium Triangle'

1 Orocobre Limited (former ASX:ORE) changed its name to Allkem Limited (ASX:AKE) with effect on 6 December 2021

2 Source: Allkem ASX announcements

3 Source: Lithium America's public releases

COMPANY PROJECTS



Solaroz Lithium Project, Argentina
Solaroz Concessions Location Plan

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Figure 2: TEM Survey Lines on Solaroz Concessions in Olaroz Salar (adjacent to Allkem and Lithium Americas Concessions)

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Solaroz Exploration Target

Lithium Energy has established a conceptual Exploration Target for the Solaroz Project of⁴:

1.5 to 8.7 million tonnes (Mt) of contained Lithium Carbonate Equivalent (LCE)
based on a range of lithium concentrations of between circa **500 mg/L Lithium (Li)** and **700 mg/L Li**

Brine Area (km ²)	SOLAROZ EXPLORATION TARGET					
	Thickness of Deep Sand Unit (m)	Lithium (mg/L)	Average Specific Yield (Sy) (%)	Brine Volume (million m ³)	Contained Lithium (Mt)	Contained LCE (Mt)
Upper Assumption Estimate						
78	150	700	20	2334	1.6	8.70
Lower Assumption Estimate						
78	75	500	10	584	0.3	1.5

Notes:

- (1) The Exploration Target's potential quantity and grade is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.
- (2) Brine Volume ranges are approximations derived from an interpretation of open file geological and geophysical data.
- (3) Porosity are approximations based upon open file information contained within Houston et al (13 May 2011), Allkem (23 October 2014) and Lithium Americas (30 September 2020).
- (4) Lithium grade ranges have been approximated from a review of open file information (Houston et al (13 May 2011), Allkem (23 October 2014)).
- (5) Percentage values have been rounded (to the nearest 1,000 unit) in relevant calculations.
- (6) A conversion factor of 5.323 has been adopted to convert elemental Li to Li₂CO₃ ((LCE).
- (7) For further details in relation to the Exploration Target, refer to Lithium Energy's ASX Announcement dated 8 June 2021: Substantial Lithium Exploration Target Identified at the Solaroz Project in Argentina.

The Exploration Target demonstrates the potential world-class scale of Solaroz and has been arrived at after a detailed examination of extensive geological data that exists in relation to the brine rich lithium aquifer that comprises the Olaroz Salar, including a review of historical exploration in the Olaroz Salar and a detailed review of reported results from geophysical surveys undertaken by Allkem and Lithium Americas, including a number of Gravity and Audio-frequency Magnetotellurics (**AMT**) surveys conducted by Allkem, some of which were undertaken over or closely adjacent to Lithium Energy's Solaroz concessions.

The Exploration Target is based on the interpretation that the alluvial deposits upon which the Solaroz concessions are located (at the North-West corner of the Olaroz Salar) have been deposited relatively recently and lie directly above the productive Deep Sand Unit of the lithium rich aquifer from which Allkem is extracting its brine. Geological modelling undertaken by Lithium Energy indicates the potential for a lithium-brine hosting Deep Sand Unit to occur beneath surficial material at depths from 200 - 400m over a large proportion of the Solaroz concessions.

Further information is in the Solaroz Deep Sand Unit section below.

The interpretation of the results of a geophysics exploration programme completed by Lithium Energy to date indicate the presence of significant quantities of conductive brines in the Solaroz concession area, with indicated brine thicknesses up to 300 metres and to depths up to 500 metres below surface in sections (as outlined below).

⁴ Refer LEL ASX Announcement dated 8 June 2021: Substantial Lithium Exploration Target Identified at the Solaroz Project in Argentina

COMPANY PROJECTS

Lithium Energy notes Allkem's update to their Olaroz Resource released in April 2022⁵, in which they substantially expanded the resource in the Olaroz Salar and confirmed strong project economics for expansion of production. The results from this update provide further support for Lithium Energy's conceptual Exploration Target, with the area defined by Allkem for their Updated 2022 Resource Outline extending close or adjacent to concessions held by Lithium Energy.

Exploration Objective

The objective of Lithium Energy's exploration programme is to define a maiden JORC Mineral Resource of lithium at Solaroz.

Lithium Energy will test the proposition that the aquifer which supplies the lithium-rich brine being extracted by Allkem extends under the Solaroz concessions. An extensive exploration programme has commenced, aimed at locating potentially lithium bearing brines of economic interest and obtaining preliminary information related to the hydrogeological and geochemical characteristics of the brine rich aquifer that comprises the Olaroz Salar underneath the Solaroz concessions, comprising:

- geophysical surveys to define the basin basement morphology and thickness of the hydrogeological units that have the potential to contain brines of economic interest; and
- an exploration drilling campaign to assess the distribution and geochemistry of the brine and to obtain data related to basic physical parameters of the different hydrogeological units.



Figure 3: North-Western section of the Olaroz Salar, where Lithium Energy exploration programme is underway

5 Refer Allkem's ASX/TSX Announcement dated 4 April 2022: Olaroz resource upgraded 2.5x to 16.2 million tonnes LCE – Confirmation of strong project economics for Olaroz stage 2

COMPANY PROJECTS

Geophysics Exploration Results Support Exploration Target

Lithium Energy has been undertaking a series of geophysical surveys over the Solaroz concession area:

- Passive Seismic surveys are being used to determine the depth of the underlying basement rock (i.e. the theoretical limit of potential lithium mineralisation) underneath the concessions.
- Transient Electromagnetic geophysics (**TEM**) surveys measures electrical conductivity at depth and are being used to identify the depth of conductive brines (i.e. salty water with low electrical resistivity) above the basement rocks identified by the Passive Seismic programme.



Figure 4: TEM Equipment



Figure 5: Placement of TEM Equipment

These results have confirmed the presence of significant quantities of conductive brines in the Solaroz concession area. Conductive brines such as those currently being mined by Allkem in adjoining concessions are a key pathfinder for the occurrence of lithium in the Olaroz Salar.

In particular, geophysics interpreted to date indicates that the Olaroz Salar over its growth history has been influenced by basement growth faults that have locally influenced the thickness of the sedimentary units in the basin. Because of this, portions of the Olaroz Salar in the Solaroz concession area have locally thickened sedimentary units which appear to have locally increased the thickness of the brine hosting units.

Thicknesses of interpreted brine within the Solaroz concession area of up to 300 metres and to depths up to 500 metres below surface have been identified (see Figure 6 below), which Lithium Energy believes is highly encouraging for the potential establishment of a significant maiden JORC Mineral Resource for Solaroz.

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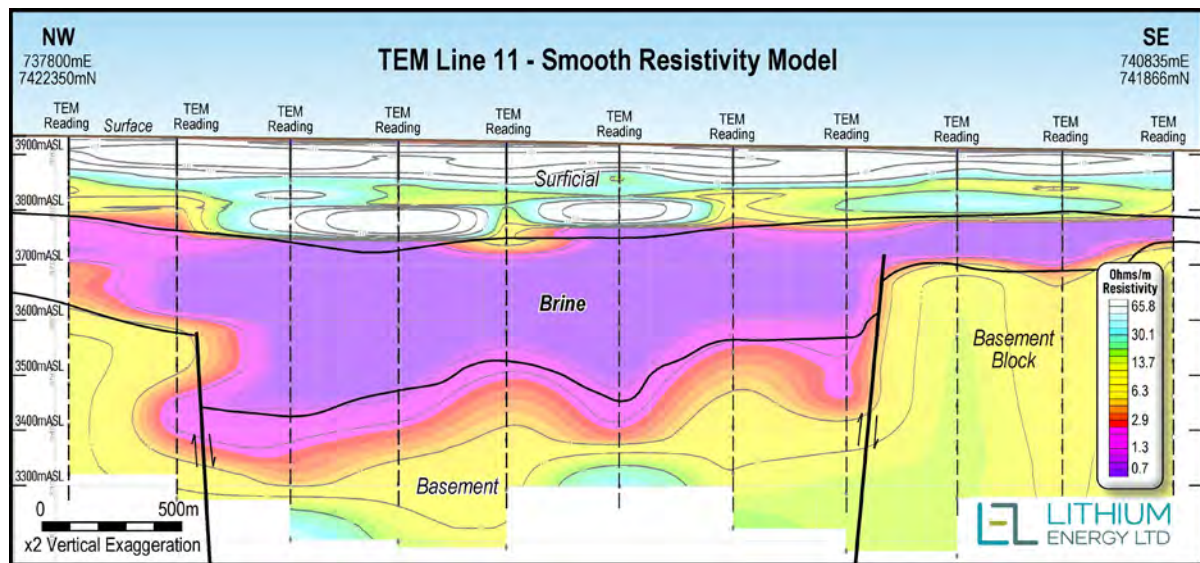


Figure 6: Cross-section measured resistivity along TEM Survey Line 11 across Payo 2 South, Chico V and Chico I concessions

The volumes of interpreted conductive brines across the three separate sections which have been interpreted to date (including TEM Survey 11 referred to above), are shown in red in Figures 7, 8 and 9 below

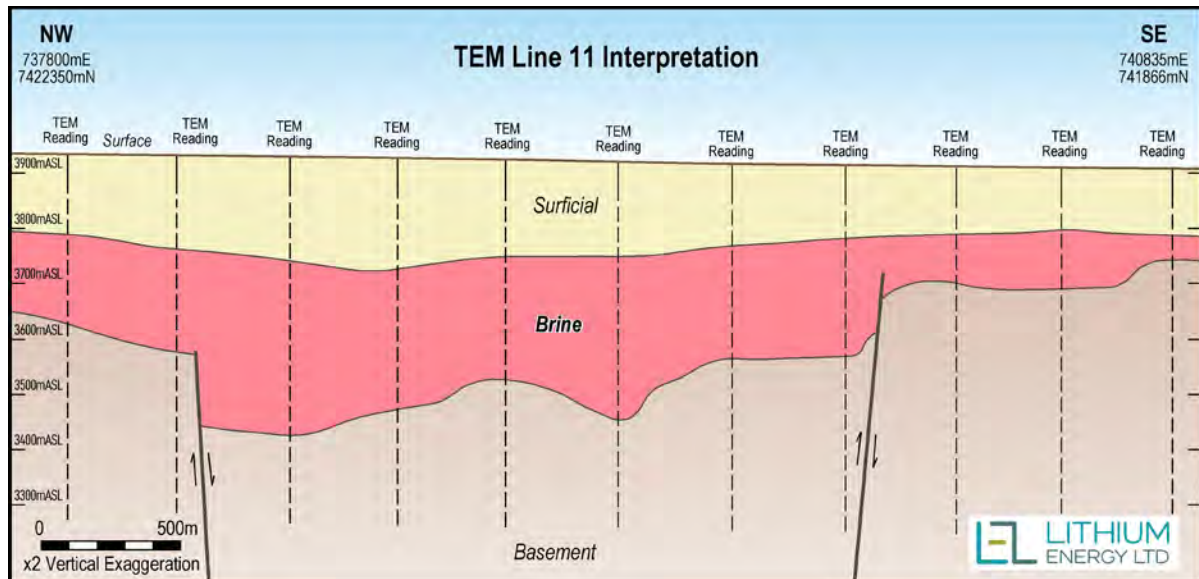


Figure 7: Cross-section along TEM Survey Line 11 across Payo 2 South, Chico V and Chico I concessions, interpreted from TEM Survey data

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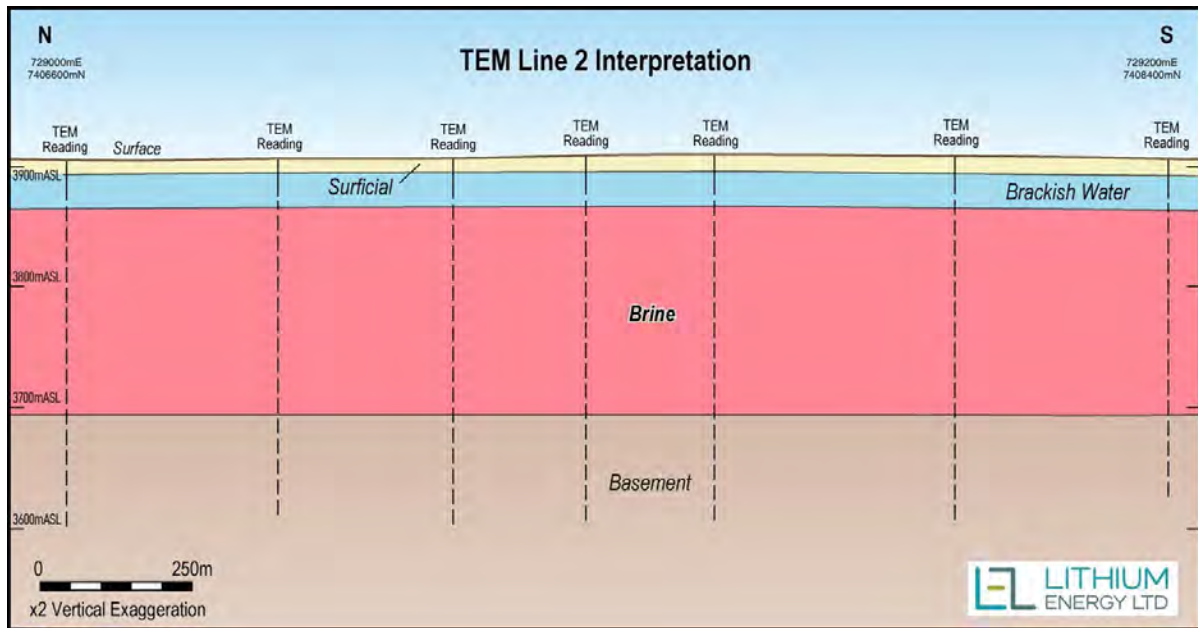


Figure 8: Cross-section along (North-South) TEM Survey Line 2 across Mario Angel concession, interpreted from Passive Seismic and TEM Survey data

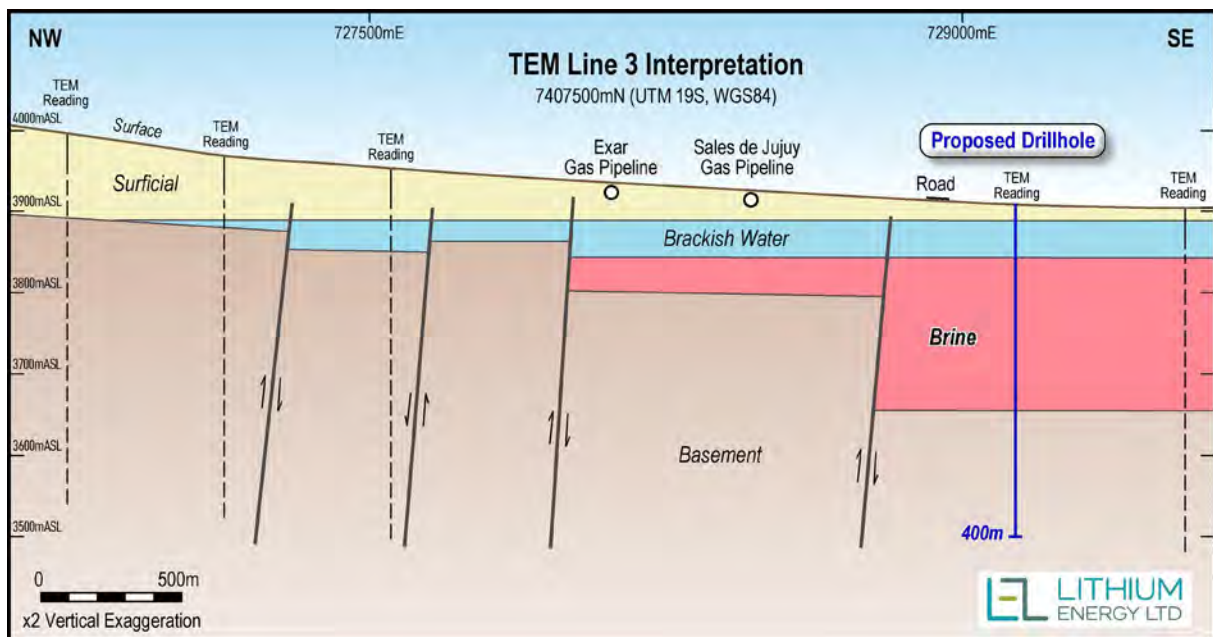


Figure 9: Cross-section along (West-East) TEM Survey Line 3 across Mario Angel concession (also showing proposed maiden drill hole), interpreted from Passive Seismic and TEM Survey data

The collection of site data from TEM surveys undertaken across the Solaroz tenure was successfully completed in September 2022. This data is being interpreted in conjunction with collected Passive Seismic survey data, to build up a complete three-dimensional model of the potentially lithium rich conductive brines at Solaroz.

COMPANY PROJECTS

Drilling Programme

A drilling rig mobilised to site during September 2022 to commence drilling borehole OZDH001 within the Mario Angel concession.

This first hole, of a planned 10 hole, 5,000 metre initial drilling programme, is located adjacent to Allkem's existing production assets (~10kms from its production bore field) and less than ~3km from the Maria Victoria concession, which Allkem recently announced they have entered into a binding and conditional Heads of Agreement to acquire as a 'strategic lithium tenement'.⁶

The interpretation of geophysical surveys undertaken at this drill location (refer also Figure 9) together with its close proximity to Allkem's production assets, leads Lithium Energy to believe this site to be highly prospective for lithium bearing brines.

Lithium Energy will continue interpreting the recent geophysics results to determine the optimal locations for subsequent drill holes in the 5,000 metre drilling programme

The initial 5,000 metre drilling programme comprises a combination of 10 diamond and rotary holes, undertaken by a drilling contractor with extensive experience in the Olaroz Salar. This drilling will test the extent and grades of lithium mineralisation, porosity and flow rates across the layer(s) of conductive brines which have been previously identified through a geophysics programme undertaken by Lithium Energy. This information will then be interpreted to develop a potential maiden JORC Mineral Resource for Solaroz.

Previous exploration by other companies in the Olaroz Salar indicates that the upper portions of the salar sediments are typically intermixed clay rich sediments and thin sandstone units, which bulk up and can represent a broad upper brine target. Towards the base of the salar sediments is the main exploration target, the "Deep Sand Unit", followed by the base of the salar, and then the Tertiary Basement units.

⁶ Refer Allkem ASX Announcement dated 15 August 2022: Allkem to acquire strategic tenement in exchange for Borax

COMPANY PROJECTS

Solaroz Deep Sand Unit

Lithium Energy is highly encouraged by the early results of its passive seismic and TEM geophysics surveys, as they support the conceptual geological model for Solaroz, which was principally based upon previous exploration undertaken by Allkem on concessions neighbouring the Solaroz concession areas by Allkem.

Lithium Energy's interpretation of the Olaroz Salar basin architecture is that the aquifer which supplies the lithium-rich brine being extracted by Allkem and forming the lithium mineralisation upon which the Lithium Americas project is based, is contained in a Deep Sand Unit of the Olaroz Salar which extends to the north and west under the Talus Alluvial Wedge and the Solaroz concessions (refer Figure 10).

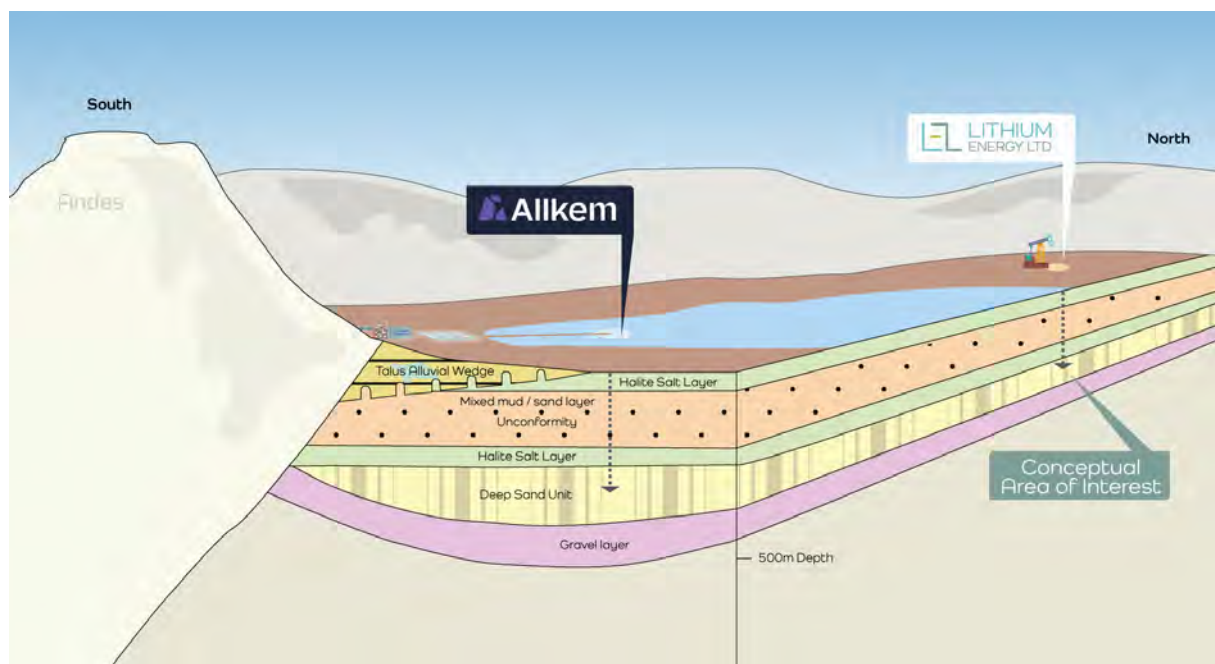


Figure 10: Solaroz Geological Exploration Concept

The presence of the Deep Sand Unit in the Olaroz Salar has been confirmed by exploration works undertaken by Allkem and Lithium Americas. The Company notes that the Rosario Fan Delta at the northern end of the Olaroz Salar and over which the *Payo 1* and *Payo 2* concessions are situated (refer also Figures 12 and 13), contains the interpreted paleo channel through which brines are interpreted to have likely flowed from the north into the Deep Sand Unit within both the Olaroz Salar and neighbouring Salar de Cauchari to the south.

The Company's interpretation of the Deep Sand Unit and paleo channel is conceptual in nature, there has been insufficient exploration to estimate a JORC Mineral Resource in respect of the same and it is uncertain if further exploration will result in the estimation of a JORC Mineral Resource.

Lithium Energy has also analysed a number of Gravity and AMT surveys conducted by Allkem, some of which were undertaken over or closely adjacent to Lithium Energy's Solaroz concessions. Figure 11 outlines the location of Lithium Energy's Solaroz concessions relative to the historical geophysical surveys that have been conducted by Allkem.

COMPANY PROJECTS

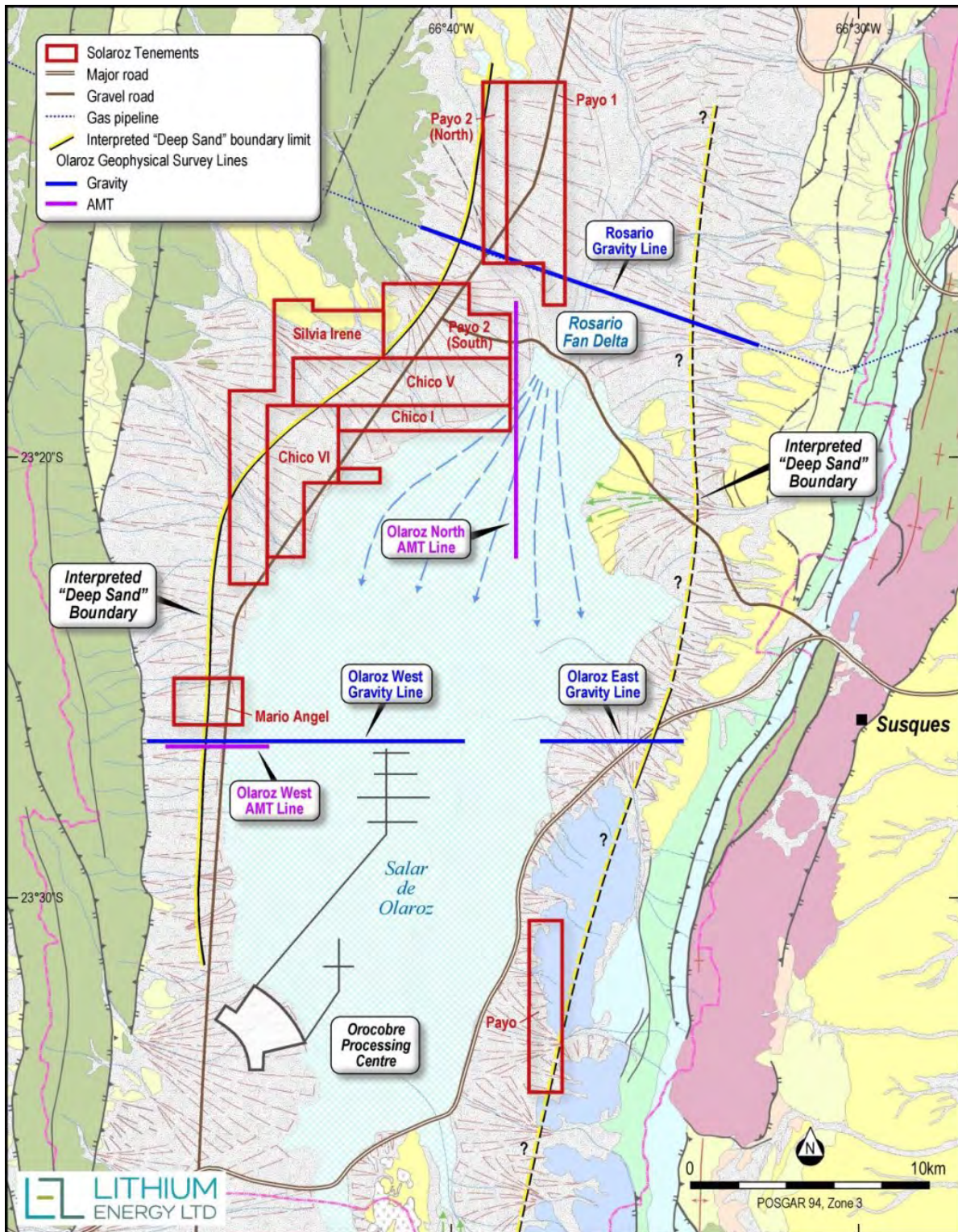


Figure 11: Geology of the Olaroz Salar with Location of the Solaroz Tenements and Location of Geophysical Surveys undertaken by Orocobre⁷

7 Source: Salfity Geological Consultants - www.salfitygeologicalconsultant.com

COMPANY PROJECTS

AMT modelling shows the interfaces between resistive material (i.e brackish water and lack of conductive salt rich brine) and the conductive brine. The AMT modelling at the Olaroz North AMT Line shows a thickening wedge of resistive material underlain by a conductive layer (interpreted to be conductive Brine), whilst the thickening wedge of resistive material above it comprises more recent Rosario sediments, which host brackish water at shallow depths, the nominal depths of which can be determined from the modelled section (refer Figure 12).

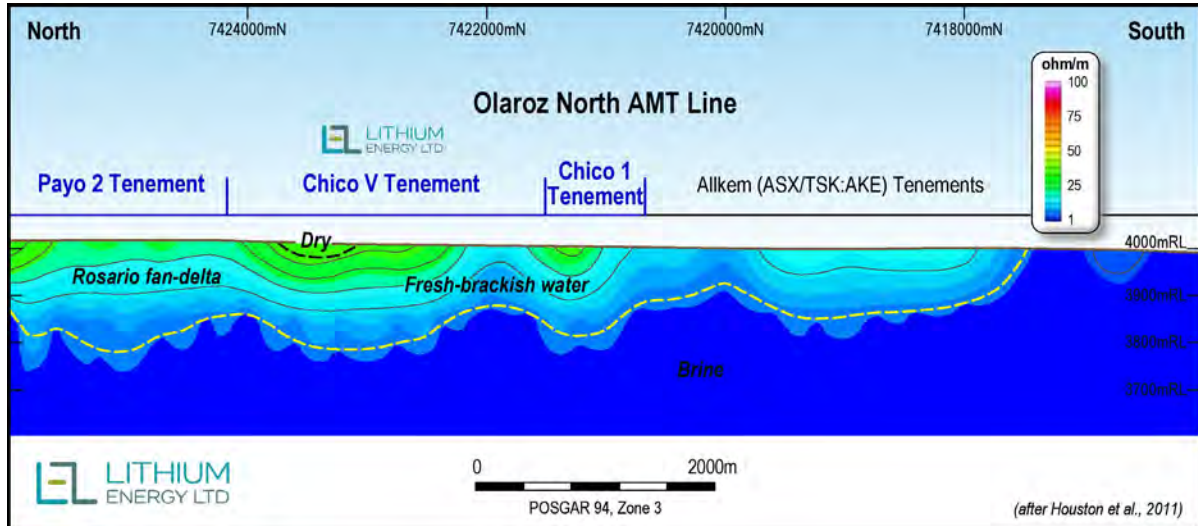


Figure 12: Olaroz Salar - Olaroz North AMT Survey Line

Similar interpretations can be applied (as annotated by Allkem in Houston et al, 13 May 2011) to the Olaroz East and West Gravity Lines and also the Olaroz West AMT Line to determine the location of the bounding fault (refer Figure 13).

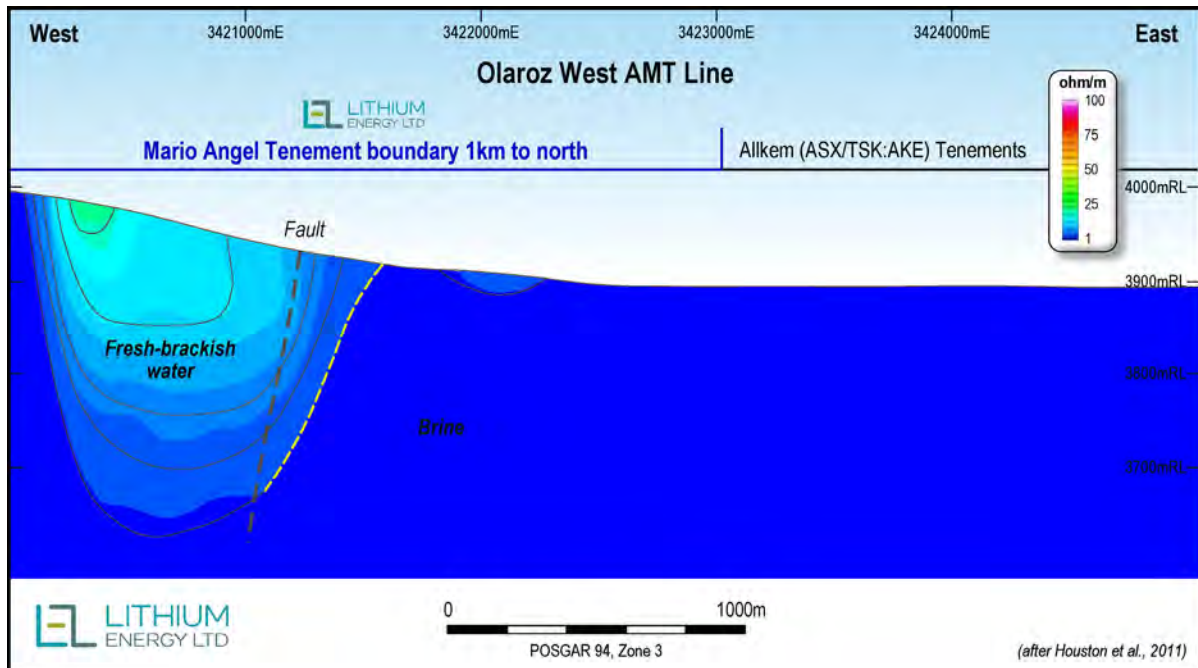


Figure 13: Olaroz Salar - Olaroz West AMT Survey

The interpreted location of the Deep Sand Unit has been superimposed on the gravity line interpretation and has assisted in determining the minimum and maximum thickness assumptions used in the Solaroz Exploration Target.

COMPANY PROJECTS

Solaroz Local Operations

Lithium Energy has received Environmental Impact Assessment (EIA) approvals from the local Jujuy Provincial Government Mining Authority to undertake exploration works on the Solaroz concessions.⁸

A local office has been established in San Salvador de Jujuy to be the base for Solaroz operations, with several key local staff employed, including a Senior Geologist with extensive lithium brine experience at the Olaroz Salar.

Lithium Energy conducted a series of environmental monitoring surveys across the Solaroz concessions (including collecting water and air samples, flora and fauna surveys), to act as a baseline for environmental monitoring during the exploration works.



Figure 14 (Above): Executive Chairman William Johnson (right) with Jujuy Mining Secretary Miguel Soler and Jujuy Mining Director Jose Gomez, April 2022

Figure 15 (Left): Taking water samples for environmental monitoring

Consultations with local community groups have been undertaken, with a number of arrangements made with local suppliers to provide services and assistance with the Solaroz exploration programme.

Lithium Energy has also initiated a number of community and landholder support programmes.

Lithium Energy is fully committed to maintaining the highest standards of environmental sustainability and supporting the local community groups during its exploration programme at Solaroz.



Figure 16: Lithium Energy Director Peter Smith, with members from local El Toro Community, May 2022

⁸ Refer LEL ASX Announcements dated 7 February 2022: Lithium Energy Receives First EIA Approval for Exploration to Commence at Solaroz Lithium Project, 6 April 2022: Lithium Energy Receives Further EIA Approval for Exploration at Solaroz Lithium Project and 27 April 2022: EIA Approvals Now Granted for All Solaroz Lithium Project Concessions – Exploration Underway

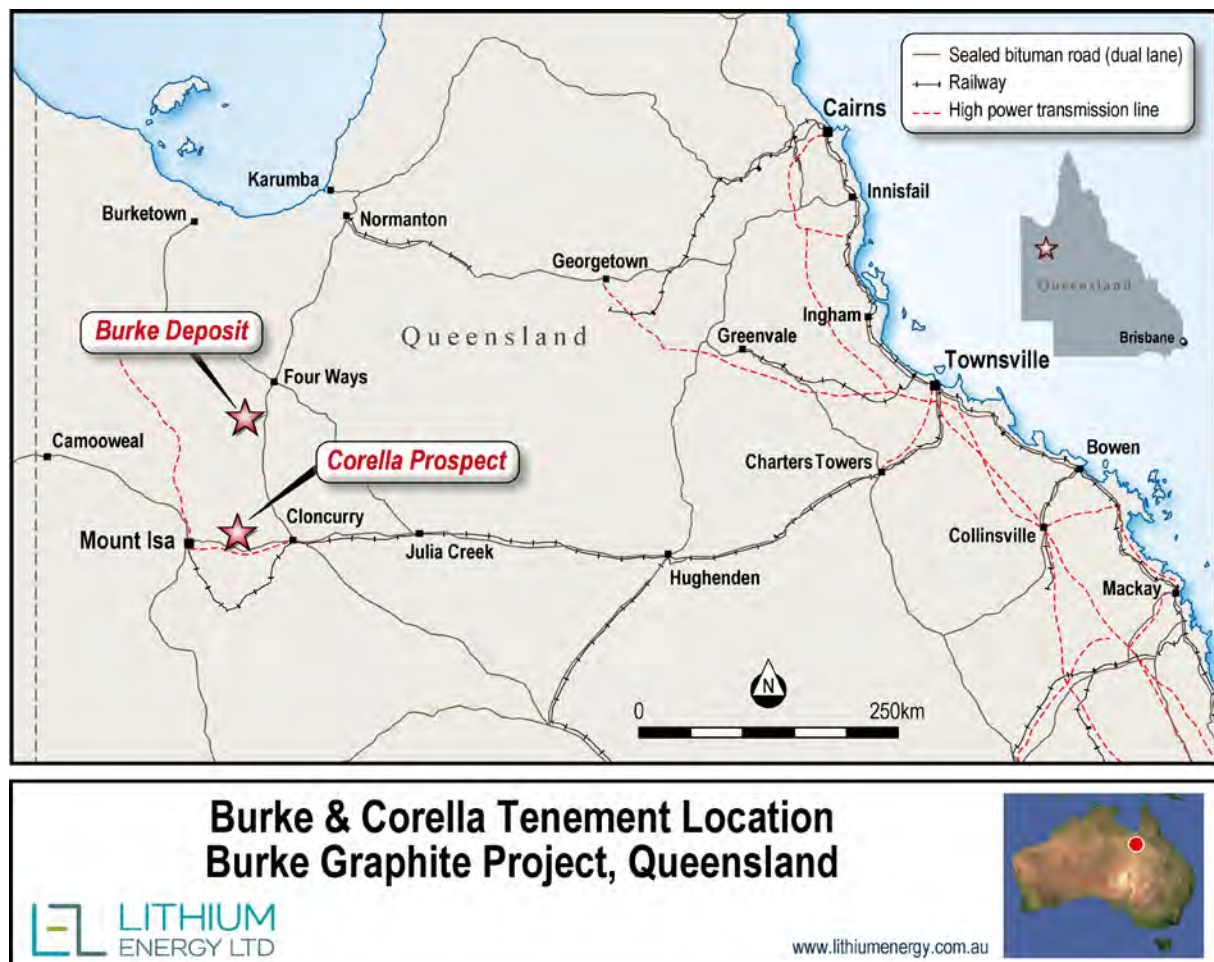
COMPANY PROJECTS

BURKE GRAPHITE PROJECT (QUEENSLAND, AUSTRALIA)

(100%)

The Burke Graphite Project comprises two granted Exploration Permits for Minerals (**EPM**) totalling approximately 26 square kilometres located in the Cloncurry region in North Central Queensland, where there is access to well-developed transport infrastructure to an airport at Mt Isa (~122km) and a port in Townsville (~783km) (refer Figure 17).

The Burke EPM 25443 tenement (**Burke Tenement**) is located 125km north of Cloncurry adjacent to the Mt Dromedary Graphite Project held by Novonix Limited (ASX: NVX). The Corella EPM 25696 tenement (**Corella Tenement**) is located 40km west of Cloncurry near the Flinders Highway that links Mt Isa to Townsville.



Burke & Corella Tenement Location Burke Graphite Project, Queensland

Figure 17: Burke Graphite Project Tenement Locations in North Central Queensland

Burke Deposit

A Mineral Resource Estimate (**MRE**) for the Burke Tenement has defined an Inferred Mineral Resource of:

- **6.3 million tonnes @ 16.0% TGC** (with a TGC cut-off grade of 5%) for **1,000,000 tonnes** of contained graphite;
- Within the mineralisation envelope there is included higher grade material of **2.3 million tonnes @ 20.6% TGC** (with a TGC cut-off grade of 18%) for **464,000 tonnes** of contained graphite which will be investigated further.

COMPANY PROJECTS

Mineral Resource Category	Weathering State	Mt	TGC (%)	Contained Graphite (Mt)	Density (t/m)
Inferred Mineral Resource	Oxide	0.5	14.0	0.1	2.5
	Fresh	5.8	16.2	0.9	2.4
	Total Oxide + Fresh	6.3	16.0	1.0	2.4

Note: The Mineral Resource was estimated within constraining wireframe solids defined above a nominal 5% TGC cut-off. The Mineral Resource is reported from all blocks within these wireframe solids. Differences may occur due to rounding.

Refer Grade Tonnage Data in Table 2 of CSA Global Pty Ltd's Burke Graphite Project MRE Technical Summary dated 9 November 2017 (attached as Annexure A of Strike's ASX Announcement dated 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits

The Burke Deposit is one of the highest-grade graphite deposits globally⁹:

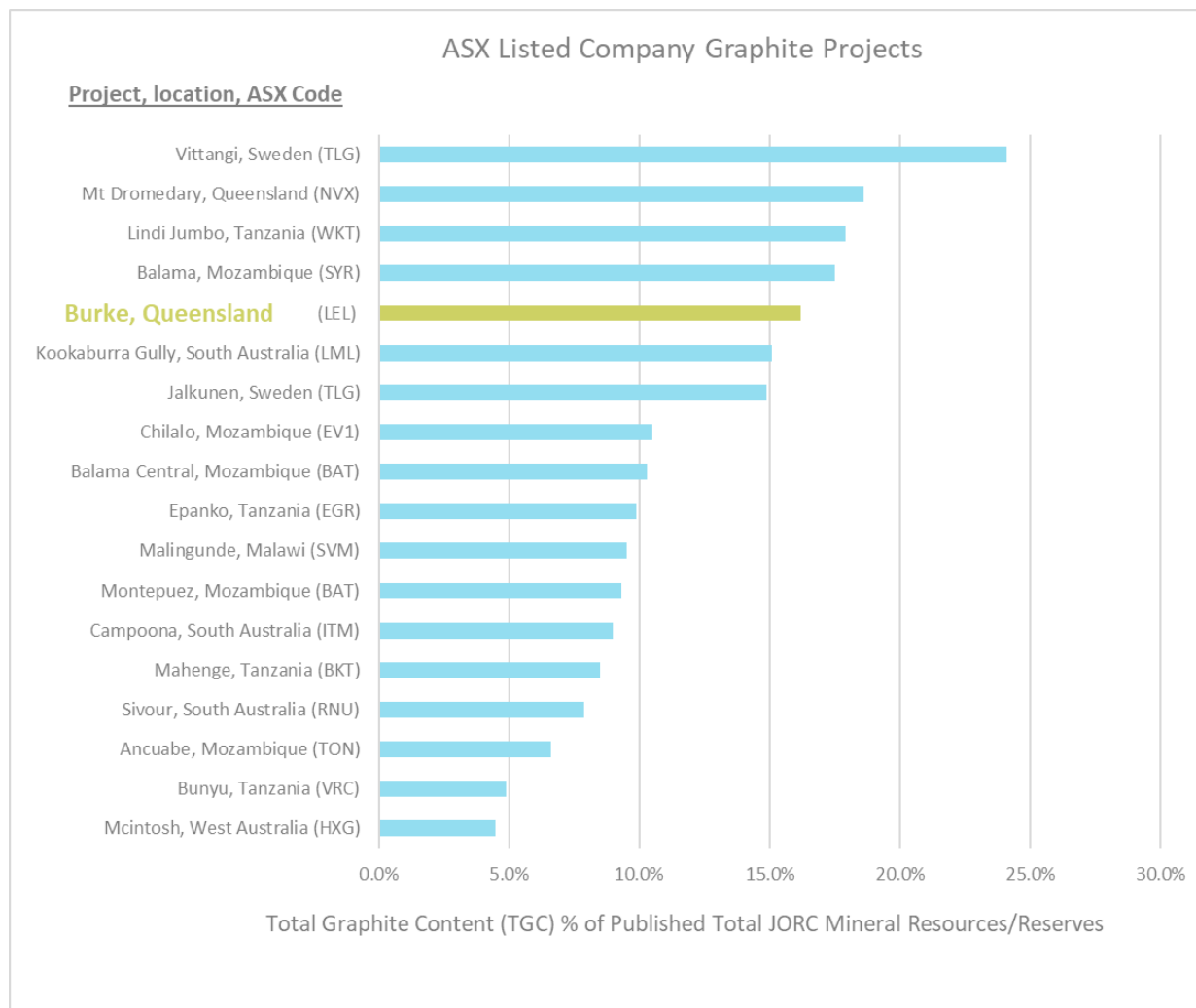


Figure 18: Total Graphite Content (TGC) of Graphite Projects Held by ASX Listed Companies

The Burke Deposit presents the opportunity for Lithium Energy to participate in the anticipated growth in demand for graphite and graphite related products particularly with respect to the production of Lithium-ion batteries where (natural and synthetic) graphite is currently the largest single component by weight.

⁹ Data compiled by Lithium Energy based on current company websites and or ASX announcements; the Competent Person in respect of the Burke MRE notes that TGC grade does not necessarily indicate the suitability of a natural graphite deposit as a source of products for any specific market/s

COMPANY PROJECTS

In addition to the high-grade nature of the deposit, the Burke Deposit:

- Comprises natural graphite that has been demonstrated to be able to be processed by standard flotation technology to international benchmark product categories. The flotation tests previously conducted by IMO have confirmed that a concentrate of purity **in excess of 95% and up to 99% TGC** can be produced using a standard flotation process.
- Contains graphite from which Graphene Nano Platelets (**GNP**) have been successfully extracted direct from the Burke Deposit via Electrochemical Exfoliation (**ECE**). The ECE process is relatively low cost and environmentally friendly compared to other processes, yet it can produce very high purity Graphene products. The ECE process is however not applicable to the vast majority of worldwide graphite deposits as it requires a TGC of over 20% and accordingly the Burke Deposit has potentially significant processing advantages over other graphite deposits.
- Is located in the relatively safe and mining friendly jurisdiction of Queensland, Australia with well-developed transport infrastructure and logistics nearby.
- Is favourably located relative to the Lansdown Eco-Industrial Precinct near Townsville in North Queensland, which is emerging as an important precinct for the production of critical materials for battery technologies in Australia.
- Is potentially amenable to low-cost open-pit mining.

Lithium-Ion Testwork

Test work to optimise the potential production of battery grade graphite advanced during the year, with the production of samples of high purity graphite concentrate from previous drill core samples taken from the Burke Tenement being produced using laboratory flotation.

This graphite concentrate is being used by CSIRO to undertake a programme of spheroidisation, purification and electrochemical testwork. The spheroidisation of the natural graphite flakes, through a mechanical process, shapes the graphite into 'potato-like' structures with the objective of easier processing of Burke natural graphite flakes into electrode materials to reduce capacity losses and enhance cell efficiency.

Lithium Energy has entered into a Research Agreement with CSIRO (September 2021¹⁰) to undertake this work, which comprises a key component required to demonstrate to potential graphite purchasers the benefits of the natural flake graphite within the Burke Deposit for use in lithium-ion batteries. The research project is being undertaken pursuant to the CSIRO Kick-Start initiative, which provides funding and support for innovative Australian small businesses to access CSIRO's research expertise and capabilities to help grow and develop their business. 50% of the project cost will be co-funded by CSIRO through the Kick-Start Program.

¹⁰ Refer LEL ASX Announcement dated 27 September 2021: High Grade Burke Graphite to be Optimised for Lithium Battery Application

COMPANY PROJECTS

Drilling Programmes

Lithium Energy has developed a drilling programme comprising a combination of RC, diamond core and geotechnical holes (of ~2,500 metres across ~18 holes, to a depth of ~150 metres) to upgrade part of the JORC Inferred Mineral Resource at its Burke Tenement to a higher JORC Indicated Mineral Resource category, with further optimisation via 3D modelling, metallurgy tests and pit optimisation studies.

The upgrade in the resource classification of the Burke Tenement is required in order to assist Lithium Energy undertaking a number of studies to assess the commercial viability of establishing a Purified Spherical Graphite manufacturing facility, using its Burke Graphite as a feedstock material. An upgrade to a JORC Indicated Mineral Resource will in particular allow the Company to report on potential production rate(s) in respect of any proposed manufacturing facility using the Burke Tenement graphite.

All necessary access permits and approvals to undertake this drilling programme has been secured and site works have been completed on the Burke Tenement in advance of the commencement of this drilling programme.

Lithium Energy has also developed a drilling programme (comprising ~2,500 metres of drilling, including metallurgical sampling) at the Corella Tenement located approximately 30km west of Cloncurry (and approximately 150km south of the Burke Tenement).

A ground Electro Magnetic (**EM**) survey was completed in June 2018, covering the south-east corner of the Burke Tenement (refer Figure 20) and the north-east corner of the Corella Tenement (refer Figure 19).¹¹

The EM survey identified significant target areas (for additional high-grade mineralisation) within the Corella Tenement as well as identifying new zones of increased conductivity adjacent to previously drilled graphite mineralisation within the Burke Tenement.

The Corella Tenement EM survey was carried out over outcropping and sub-cropping Geological Survey of Queensland mapped Graphitic Schists - the "Milo beds" - within the Corella Formation. Graphite grading 5 - 10% TGC is widespread throughout the outcropping Milo beds and the EM survey was carried out to identify higher-grade areas of mineralisation and identify future drill targets. The survey highlighted an area of approximately 1000m x 500m (refer Figure 19) within which conductive features similar to those corresponding to high-grade graphite occurring at the Burke Tenement were identified.

The conductive features identified at the Corella Tenement appear to be shallow to flat-lying and occur in areas of outcropping and sub-cropping graphite that have rock chips of up to 14.85% TGC.¹²

The drilling programme developed for the Corella Tenement is designed to test the extent of graphite mineralisation identified through the previously conducted EM survey.

11 Refer Strike Resources Limited (ASX:SRK) ASX Market Announcement dated 26 June 2018: Burke Graphite Project – New Target Area Identified from Ground Electro-Magnetic Surveys

12 Refer Strike Resources Limited (ASX:SRK) ASX announcement dated 21 April 2017: Jumbo Flake Graphite Confirmed at Burke Graphite Project, Queensland

COMPANY PROJECTS

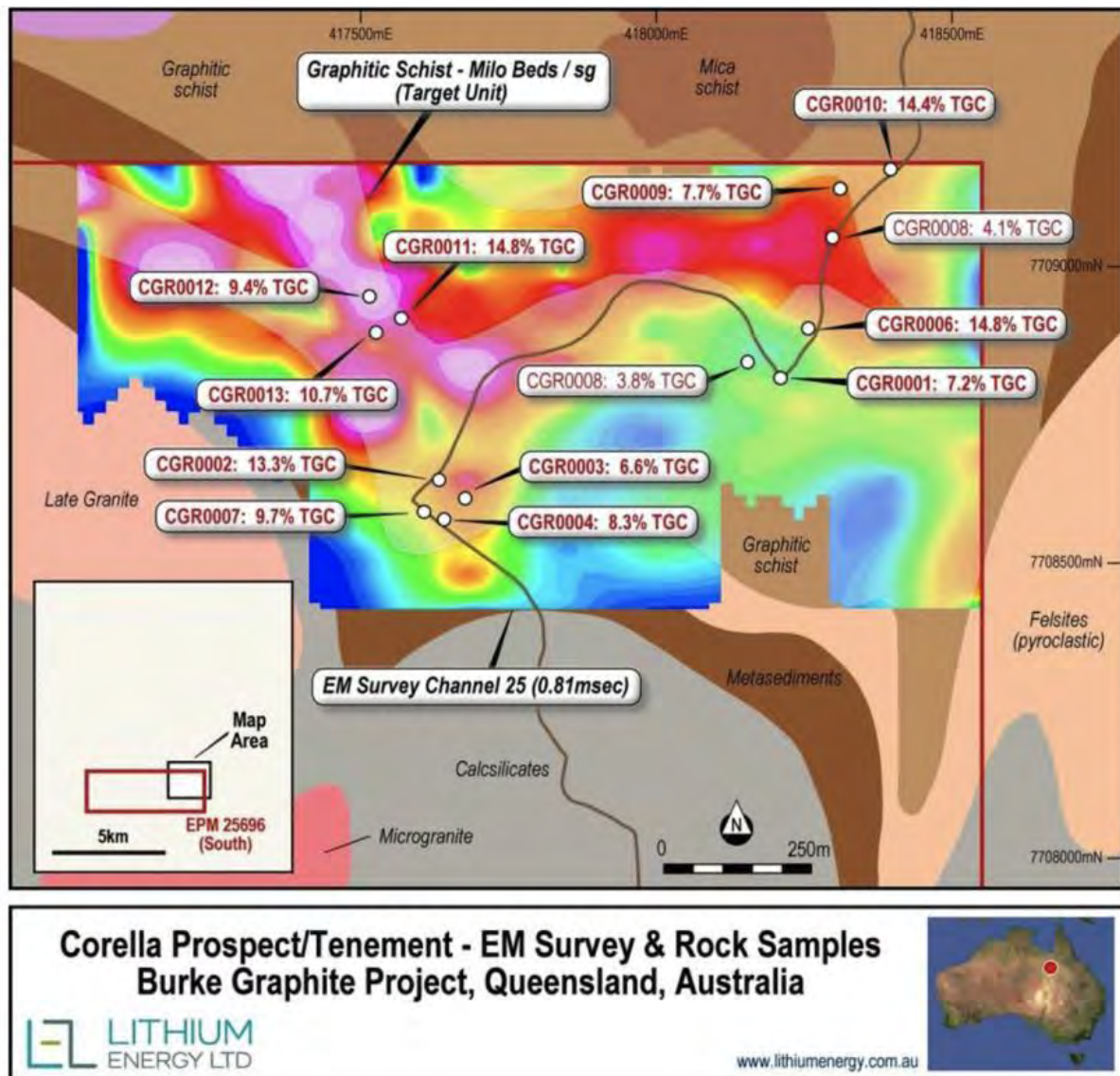


Figure 19: EM Survey - Corella Prospect, Burke Graphite Project

In addition to identifying the new potential at the Corella Tenement, the EM survey identified minor structural offsets, together with new zones of increased conductivity at previously drilled areas within the Burke Tenement.

The EM survey over the south-eastern corner of the Burke Tenement was carried out over outcropping and sub-cropping Geological Survey of Queensland mapped Graphitic Schists of the Corella Formation. The survey highlighted the high-grade graphite identified in the maiden drilling programme and identified minor structural offsets, together with new zones of increased conductivity which are outlined in Figure 20. In addition, the survey verified the width and dip of the drill intersected high-grade graphite.

COMPANY PROJECTS

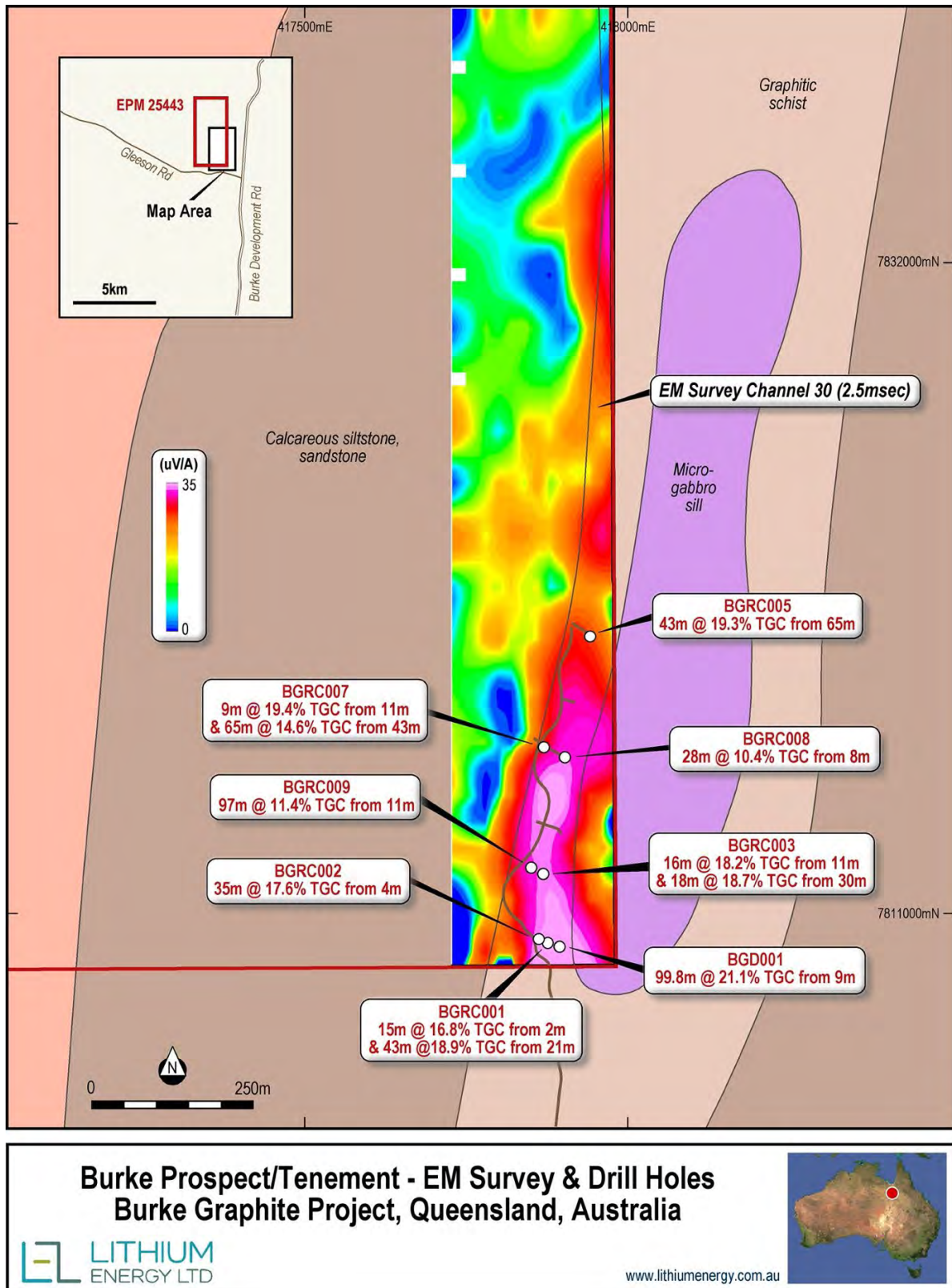


Figure 20: EM Survey - Burke Tenement, Burke Graphite Project

The drilling programme developed for the Burke Tenement is designed to increase the understanding of the Burke Deposit with the objective to upgrade higher grade portions of the JORC Inferred Mineral Resource to a higher standard JORC Indicated Mineral Resource category, in order to facilitate the completion of further economic studies.

COMPANY PROJECTS

Potential Value Adding Processing Facility

Lithium Energy believes that:

- The high-grade nature of the Burke Deposit, its location in Queensland (including relative to the Lansdown Eco-Industrial precinct near Townsville) and the prior test work indicating its potential suitability for use in lithium-ion batteries, affords the Company a highly advantageous position to expand the scope of its proposed graphite operations from that of a pure graphite miner.
- There are significant advantages in creating an in-country vertically integrated operation that will encompass a mine, a concentrator and a downstream processing operation to produce Purified Spherical Graphite (**PSG**) for sale to lithium-ion battery anode manufacturers.

Accordingly, Lithium Energy is investigating the establishment of a dedicated, environmentally sustainable manufacturing facility potentially within the 22,000-hectare Lansdown Eco-Industrial precinct located 40 kilometres south of Townsville (where Queensland Pacific Minerals is also proposing to construct the Townsville Energy Chemicals Hub (TECH) Project) to purify and spheronise graphite sourced from the Burke Deposit for use as anode material in lithium-ion batteries.¹³

Lithium Energy has received submissions from a number of engineering companies to assist with the advancement of the studies relating to the establishment of a PSG manufacturing facility using the graphite deposit on the Burke Tenement. The Company will consider the appointment of an engineering company to advance these studies, once the drilling on the Burke Tenement is complete and the JORC Mineral Resource is upgraded to a level allowing suitable production targets to be determined.

Demand For Purified Spherical Graphite (PSG)

The demand for PSG for use in lithium-ion batteries is expected to increase ten-fold over the next decade, as the world rapidly moves towards the electrification of mobility and renewable grid storage.

Graphite is a critical component of today's lithium-ion batteries – in fact, there is typically ten times by weight more graphite (natural and/or synthetic) in a lithium-ion battery than lithium. Most of the world's supply of battery grade purified graphite for use as anode material in Electric Vehicle (**EV**) batteries is sourced from China. The technology currently used in China for purification uses highly toxic chemicals which are dangerous to handle and environmentally damaging.

Battery manufacturers are therefore increasingly seeking alternative sources for graphite. Australia is well positioned to meet this demand, with strong technical capabilities together with a range of Government funded initiatives such as the Future Battery Industries Cooperative Research Centre (**CRC**) which actively support the value enhancement of local critical minerals, including graphite.

¹³ Refer LEL ASX Market Announcement dated 21 October 2021: Lithium Energy to Pursue Downstream Graphite Processing Opportunity at Emerging Townsville Battery Hub

COMPANY PROJECTS

Graphene from the Burke Deposit

The exceptionally high-grade nature of the Burke Deposit and its chemical composition lends itself to efficient Graphene production technology, which is not available for a majority of lower grade graphite deposits.

Graphene usage in lithium-ion batteries is an emerging technology, where Graphene is used as an additive in the compound mix of the Cathode electrode terminal to effectively make the terminal more conductive. Graphene enhanced batteries allow for increased electrical density, more rapid recharge times, less weight, as well as having the ability to hold the charge longer which improves the battery's lifespan.

Graphene is technically defined as a single atom layer of crystalline carbon in a two dimensional 'honeycomb' type structure, but the term "Graphene" is often extended to include material made up of multiple stacked single layers of (single layer) Graphene. Material comprising up to 10 layers of Graphene is sometimes referred to as "Few Layer Graphene" (FLG), whereas material with between 10–150 layers of Graphene is known as "Graphene Nano Platelet" (GNP).

The Burke Deposit contains graphite from which GNP have been successfully extracted via ECE.

The ECE process is relatively low cost and environmentally friendly compared to other processes, yet it can produce very high purity Graphene products. The ECE process is however not applicable to the vast majority of worldwide graphite deposits as it requires a TGC of over 20% and accordingly, the Burke Deposit has potentially significant Graphene processing advantages over other graphite deposits.

In 2017¹⁴, a test was successfully undertaken on a sample of Burke graphite diamond drill hole core through ECE by IMO, to produce pure GNP material from raw Burke graphite. In ECE, a lump of graphite is inserted as an anode in a chemical solution and then an electric current is passed through the solution, using the graphite as an anode. Layers of Graphene then "peel off" and can be collected through a relatively simple process.

In order to capitalise on the commercial opportunities for using Graphene produced from the Burke Deposit in lithium-ion batteries, Lithium Energy is planning to undertake further test-work to optimise the production ECE process for producing high quality GNP, FLG and/or single layers of Graphene in commercial quantities.

¹⁴ Refer Strike Resources Limited (ASX:SRK) ASX Announcement dated 16 October 2017: Test-work confirms the potential suitability of Burke graphite for Lithium-ion battery usage and Graphene production

DIRECTORS' REPORT

The Directors present their report on Lithium Energy Limited ABN 94 647 135 108 (ASX Code: LEL) (**Company** or **LEL**) and its controlled entities (the **Consolidated Entity** or **Lithium Energy**) for the period from 1 July 2022 to 30 June 2022 (**Balance Date**) (**financial year**).

LEL is a company limited by shares that was incorporated in Western Australia on 14 January 2021 as a wholly-owned subsidiary of Strike Resources Limited (ASX:SRK) (**Strike** or **SRK**). Lithium Energy (holding battery minerals assets) was spun-out of Strike following the successful completion of LEL's \$9 million initial public offering (**IPO**) under a Prospectus (dated 30 March 2021).

The Company was admitted to the Official List of the Australian Securities Exchange (**ASX**) on 17 May 2021 and commenced quotation/trading on ASX on 19 May 2021.

Lithium Energy has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, being wholly owned subsidiaries.

PRINCIPAL ACTIVITIES

Lithium Energy Limited is an ASX listed resource company which is developing its flagship Solaroz Lithium Brine Project (LEL:90%) in Argentina and its Burke Graphite Project (LEL:100%) in Queensland.

Lithium Energy's principal activities during the financial year were:

- the advancement of environmental approvals for and developing and undertaking an exploration programme at its Solaroz Lithium-Brine Project in Argentina;
- undertaking scientific testwork on the Burke Graphite Deposit, principally in conjunction with CSIRO to advance its suitability as a battery mineral component; and
- the advancement of approvals for and developing an exploration drilling programme at its Burke Graphite Project in Queensland.

OPERATING RESULTS

	June 2022 \$	June 2021 \$
Consolidated		
Total revenue	102,746	38,309
Total expenses	(2,408,112)	(1,166,670)
Loss before tax	(2,305,366)	(1,128,361)
Income tax expense	-	-
Loss after tax	(2,305,366)	(1,128,361)

CASH FLOWS

	June 2022 \$	June 2021 \$
Consolidated		
Net cash flow from operating activities	(1,415,871)	(384,914)
Net cash flow from investing activities	(6,881)	(1,259,671)
Net cash flow from financing activities	-	9,541,058
Net change in cash held	(1,422,752)	7,896,473
Effect of exchange rate changes on cash held	100,959	97,871
Cash held at period end	6,672,551	7,994,344

DIRECTORS' REPORT

FINANCIAL POSITION

	June 2022	June 2021
	\$	\$
Consolidated		
Cash	6,672,551	7,994,344
Exploration and evaluation expenditure	7,306,914	7,011,511
Receivables	220,194	133,997
Other assets	53,608	52,543
Liabilities	(166,814)	(187,624)
Net assets	14,086,453	15,004,771
Issued capital	15,006,458	15,006,458
Reserves	2,513,722	1,126,674
Accumulated losses	(3,433,727)	(1,128,361)
Total equity	14,086,453	15,004,771

DIVIDENDS

No dividends have been paid or declared during the financial year.

CAPITAL MANAGEMENT

Securities on Issue

The following securities are on issue as at balance date:

Class of Security	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	45,150,000	34,860,000	80,010,000
Executive Options (\$0.30, 18 March 2024) ¹	-	10,000,000	10,000,000
Broker Options (\$0.30, 4 May 2024) ²	-	4,000,000	4,000,000
Executive Options (\$1.39, 29 November 2024) ³	-	3,500,000	3,500,000
SIP Options (\$1.595, 15 February 2025) ⁴	-	100,000	100,000

1 Refer Section 16.3 (Rights Attaching to Executive Options) of the Company's Prospectus (dated 30 March 2021) for terms and conditions of the Executive Options

2 Refer Section 16.2 (Rights Attaching to Broker's Options) of the Company's Prospectus (dated 30 March 2021) for terms and conditions of the Broker Options

3 Refer LEL Announcement dated 2 December 2021: Notification regarding unquoted securities – LEL and Annexure B (Terms and Conditions of New Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 18 October 2021 and released on ASX on 28 October 2021

4 Refer LEL Announcement dated 18 February 2022: Notification regarding unquoted securities – LEL

DIRECTORS' REPORT

Restricted Securities

The following restricted securities are subject to escrow (as imposed under the ASX Listing Rules) as at balance date:

Class of Security	Number	Escrow Period
Fully paid ordinary shares	34,860,000	19 May 2023 (24 months from date of Quotation ⁵)
Executive Options (\$0.30, 18 Mar 2024) ¹	10,000,000	19 May 2023 (24 months from Quotation)
Broker Options (\$0.30, 4 May 2024) ²	4,000,000	19 May 2023 (24 months from Quotation)

Option Issues

The following options were issued during the financial year:

Class of Unlisted Options	Issue Date	Exercise Price	Expiry Date	Number of options
Executive Options (\$1.39, 29 Nov 2024) ³	30 Nov 2021	\$1.39	29 Nov 2024	3,500,000
SIP Options (\$1.595, 15 Feb 2025) ⁴	16 Feb 2022	\$1.595	15 Feb 2025	100,000

Securities Incentive Plan

The Company has adopted a Securities Incentive Plan (**Plan** or **SIP**)⁶ pursuant to which the Board may offer to eligible persons the opportunity to subscribe for such number of securities (which includes a share, a right to a share, an option over an issued or unissued security and a convertible security) in the Company on such terms and conditions as the Board may decide and otherwise pursuant to the rules of the Plan. The maximum number of securities issued under the Plan is limited to 5% of the Company's issued share capital.

The purpose of the Plan is to:

- (a) assist in the reward, retention, and motivation of 'Eligible Participants' (which includes employees, and contractors);
- (b) link the reward of Eligible Participants to shareholder value creation; and
- (c) align the interests of Eligible Participants with shareholders of the Company by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of securities (i.e.. a share, option, performance right or other convertible security).

A summary of the Plan is also in Section 16.4 (Securities Incentive Plan) of the Lithium Energy Prospectus (dated 30 March 2021).

⁵ The Company was admitted to the Official List of ASX on 17 May 2021 and commenced quotation/trading on ASX on 19 May 2021.

⁶ Refer LEL Announcement dated 17 May 2021: Securities Incentive Plan Terms

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Solaroz Lithium Brine Project (Argentina)

(90%)

Lithium Energy holds a 90% interest in the highly prospective Solaroz Lithium Brine Project (**Solaroz**) located approximately 230 kilometres north-west of the provincial capital city of Jujuy within South America's 'Lithium Triangle' in North-West Argentina.

Solaroz comprises 8 mineral concessions totalling approximately 12,000 hectares located in the Salar de Olaroz Basin (**Olaroz Salar**) directly adjacent to or principally surrounded by two world class Lithium brine assets, being the flagship Olaroz Lithium Facility of Allkem Limited (ASX/TSX:AKE) (formerly Orocobre Limited) and the advanced Cauchari-Olaroz development project held by Lithium Americas Corporation (TSX/NYSE:LAC) (under a joint venture with Ganfeng Lithium).

An Exploration Target has been defined for Solaroz – refer to the ASX Announcement dated 8 June 2021: Substantial Lithium Exploration Target Identified at the Solaroz Project in Argentina.

During the financial year:

- (a) Environmental Impact Assessment (EIA) approvals were granted by the local Jujuy Provincial Government Mining Authority to undertake exploration works across all Solaroz concessions;
- (b) Environmental Monitoring baseline studies have been completed on all Solaroz concessions;
- (c) Exploration geophysics commenced on all Solaroz concessions, comprising:
 - (i) passive seismic surveys, to determine the base of the underlying basement rock, being the theoretical depth limit of potential lithium mineralisation; and
 - (ii) Transient Electromagnetic geophysics (**TEM**) surveys, to identify the depth of conductive brines;
- (d) Priority drill targets were determined based upon the interpretation of various passive seismic and TEM surveys undertaken, a 5,000 metre drilling diamond and rotary hole programme developed and a drilling rig secured to drill the priority target areas;
- (e) On-going consultations with local community groups have continued, with arrangements made with local suppliers to provide services and assistance on exploration programmes and the initiation of a number of community and landholder support programmes; and
- (f) A local Solaroz team has been established in Jujuy, which includes an experienced Senior Geologist, Head of Accounting/Finance and Mining Lawyer.

For further details, please refer to the following Lithium Energy announcements released on Solaroz:

- 29 August 2022: TEM Geophysics Surveys Completed - Site Preparations Complete for Drilling Commencement
- 18 August 2022: Highly Encouraging Geophysics Paves Way for Commencement of Drill Testing of Brines at Solaroz
- 27 July 2022: Exploration Advancing at the Solaroz Lithium Project - Geophysics Nearing Completion and Drill Rig Secured
- 9 May 2022: Geophysics Expanded Across all Concessions to Refine Drill Targets at Solaroz Lithium Project
- 27 April 2022: EIA Approvals Now Granted for All Solaroz Lithium Project Concessions - Exploration Underway
- 6 April 2022: Lithium Energy Receives Further EIA Approval for Exploration at Solaroz Lithium Project
- 7 February 2022: Lithium Energy Receives First EIA Approval for Exploration to Commence at Solaroz Lithium Project
- 20 December 2021: Solaroz Lithium Project - Exploration Update

DIRECTORS' REPORT

- 24 September 2021: Lithium Energy Prepares to Mobilise to Site with Approvals Pending for Solaroz Exploration
- 9 August 2021: Geophysical Equipment Arrives as Lithium Energy Gears up for Exploration on Solaroz Project
- 5 August 2021: Approval Process for Solaroz Exploration Nearing Completion

Burke Graphite Project (Queensland, Australia)

(100%)

Lithium Energy has a 100% interest in the Burke Graphite Project (**Burke Project**), comprising two Exploration Permits for Minerals (**EPM**) totalling approximately 26km² located in the Cloncurry region in North Central Queensland.

The Burke EPM 25443 tenement (**Burke Tenement**) is located 125km north of Cloncurry in an established graphite mining province adjacent to the Mt Dromedary Graphite Project held by Novonix Limited (ASX: NVX). The Corella EPM 25696 tenement (**Corella Tenement**) is located 40km west of Cloncurry.

A JORC Inferred Mineral Resource has been defined on the Burke tenement.⁷

During the financial year:

- A programme of laboratory flotation testwork to optimise the production of high purity graphite concentrate from previous drill core samples taken from the Burke Tenement has been completed, to produce material required for the additional CSIRO testwork referred to below;
- CSIRO has commenced a programme of spheronisation, purification and electrochemical testwork (using the graphite concentrate material produced above), pursuant to a Research Agreement whereby 50% of the project cost will be funded under the CSIRO Kick-Start initiative - this work will facilitate the demonstration to potential graphite purchasers of the benefits of the natural flake graphite from the Burke Tenement for use in lithium ion batteries;
- All necessary access permits and approvals have been secured for, and preparatory site works have been undertaken in advance of, a drilling programme (comprising a combination of RC, diamond core and geotechnical holes) developed for the Burke Tenement, with the objective to upgrade part of the JORC Inferred Mineral Resource to a higher standard JORC Indicated Mineral Resource category;
- A drilling programme (including metallurgical sampling) has been developed for the Corella Tenement with the objective to test the extent of graphite mineralisation identified through previously conducted sampling and ground Electro Magnetic (**EM**) surveys;
- Investigations have been undertaken into the establishment of a dedicated, environmentally sustainable manufacturing facility at or near the North Queensland Townsville Energy Chemicals Hub to purify and spheronise graphite sourced from the high-grade Burke deposit for use as anode material in lithium-ion batteries.

For further details, please refer to the following Lithium Energy announcements released on the Burke Project:

- 23 December 2021: Burke Graphite Project - Update
- 21 October 2021: Lithium Energy to Pursue Downstream Graphite Processing Opportunity at Emerging Townsville Battery Hub
- 27 September 2021: High Grade Burke Graphite To Be Optimised for Lithium Battery Applications
- 9 July 2021: Graphene from Burke Graphite Project Opens Up Significant Lithium-Ion Battery Opportunity

⁷ Refer Strike's ASX Announcement dated 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits

DIRECTORS' REPORT

Quarterly Reports

Further information on Lithium Energy's activities and operations during the financial year are also contained in Lithium Energy's Quarterly Activities and Cash Flow Reports lodged on ASX dated:

- 1 August 2022: Quarterly Report - 30 June 2022
- 2 May 2022: Quarterly Report - 31 March 2022
- 1 February 2022: Quarterly Report - 31 December 2021
- 26 October 2021: Quarterly Reports - 30 September 2021.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors note that during the financial year, the COVID-19 pandemic has had an effect on Lithium Energy's operations, particularly in Argentina (impacting the Solaroz Lithium-Brine Project) with a lesser effect in Queensland (impacting the Burke Graphite Project), including but not limited to the consequences of Government imposed (international and national/local) travel restrictions and lockdowns/shutdowns. There have been no other significant changes in the state of affairs of Lithium Energy save as otherwise disclosed in this Directors' Report or the financial statements and notes thereto.

FUTURE DEVELOPMENTS

Lithium Energy will continue to:

- advance the exploration, evaluation and development of its Solaroz Lithium-Brine Project in Argentina;
- advance the exploration, evaluation and development of its Burke Graphite Project in Queensland, Australia; and
- potentially investigate and pursue other prospective projects in the battery minerals sector.

The likely outcomes of these activities depend on a range of technical and economic factors and also industry, geographic and other strategy specific issues (including the impacts of health pandemics). In the opinion of the Directors, it is not possible or appropriate to make a prediction on the results of these activities, the future course of markets or the forecast of the likely results of Lithium Energy's activities.

ENVIRONMENTAL REGULATION

Lithium Energy holds mineral tenement/concession licences issued by the relevant mining and environmental protection authorities of the various countries in which it operates (from time to time). In the course of its mineral exploration, evaluation and development activities, Lithium Energy adheres to licence conditions and environmental regulations imposed upon it by various authorities (as applicable). Lithium Energy has complied with all licence conditions and environmental requirements (as applicable) during the financial year and up to the date of this report. There have been no known material breaches of Lithium Energy's licence conditions and environmental regulations during the financial year and up to the date of this report.

DIRECTORS' REPORT

BOARD OF DIRECTORS

William M. Johnson	Executive Chairman
<i>Appointed</i>	14 January 2021
<i>Qualifications</i>	MA (Oxon), MBA
<i>Experience</i>	William Johnson holds a Masters Degree in Engineering Science from Oxford University, England and an MBA from Victoria University, New Zealand. His 35-year business career spans multiple industries and countries, with executive/CEO experience in mineral exploration and investment (Australia, Peru, Chile, Saudi Arabia, Oman, North Africa and Indonesia), telecommunications infrastructure investment (New Zealand, India, Thailand and Malaysia) and information technology and Internet ventures (New Zealand, Philippines and Australia). Mr Johnson is a highly experienced public company director and has considerable depth of experience in corporate governance, business strategy and operations, investment analysis, finance and execution.
<i>Special responsibilities</i>	None (other than as Chairman of the Board of Directors)
<i>Relevant interest in securities⁸</i>	110,000 shares 2,850,000 Executive Options (\$0.30, 18 March 2024) 1,000,000 Executive Options (\$1.39, 29 November 2024)
<i>Current directorships in listed entities</i>	Managing Director of Strike Resources Limited (ASX:SRK) (since 25 March 2013; Director since 14 July 2006) Executive Director of Bentley Capital Limited (ASX:BEL) (since 1 January 2016; Director since March 2009)
<i>Former directorships in other listed entities in past 3 years</i>	Molopo Energy Limited (ASX:MPO) (31 May 2018 to 26 May 2021) Keybridge Capital Limited (ASX:KBC) (29 July 2016 to 17 April 2020)

Farooq Khan	Executive Director
<i>Appointed</i>	14 January 2021
<i>Qualifications</i>	BJuris, LLB (Western Australia)
<i>Experience</i>	Farooq Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
<i>Special responsibilities</i>	None
<i>Relevant interest in securities⁹</i>	25,000 shares 2,850,000 Executive Options (\$0.30, 18 March 2024) 1,000,000 Executive Options (\$1.39, 29 November 2024)
<i>Other current directorships in listed entities</i>	Executive Chairman of: <ul style="list-style-type: none"> Strike Resources Limited (ASX:SRK) (since 18 December 2015; Director since 1 October 2015) Orion Equities Limited (ASX:OEQ) (since 23 October 2006) Bentley Capital Limited (ASX:BEL) (since 2 December 2003) Executive Chairman and Managing Director of: <ul style="list-style-type: none"> Queste Communications Ltd (ASX:QUE) (since 10 March 1998)
<i>Former directorships in other listed entities in past 3 years</i>	-

8 Refer LEL ASX Announcement released on 3 December 2021: Change of Director's Interest Notice - William Johnson

9 Refer LEL ASX Announcement released on 3 December 2021: Change of Director's Interest Notice - Farooq Khan

DIRECTORS' REPORT

Peter C. Smith	Executive Director
<i>Appointed</i>	18 March 2021
<i>Qualifications</i>	BSc (Geophysics) (Sydney), AIG, ASEG
<i>Experience</i>	Peter Smith has 35 years' experience in mineral exploration having worked for Normandy, Pasminco, BHP-Billiton and Cliffs Natural Resources. Mr Smith has held exploration management positions in ASX-listed NGM Resources Limited (ASX:NGM) and NYSE-listed Cliffs Natural Resources (as Regional Exploration Manager for Australia and Oceania) and has been a Director of Volta Mining Limited (ASX:VTM) and Castillo Copper Limited (ASX:CCZ). Mr Smith brings a broad range of skills and experience in mineral exploration.
<i>Special responsibilities</i>	None
<i>Relevant interest in securities¹⁰</i>	450,000 shares (subject to escrow until 19 May 2023) 1,450,000 Executive Options (\$0.30, 18 March 2024) 500,000 Executive Options (\$1.39, 29 November 2024)
<i>Other current directorships in listed entities</i>	None
<i>Former directorships in other listed entities in past 3 years</i>	Non-Executive Director of Castillo Copper Limited (ASX:CCZ) (April 2018 to January 2020)

COMPANY SECRETARY

Victor P.H. Ho	Company Secretary
<i>Appointed</i>	14 January 2021
<i>Qualifications</i>	BCom, LLB (Western Australia), CTA
<i>Experience</i>	Victor Ho has been in Executive roles with a number of ASX-listed companies across the investments, resources and technology sectors over the past 22 years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office (ATO) and in a specialist tax law firm. Mr Ho has been actively involved in the investment management of listed investment companies (as an Executive Director and/or a member of the Investment Committee), the structuring and execution of a number of corporate, M&A and international joint venture (in South America (Peru, Chile and Argentina), Indonesia and the Middle East (Saudi Arabia and Oman)) transactions, capital raisings, resources project (debt) financing, spin-outs/demergers and IPO's/re-listings on ASX and capital management initiatives and has extensive experience in public company administration, corporations' law, ASIC/ASX compliance and investor/shareholder relations.
<i>Special responsibilities</i>	None
<i>Relevant interest in securities</i>	96,154 shares 2,850,000 Executive Options (\$0.30, 18 March 2024) 1,000,000 Executive Options (\$1.39, 29 November 2024)
<i>Other positions held in listed entities</i>	Executive Director and Company Secretary of: <ul style="list-style-type: none"> • Strike Resources Limited (ASX:SRK) (Director since 17 January 2014; Secretary since 30 September 2015) • Orion Equities Limited (ASX:OEQ) (Secretary since 2 August 2000; Director since 4 July 2003) • Queste Communications Ltd (ASX:QUE) (Secretary since 30 August 2000; Director since 3 April 2013)
<i>Former position in other listed entities in past 3 years</i>	Company Secretary of Bentley Capital Limited (ASX:BEL) (since 5 February 2004) Company Secretary of Keybridge Capital Limited (ASX:KBC) (13 October 2016 to 13 October 2017)

10 Refer LEL ASX Announcement released on 3 December 2021: Change of Director's Interest Notice - Peter Smith

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

Name of Director	No. Meetings Attended	Max. Possible Meetings
William Johnson	9	9
Farooq Khan	9	9
Peter Smith	9	9

There were no meetings of committees of the Board of the Company.

Board Committees

During the financial year and as at the date of this Directors' Report, the Company did not have separate designated Audit, Remuneration or Nomination Committees. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special Board sub-committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate corporate governance and ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit, remuneration or nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing separate audit, remuneration or nomination committees.

REMUNERATION REPORT

This Remuneration Report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior manager) (**Key Management Personnel**) of the Company.

The information provided under headings (1) to (8) below has been audited for compliance with section 300A of the *Corporations Act 2001 (Cth)* as required under section 308(3C).

(1) Key Management Personnel disclosed in this report

Name	Position	Tenure
William Johnson	Executive Chairman	Since 14 January 2021 (on incorporation of the Company)
Farooq Khan	Executive Director	Since 14 January 2021 (on incorporation of the Company)
Peter Smith	Executive Director	Since 18 March 2021
Victor Ho	Company Secretary	Since 14 January 2021 (on incorporation of the Company)

(2) Remuneration Policy

The Board determines the remuneration structure of all Key Management Personnel having regard to Lithium Energy's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice (including available data concerning remuneration paid by other listed companies in particular companies of comparable size and nature within the resources sector in which Lithium Energy operates), the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

Non-Executive Directors: The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. Payments to the Non-Executive Directors are reviewed annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders and is currently set at \$250,000 per annum in aggregate. Fees for Non-Executive Directors are not linked to the performance of the Company.

Non-Executive Directors are entitled to receive incentive equity-based benefits (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves. The Company has adopted a Securities Incentive Plan (**Plan**), which the Directors are eligible to participate in, however, any securities proposed to be issued to a Director under the Plan or otherwise will require prior shareholder approval under the ASX Listing Rules and Corporations Act.

There are currently no Non-Executive Directors appointed to the Board though the Company will consider appointing such directors in the future should the size and scale of the operations of the Company warrant such appointment(s).

Senior Executives: The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. The remuneration of Senior Executives including a Managing Director (if appointed) and Executive Directors (including the Executive Chairman) may be fixed by the Board and may be by way of salary or commission or participation in profits or by all or any of those modes, but may not be by a commission on or percentage of operating revenue. A salary may be provided wholly in cash unless the Directors, with the agreement of the Executive Director/Chairman concerned, determine that the whole or part of a salary is to be satisfied in the form of non-cash benefits, including the issue or purchase of shares in the Company or the grant of options or rights to subscribe for such shares (subject to the Corporations Act and ASX Listing Rules).

REMUNERATION REPORT

In addition to the foregoing, the longer-term remuneration of Senior Executives may be comprised of participation in any equity incentive scheme, as approved by shareholders. By remunerating Senior Executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders.

Fixed Cash Short-Term Employment Benefits: The Board has determined the following fixed cash remuneration for current Key Management Personnel as follows (as at 30 June 2022):

- (a) Mr William Johnson (Executive Chairman) - a base salary fee of \$75,000 per annum plus employer superannuation contributions;
- (b) Mr Peter Smith (Executive Director) - a base salary fee of \$150,000 per annum plus employer superannuation contributions;
- (c) Mr Farooq Khan (Executive Director) - a base salary fee of \$75,000 per annum plus employer superannuation contributions;
- (d) Mr Victor Ho (Company Secretary) - a base salary fee of \$75,000 per annum plus employer superannuation contributions.

Special Exertions and Reimbursements: Pursuant to the Company's Constitution, each Director is also entitled to receive:

- Payment for reimbursement of all reasonable travelling, accommodation and other expenses incurred by a Director when travelling to or from meetings of the Directors or when otherwise engaged on the business of the Company; and
- In respect of Non-Executive Directors, payment for the performance of extra services or the making of special exertions for the benefit of the Company (at the request of and with the concurrence of the Board).

Short-Term Benefits: The Company does not have any short-term incentive (STI) cash bonus schemes (or equivalent) in place for Key Management Personnel. The Company reserves the right to implement STI remuneration measures for Key Management Personnel if appropriate in the future.

Long Term Benefits: The Company does not have any long-term incentive (LTI) cash bonus schemes (or equivalent) in place for Key Management Personnel. The Company reserves the right to implement LTI remuneration measures for Key Management Personnel if appropriate in the future.

Equity-Based Benefits: During the financial year, the Company (after receipt of shareholder approval at the 2021 annual general meeting) granted unlisted Executive Options (each with an exercise price of \$1.39 and an expiry date of 29 November 2024) to the Executive Directors and the Company Secretary as part of their remuneration¹¹ - refer 'Equity Based Benefits in Section (4) below. There were no shares issued as a result of the exercise of options issued to Key Management Personnel during the financial year. The Company may propose the issue of securities to Key Management Personnel in the future (as an equity-based incentive benefit), which will be put to shareholders for approval at that time (as required under the ASX Listing Rules and/or Corporations Act, as applicable).

Securities Incentive Plan: The Company has adopted a Securities Incentive Plan (**Plan or SIP**) pursuant to which the Board may offer to eligible persons (including Key Management Personnel) the opportunity to subscribe for securities (i.e.. a share, option, performance right or other convertible security) in the Company on such terms and conditions as the Board may decide and otherwise pursuant to the rules of the Plan.

¹¹ Refer LEL ASX Announcement dated 2 December 2021: Notification regarding unquoted securities – LEL and Annexure B (Terms and Conditions of New Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 18 October 2021 and released on ASX on 28 October 2021

REMUNERATION REPORT

The purpose of the Plan is to (a) assist in the reward, retention, and motivation of personnel; (b) link the reward of personnel to shareholder value creation; and (c) align the interests of personnel with shareholders of the Company by providing an opportunity to personnel to receive an equity interest in the Company. A summary of the Plan is in Section 16.4 (Securities Incentive Plan) of the Lithium Energy Prospectus (dated 30 March 2021).

During the financial year, the Company granted 100,000 SIP Options (each with an exercise price of \$1.595, an expiry date of 15 February 2025) to an employee (not a Key Management Personnel), as part of their remuneration.¹²

Post-Employment Benefits: The Company does not presently provide retirement benefits to Key Management Personnel. The Company notes that shareholder approval is required where a Company proposes to make a “termination payment” (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year’s “base salary” (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

Performance-Related Benefits and Financial Performance of Company: : Save for any applicable STI(s), LTI(s) or equity-based benefits that may be provided to Key Management Personnel from time to time, the remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company’s performance. The Company reserves the right to implement remuneration measures that are performance related or linked to the Company’s performance if appropriate in the future (subject to prior shareholder approval where applicable).

In considering the Company's performance and its effects on shareholder wealth, Directors have had regard to the data set out below for the latest financial year and the last financial period (the Company does not have a full prior year financial dataset as it was only incorporated on 14 January 2021):

	2022	2021
Loss Before Income Tax	2,305,366	1,128,361
Basic Loss per share (cents)	2.88	4.08
Dividends Paid (total)	-	-
Dividends Paid (per share)	-	-
Capital Returns Paid (total)	-	-
Capital Returns Paid (per share)	-	-
VWAP Share Price on ASX for financial year/period (\$)	0.90	0.42
Closing Bid Share Price on ASX at 30 June (\$)	0.63	0.37

Corporate Governance Principles: The Company’s Corporate Governance Statement (CGS) also addresses matters pertaining to the Board, Senior Management and Remuneration. The latest (2021) version of the Company’s CGS was released on ASX on 25 October 2021. This CGS will be updated (and released on ASX) when finalising the Company’s upcoming 2022 Annual Report. The latest version of the CGS may also be downloaded from the Company’s website: <https://lithiumenergy.com.au/who-we-are/corporate-governance/>

Company Constitution: The Company’s Constitution¹³ also contains provisions in relation to the remuneration of the Managing Director, Executive Director and Non-Executive Directors. A summary of these provisions are in Section 13.4 (Remuneration of Directors) of the Lithium Energy Prospectus (dated 30 March 2021).

¹² Refer LEL Announcement dated 18 February 2022: Notification regarding unquoted securities – LEL

¹³ Refer LEL ASX Announcement released on 17 May 2021: Constitution

REMUNERATION REPORT

(3) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each Key Management Personnel paid or payable by the Company during the financial year are as follows:

2022	KMP	Performance - related %	Short-term Benefits		Post- Employment Benefits	Other Long-term Benefits	Equity- Based Benefits	Total \$
			Cash salary and fees \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Shares & options \$	
Directors:								
	William Johnson	-	75,000	-	7,500	-	384,075	466,575
	Peter Smith	-	150,000	-	15,000	-	192,037	357,037
	Farooq Khan	-	75,000	-	7,500	-	384,075	466,575
Company Secretary:								
	Victor Ho	-	75,000	-	7,500	-	384,075	466,575

2021	KMP	Performance - related %	Short-term Benefits		Post- Employment Benefits	Other Long-term Benefits	Equity- Based Benefits	Total \$
			Cash salary and fees \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Shares & options \$	
Directors:								
	William Johnson	-	34,822	-	3,308	-	217,028	255,158
	Peter Smith	-	42,935	-	4,079	-	110,418	157,432
	Farooq Khan	-	34,822	-	3,308	-	217,028	255,158
Company Secretary:								
	Victor Ho	-	34,822	-	3,308	-	217,028	255,158

Notes:

- Messrs Johnson, Khan and Ho were appointed on incorporation of the Company on 14 January 2021
- Peter Smith was appointed on 18 March 2021
- Equity-based benefits comprise the issue of Executive Options (refer Section (4)).

(4) Equity-Based Benefits

The Company (after receipt of shareholder approval at the annual general meeting held on 30 November 2021) has granted Executive Options to Key Management Personnel as part of their remuneration during the financial year, as follows¹¹:

KMP	No of Options	Grant Date	Exercise Price	Expiry Date	% Vested
William Johnson	1,000,000	30 November 2021	\$1.39	29 November 2024	100%
Peter Smith	500,000	30 November 2021	\$1.39	29 November 2024	100%
Farooq Khan	1,000,000	30 November 2021	\$1.39	29 November 2024	100%
Victor Ho	1,000,000	30 November 2021	\$1.39	29 November 2024	100%

Further details in relation to the grant of these Executive Options are in the Company's Notice of Annual General Meeting and Explanatory Statement dated 18 October 2021 and released on ASX on 28 October 2021.

REMUNERATION REPORT

The terms and conditions of these Executive Options are in Annexure B (Terms and Conditions of New Executive Options) of the Notice of Annual General Meeting and Explanatory Statement and may also be downloaded from the Company's website: <https://lithiumenergy.com.au/investors/terms-of-issue/>.

The assessed accounting fair value of these Executive Options (refer 2022 Equity-Based Benefits in Section (3)) is calculated using an options valuation model which assumes (as at the date of grant) an underlying Company share price of \$0.895, a risk-free rate of 0.87% per annum (based on the 3 year Australian bond yield rate) and a volatility rate of 83% for the underlying shares in the Company. Further details are in Note 15 (Shared Based Payments) of the notes to the financial statements.

(5) Terms of Appointment

The Company does not presently have formal service or employment agreements with any Key Management Personnel but may enter into such agreements in the future.

The Company has issued letters of appointment (acknowledged by each Director) to confirm the terms of each Director's appointment as an Executive Director (Executive Chairman in the case of William Johnson), which include matters pertaining to their remuneration, their role, duties and accountabilities, their tenure (as a Director and as an executive), review of their performance, conflicts of interest, confidentiality, rights of access to corporate information, Director's indemnity and insurance, the disclosure of interests in securities, right to seek independent professional advice and professional development.

All Directors have entered into a Director's Disclosure Agreement with the Company pursuant to which the Director is obliged to provide the necessary information to the Company in a timely manner to enable the Company to comply with its disclosure obligations to ASX in relation to Directors' interests in securities and in contracts relevant to securities.

All Directors have entered into a Director's Access, Indemnity and Insurance Deed with the Company to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company (or wholly owned subsidiaries).

The Company has not entered into a formal agreement with the Company Secretary, but his terms of employment were resolved by the Board. The Company Secretary has entered into an Officer's Indemnity and Insurance Deed with the Company on terms similar to the Directors' Deeds.

(6) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

(7) Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the period. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Directors only are responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel. Furthermore, the Company has a policy that remuneration advice provided by remuneration consultants be quarantined from Management (who are not Directors) where applicable.

REMUNERATION REPORT

(8) Securities held by Key Management Personnel

The number of ordinary shares in the Company held by Key Management Personnel is set below:

Shares

Key Management Personnel	Balance at 30 June 2021	Received as part of remuneration	Net Other Change	Balance at 30 June 2022
William Johnson	110,000	-	-	110,000
Peter Smith	450,000	-	-	450,000
Farooq Khan	25,000	-	-	25,000
Victor Ho	96,154	-	-	96,154

Executive Options (\$0.30, 18 March 2024)

Key Management Personnel	Balance at 30 June 2021	Received as part of remuneration	Net Other Change	Balance at 30 June 2022
William Johnson	2,850,000	-	-	2,850,000
Peter Smith	1,450,000	-	-	1,450,000
Farooq Khan	2,850,000	-	-	2,850,000
Victor Ho	2,850,000	-	-	2,850,000

Executive Options (\$1.39, 29 November 2024)

Key Management Personnel	Balance at 30 June 2021	Received as part of remuneration	Net Other Change	Balance at 30 June 2022
William Johnson	-	1,000,000	-	1,000,000
Peter Smith	-	500,000	-	500,000
Farooq Khan	-	1,000,000	-	1,000,000
Victor Ho	-	1,000,000	-	1,000,000

Notes:

- (A) The Executive Options (\$0.30, 18 March 2024) were granted on 19 March 2021, each with an exercise price of \$0.30 and an expiry date of 18 March 2024 and are subject to escrow until 19 May 2023. The terms and conditions of these Executive Options are in Section 16.3 (Rights Attached to Executive Options) of the Lithium Energy Prospectus (dated 30 March 2021).
- (B) The Executive Options (\$1.39, 29 November 2024) were granted on 30 November 2021, each with an exercise price of \$1.39 and an expiry date of 29 November 2024. The terms and conditions of these Executive Options are in Annexure B (Terms and Conditions of New Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 18 October 2021 and released on ASX on 28 October 2021.
- (C) The disclosures of security holdings above are in accordance with the accounting standards which require disclosure of securities held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures).

(9) Voting and Comments on the Remuneration Report at Last AGM

At the Company's most recent (2021) AGM, a resolution to adopt the prior year (2021) Remuneration Report was passed on a poll with 99.79% of votes in favour of adopting the Remuneration Report.¹⁴ No comments were made on the Remuneration Report at the AGM.

This concludes the audited Remuneration Report.

¹⁴ Refer LEL ASX Announcement dated 30 November 2021: Results of 2021 Annual General Meeting

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' INSURANCE

The Company insures Directors and Officers against liability they may incur in respect of any wrongful acts or omissions made by them in such capacity (to the extent permitted by the *Corporations Act 2001 (Cth)*) (**D&O Policy**). Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

DIRECTORS' AND OFFICERS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the *Corporations Act 2001 (Cth)*), the Company has also entered into an Access, Indemnity and Insurance Deed with each of the Directors and the Company Secretary (**Officer**) to regulate certain matters between the Company and each Officer, both during the time the Officer holds office and after the Officer ceases to be an officer of the Company, including the following matters:

- The Company's obligation to indemnify an Officer for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the *Corporations Act 2001 (Cth)*); and
- Subject to the terms of the deed and the *Corporations Act 2001 (Cth)*, the Company may advance monies to the Officer to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Officer.

A summary of the Access, Indemnity and Insurance Deed is in Section 13.7 (Directors' Deed) of the Lithium Energy Prospectus.

LEGAL PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of a court to bring proceedings on behalf of the Company or 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 such proceedings. The Company was not a party to any such proceedings during and since the financial year.

AUDITORS

Details of the amounts paid or payable to the Auditors for audit and non-audit services provided during the financial year are set out below:

Auditor	Audit & Review Fees \$	Other Assurance Services \$	Total \$
Rothsay Auditing	6,000	-	6,000
Rothsay Audit & Assurance Pty Ltd	15,000	-	15,000

On 9 August 2022, Rothsay Audit & Assurance Pty Ltd were appointed the Company's Auditor, following the resignation of the firm of 'Rothsay Auditing' and receipt of ASIC's consent to that resignation.¹⁵

Rothsay Auditing completed the review of Lithium Energy for the half year ended 31 December 2021. Rothsay Audit & Assurance Pty Ltd completed the audit of Lithium Energy for the financial year ended 30 June 2022.

¹⁵ Refer LEL ASX Announcement dated 9 August 2022: Change of Auditors

DIRECTORS' REPORT

Rothsay Auditing and Rothsay Audit & Assurance Pty Ltd did not provide any non-audit services during the financial year.

Rothsay Audit & Assurance Pty Ltd continues in office in accordance with section 327C of the *Corporations Act 2001 (Cth)*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 39. This relates to the Auditor's Report, where the Auditors state that they have issued an independence declaration.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report or the financial statements or notes thereto (in particular Note 22, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board,



William Johnson
Executive Chairman

1 September 2022

ROTHSAY

AUDIT & ASSURANCE PTY LTD

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor of the audit of Lithium Energy Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lithium Energy Limited and the entities it controlled during the year.

Rothsay Audit & Assurance Pty Ltd



Daniel Dalla
Director

Dated 1 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Note	2022	2021
	2	\$	\$
REVENUE			
Interest revenue		20,533	32
Other			
Foreign exchange gain		82,213	37,298
Other income		-	979
TOTAL REVENUE AND INCOME		102,746	38,309
EXPENSES	3		
Personnel expenses		(444,746)	(174,127)
Share-based payments		(1,368,002)	(761,502)
Corporate expenses		(231,449)	(192,609)
Occupancy expenses		(42,649)	(2,511)
Exploration and evaluation expenses		(12,587)	-
Finance expenses		5,322	(225)
Administration expenses		(314,001)	(35,696)
LOSS BEFORE INCOME TAX		(2,305,366)	(1,128,361)
Income tax expense	5	-	-
LOSS FOR THE YEAR		(2,305,366)	(1,128,361)
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income, Net of Tax			
Exchange differences on translation of foreign operations		19,046	60,572
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,286,320)	(1,067,789)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted loss per share (cents)	6	(2.88)	(4.31)

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Note	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	7	6,672,551	7,994,344
Receivables	9	220,194	133,997
Other current assets		-	22,917
TOTAL CURRENT ASSETS		6,892,745	8,151,258
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	10	7,306,914	7,011,511
Property, plant and equipment		53,608	29,626
TOTAL NON-CURRENT ASSETS		7,360,522	7,041,137
TOTAL ASSETS		14,253,267	15,192,395
CURRENT LIABILITIES			
Payables	11	148,569	176,918
Provisions		18,245	10,706
TOTAL CURRENT LIABILITIES		166,814	187,624
TOTAL LIABILITIES		166,814	187,624
NET ASSETS		14,086,453	15,004,771
EQUITY			
Issued capital	12	15,006,458	15,006,458
Reserves	14	2,513,722	1,126,674
Accumulated losses		(3,433,727)	(1,128,361)
TOTAL EQUITY		14,086,453	15,004,771

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	Issued capital	Foreign Currency Translation reserve	Share-based payments reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 14 JANUARY 2021	-	-	-	-	-
Loss for the period	-	-	-	(1,128,361)	(1,128,361)
Other comprehensive income	-	60,572	-	-	60,572
Total comprehensive loss for the period	-	60,572	-	(1,128,361)	(1,067,789)
Transactions with owners in their capacity as owners:					
Issue of shares	12	16,002,500	-	-	16,002,500
Cost of issued shares	12	(996,042)	-	-	(996,042)
Issue of options	15	-	1,066,102	-	1,066,102
BALANCE AT 30 JUNE 2021	15,006,458	60,572	1,066,102	(1,128,361)	15,004,771
BALANCE AT 1 JULY 2021	15,006,458	60,572	1,066,102	(1,128,361)	15,004,771
Loss for the year	-	-	-	(2,305,366)	(2,305,366)
Other comprehensive income	-	19,046	-	-	19,046
Total comprehensive loss for the year	-	19,046	-	(2,305,366)	(2,286,320)
Transactions with owners in their capacity as owners:					
Issue of options	15	-	1,368,002	-	1,368,002
BALANCE AT 30 JUNE 2022	15,006,458	79,618	2,434,104	(3,433,727)	14,086,453

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	2022	2021
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,107,882)	(374,381)
Payments for exploration and evaluation	(307,989)	(11,512)
Other income received		979
NET CASH USED IN OPERATING ACTIVITIES	7(a) (1,415,871)	(384,914)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	-	(1,230,000)
Payment for purchases of plant and equipment	(27,414)	(29,703)
Interest received	20,533	32
NET CASH USED IN INVESTING ACTIVITIES	(6,881)	(1,259,671)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	-	10,232,500
Cost of issuing shares	-	(691,442)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	9,541,058
NET DECREASE IN CASH HELD	(1,422,752)	7,896,473
Cash and cash equivalents at beginning of the year	7,994,344	-
Effect of exchange rate changes on cash held	100,959	97,871
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7 6,672,551	7,994,344

The accompanying notes form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2022

1. ABOUT THIS FINANCIAL REPORT

1.1 Background

Lithium Energy Limited ABN 94 647 135 108 is a company limited by shares incorporated in Australia on 14 January 2021 (the **Company** or **LEL**) as a wholly-owned subsidiary of Strike Resources Limited ABN 94 088 488 724 (ASX:SRK) (**Strike**).

Strike's 100% shareholding in the Company was diluted on the completion of a \$9 million initial public offering (**IPO**) pursuant to a Prospectus (dated 30 March 2021) (**Prospectus**) with the issue of 45,000,000 shares (at \$0.20 per share) on 7 May 2021.

The Company was admitted to the Official List of the Australian Securities Exchange (**ASX**) on 17 May 2021 and commenced quotation/trading on ASX on 19 May 2021.

The controlled entities of the Company during the financial year are:

- (a) LE Australian Operations Pty Ltd ABN 73 119 438 265 (incorporated in Australia) (**LEAOPL**), being a wholly-owned subsidiary of the Company;
- (b) LE Operations Pty Ltd ABN 12 102 978 370 (incorporated in Australia) (**LEOPL**), being a wholly-owned subsidiary of the Company;
- (c) Burke Minerals Pty Ltd ABN 52 166 886 826 (**BMPL**), being a wholly-owned subsidiary of the Company; and
- (d) Solaroz S.A. (formerly Hananta S.A.) (incorporated in Argentina) (**Solaroz**), in which LEOPL has a 90% shareholding.

This financial report covers the consolidated financial statement of the consolidated entity consisting of the Company and its controlled entities (the **Consolidated Entity** or **Lithium Energy**). The financial report is presented in the Australian currency.

These financial statements have been prepared on a streamlined basis where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Consolidated Entity.

Information is considered material and relevant if, for example:

- (a) the amount in question is significant because of its size or nature;
- (b) it is important for understanding the results of the Consolidated Entity;
- (c) it helps to explain the impact of significant changes in the Consolidated Entity's business; or
- (d) it relates to an aspect of the Consolidated Entity's operations that may be important to its future performance.

The notes to the financial statements are organised into the following sections:

- (a) **Key Performance:** Provides a breakdown of the key individual line items in profit or loss that is most relevant to understanding performance and shareholder returns for the period:

Notes

- 2 Revenue
- 3 Expenses
- 4 Segment information
- 5 Tax
- 6 Loss per share

- (b) **Financial Risk Management:** Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

Notes

- 7 Cash and cash equivalents
- 8 Financial risk management

- (c) **Other Assets and Liabilities:** Provides information on other balance sheet assets and liabilities that materially affect performance or give rise to material financial risk:

Notes

- 9 Receivables
- 10 Exploration and evaluation expenditure
- 11 Payables

- (d) **Capital Structure:** This section outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

Notes

- 12 Issued capital
- 13 Capital risk management
- 14 Reserves
- 15 Share-based payments

- (e) **Consolidated Entity Structure:** Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the period. Disclosure on related parties is also provided in the section:

Notes

- 16 Parent entity information
- 17 Investment in controlled entities
- 18 Related party transactions

- (f) **Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2022

Notes

19	Auditors' remuneration
20	Commitments
21	Contingencies
22	Events occurring after the reporting period

Significant and other accounting policies that summarise the measurement basis used and presentation policies and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

1.2 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001 (Cth)*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Consolidated Entity comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting Basis and Financial Statement Presentation

The financial report has been prepared on a going concern and accrual basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied throughout the period presented, unless otherwise stated.

1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2022 and the results of its subsidiaries for the period then ended. The Company and its subsidiaries are referred to in this financial report as Lithium Energy or the Consolidated Entity.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1.4 Comparative Figures

The comparative financial statements are in respect of the financial period from 14 January to 30 June 2021.

1.5 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.6 Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Coronavirus (COVID-19) pandemic

The Consolidated Entity has considered and exercised its judgement on the impact that the COVID-19 pandemic has had, or might have based on publicly available information. This consideration extends to the nature of the products, personnel, customers, supply chain, and geographic regions in which the entity operates. Other than as identified in specific notes (if any), there does not seem to be either any significant uncertainties with respect to events or conditions or any significant impact upon the financial statements which may impact the Consolidated Entity unfavourably to the date of this financial report as a result of the COVID-19 pandemic.

1.8 New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not mandatory have not been early adopted. These are not expected to have a material impact on the Consolidated Entity's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

2. REVENUE

	2022	2021
	\$	\$

The Consolidated Entity's operating loss before income tax includes the following items of revenue:

Revenue

Interest revenue	20,533	32
	20,533	32
Other		
Foreign exchange gain	82,213	37,298
Other income	-	979
	102,746	38,309

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(ii) Other revenues

Other revenues are recognised on an accruals basis.

(iii) Foreign exchange

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains or losses that relate to borrowings are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a net basis within other income or operating expenses.

3. EXPENSES

	2022	2021
	\$	\$

The Consolidated Entity's operating loss before income tax includes the following items of expenses:

Personnel expenses		
Salaries, fees and employee benefits	444,746	174,127
Share-based payments - Executive and SIP Options	1,368,002	761,502
Corporate expenses		
Professional fees	26,393	140,054
Auditor fees	21,000	24,900
ASX and CHES fees	54,549	8,021
Share registry	29,802	8,783
ASIC fees	8,577	5,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

3. EXPENSES (continued)	2022	2021
	\$	\$
Corporate expenses (continued)		
Accounting, taxation and related administration	55,658	4,100
Other corporate expenses	35,470	1,412
Occupancy expenses	42,649	2,511
Exploration and evaluation expenses	12,587	-
Finance expenses	(5,322)	225
Administration expenses		
Marketing	85,737	19,336
Insurance	65,571	7,920
Depreciation	3,122	77
Other administration expenses	159,571	8,363
	2,408,112	1,166,670

4. SEGMENT INFORMATION

	Argentina	Australia	Total
	\$	\$	\$
2022			
Revenue	-	20,533	20,533
Other	65,029	17,184	82,213
Total segment revenues	65,029	37,717	102,746
Personnel expenses	-	1,812,748	1,812,748
Corporate expenses	39,187	192,262	231,449
Occupancy expenses	-	42,649	42,649
Exploration and evaluation expenses	12,117	470	12,587
Finance expenses	(5,689)	367	(5,322)
Depreciation expense	-	3,122	3,122
Other expenses	12,929	297,950	310,879
Total segment profit/(loss)	6,485	(2,311,851)	(2,305,366)
Adjusted EBITDA	6,485	(2,314,973)	(2,308,488)
Total segment assets	849,910	13,403,357	14,253,267
Total segment liabilities	7,798	159,016	166,814
2021			
Revenue	-	32	32
Other	37,929	348	38,277
Total segment revenues	37,929	380	38,309
Personnel expenses	-	935,629	935,629
Corporate expenses	1,097	191,512	192,609
Occupancy expenses	-	2,511	2,511
Finance expenses	122	103	225
Depreciation expense	-	77	77
Other expenses	1,780	33,839	35,619
Total segment profit/(loss)	34,930	(1,163,291)	(1,128,361)
Adjusted EBITDA	34,930	(1,163,368)	(1,128,438)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

4. SEGMENT INFORMATION (continued)	Argentina	Australia	Total
	\$	\$	\$
Total segment assets	696,120	14,496,275	15,192,395
Total segment liabilities	33,513	154,111	187,624

Accounting policy

The operating segments are reported in a manner consistent with the internal reporting provided to the Executive Chairman. The Executive Chairman is responsible for allocating resources and assessing performance of the operating segments and has considered the business and geographical perspectives of the operating results and determined that the Consolidated Entity operates only in Australia and Argentina.

5. TAX

	2022	2021
	\$	\$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) The prima facie tax on operating loss before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on operating loss before income tax at 25% (2021:26%)	(576,342)	(293,374)
Adjust tax effect of:		
Non-deductible expenses	362,515	234,364
Movement in unrecognised temporary differences	-	(76,332)
Current year tax losses not recognised	213,827	135,342
Income tax attributable to entity	-	-
(c) Unrecognised deferred tax balances		
Unrecognised deferred tax asset - revenue losses	382,324	109,188
	382,324	109,188

Critical accounting judgement and estimate

Deferred tax assets have not been recognised as, in the Directors' opinion, it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. The utilisation of revenue and capital tax losses are subject to compliance with taxation legislation.

Accounting policy

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

5. TAX (continued)

Accounting policy (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only 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 foreign operations where the Company 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

6. LOSS PER SHARE	2022	2021
	cents	cents
Basic and diluted loss per share	(2.88)	(4.31)

The following represents the loss and weighted average number of shares used in the loss per share calculations:

Net loss after income tax	(2,305,366)	(1,128,361)
	Shares	Shares
Weighted average number of ordinary shares	80,010,000	26,200,476

Accounting policy

Basic earnings/(loss) per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings/(loss) per share that will probably arise from the exercise of options outstanding during the financial period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

7. CASH AND CASH EQUIVALENTS	2022	2021
	\$	\$
Cash at bank	1,872,551	294,344
Term deposits	4,800,000	7,700,000
	6,672,551	7,994,344
(a) Reconciliation of operating loss after income tax to net cash used in operating activities		
Loss after income tax	(2,305,366)	(1,128,361)
Add non-cash items:		
Share-based payments	1,368,002	761,502
Depreciation	3,122	77
Write off of plant and equipment	610	-
Adjustment for movement in foreign exchange	(82,213)	(37,299)
Changes in assets and liabilities:		
Receivables	(106,731)	(134,028)
Other current assets	22,917	(22,917)
Exploration and evaluation expenditure	(295,402)	(11,512)
Payables	(28,349)	176,918
Provisions	7,539	10,706
	(1,415,871)	(384,914)

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

8. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist of deposits with banks, receivables and payables. The Consolidated Entity's financial instruments are subject to market (which includes interest rate and foreign exchange risk), credit and liquidity risks.

The Board is responsible for the overall internal control framework (which includes risk management) but no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably qualified management personnel. The effectiveness of the system is continually reviewed by management and at least annually by the Board.

The financial receivables and payables of the Consolidated Entity in the table below are due or payable within 30 days. The Consolidated Entity holds the following financial assets and liabilities:

	Note	2022	2021
		\$	\$
Cash and cash equivalents	7	6,672,551	7,994,344
Receivables	9	220,194	133,997
		6,892,745	8,128,341
Payables	11	(148,569)	(176,918)
Net financial assets		6,744,176	7,951,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

8. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises of price risk from fluctuations in the fair value of equities, foreign exchange risk from fluctuations in foreign currencies and interest rate risk from fluctuations in market interest rates.

(i) Foreign exchange risk

The Consolidated Entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars (**USD**) and Argentinian Pesos (**ARS**).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Consolidated Entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity has a policy of not hedging foreign exchange risk and therefore has not entered into any hedging against movements in foreign currencies against the Australian dollar, including forward exchange contracts, as at the reporting date and is currently fully exposed to foreign exchange risk.

The Consolidated Entity's exposure to foreign exchange risk expressed in Argentinian pesos at the reporting date are as follows:

	2022	2021
	ARS	ARS
Cash and cash equivalents	849,531	4,036,484
Payables	(547,960)	(2,175,294)
Net financial assets/(liabilities)	301,571	1,861,190

The Consolidated Entity has performed a sensitivity analysis on its exposure to exchange risk. The management assessment is based upon an analysis of current and future market position. The analysis demonstrates the effect on the current period results and equity when the Australian dollar strengthened or weakened by 10% against the foreign currencies detailed above.

	Impact on		Impact on	
	post-tax profit		equity	
	2022	2021	2022	2021
	\$	\$	\$	\$
Increase 10%	3,837	28,520	3,837	28,520
Decrease 10%	(3,837)	(28,520)	(3,837)	28,520

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The weighted average interest rate of the cash at bank for the period for the table below is 0.33% (2021: 0.01%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

8. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk	2022	2021
(ii) Interest rate risk (continued)	\$	\$
Cash at bank	1,872,551	294,344
Term deposit	4,800,000	7,700,000
	6,672,551	7,994,344

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates based on observation of current market conditions. The calculations are based on a change in the average market interest rate and the financial instruments that are sensitive to changes in interest rates.

	Impact on post-tax profit		Impact on equity	
	2022	2021	2022	2021
		\$	\$	\$
Increase by 25bps	16,681	19,986	16,681	19,986
Decrease by 25bps	(16,681)	(19,986)	16,681	(19,986)

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has no borrowings. The financial liabilities disclosed in the above table have a maturity obligation of not more than 30 days.

(c) Credit risk

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the Consolidated Entity. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables and committed transactions. Concentrations of credit risk are minimised primarily by the management carrying out all market transactions through recognised and creditworthy banks and brokers and the monitoring of receivable balances. The Consolidated Entity's business activities do not necessitate the requirement for collateral as a means of mitigating the risk of financial loss from defaults.

The credit quality of the financial assets are neither past due nor impaired and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below:

	2022	2021
	\$	\$
Cash and cash equivalents		
AA-	6,659,350	7,938,114
No external credit rating available	13,201	56,230
	6,672,551	7,994,344
Receivables (due within 30 days)		
No external credit rating available	220,194	133,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

9. RECEIVABLES

	2022	2021
	\$	\$
Current		
Deposits and bonds	42,500	5,000
Receivables	3,066	-
Other receivables	174,628	128,997
	<u>220,194</u>	<u>133,997</u>

Accounting policy

AASB 9 (Financial Instruments) requires the Consolidated Entity to adopt an expected credit loss (ECL) impairment model across the Consolidated Entity's financial assets. The Consolidated Entity's receivables balance comprises deposits, GST refunds from the Australian Tax Office.

At each Balance Date, the Consolidated Entity reviews the carrying value of its financial assets based on the ECL model under AASB 9, which proposes three approaches in assessing impairment:

- (i) the simplified approach (which will be applied to most trade receivables) which requires the recognition of lifetime ECLs by considering forward-looking assumptions and information regarding expected future conditions affecting historical customer default rates;
- (ii) the general approach (which will be applied to most loans and debt securities) whereby ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, the Consolidated Entity will provide for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance will arise for credit losses expected over the remaining life of exposure, irrespective of the timing of the default; and
- (iii) For purchased or originated credit-impaired receivables, the fair value at initial recognition already takes into account lifetime expected losses. At each Balance Date, the Consolidated Entity updates its estimated cash flows and adjusts the loss allowance accordingly.

The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates. The Consolidated Entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Consolidated Entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The Consolidated Entity has not recognised any additional impairment to its current receivables or non-current receivables as a result of the application of AASB 9. This is due to the fact that the Consolidated Entity does not consider that there are any further ECL to the current carrying values of its current receivables or its non-current receivables.

Risk exposure

The Consolidated Entity's exposure to credit and interest rate risks is discussed in Note 8.

10. EXPLORATION AND EVALUATION EXPENDITURE

	2022	2021
	\$	\$
Opening balance	7,011,511	-
Exploration and evaluation costs	295,403	15,221
Exploration assets acquired	-	6,996,290
Closing balance	<u>7,306,914</u>	<u>7,011,511</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

10. EXPLORATION AND EVALUATION EXPENDITURE (continued)

Critical accounting estimates and judgements

The Consolidated Entity has assessed the carrying amount of the exploration and evaluation in accordance with AASB 6 (Exploration for and Evaluation of Mineral Resources). The ultimate recoverability of deferred exploration and evaluation expenditure is dependent on the successful development or sale of the relevant area of interest.

Accounting policy

Exploration and evaluation expenditure incurred is initially capitalised in respect of each identifiable area of interest where the Consolidated Entity has right of tenure. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically-recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Under AASB 6 (Exploration for and Evaluation of Mineral Resources), if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Consolidated Entity must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 (Impairment of Assets). Any impairment loss is to be recognised as an expense. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

11. PAYABLES	2022	2021
	\$	\$
Trade payables	123,590	88,407
Other creditors and accruals	24,979	88,511
	148,569	176,918

Accounting policy

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

12. ISSUED CAPITAL	2022	2021
	\$	\$
80,010,000 fully paid ordinary shares	15,006,458	15,006,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

12. ISSUED CAPITAL (continued)

Movement in fully paid ordinary shares	Date of issue	Number of shares	\$
At 1 January 2021		-	-
Issue of shares at 25 cents	14 Jan 21	10,000	2,500
Issue of shares at 20 cents	5 May 21	3,000,000	600,000
Issue of shares at 20 cents	5 May 21	31,400,000	6,280,000
Issue of shares at 20 cents	7 May 21	45,000,000	9,000,000
Issue of shares at 20 cents	10 May 21	600,000	120,000
Cost of share issue		-	(996,042)
At 30 June 2021		80,010,000	15,006,458

There was no movements during the financial year.

Accounting policy

Ordinary shares are classified as equity. Fully paid ordinary shares carry one vote per share and the right to dividends.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

13. CAPITAL RISK MANAGEMENT

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, share buy-backs, capital reductions and selling assets to reduce debt.

The Consolidated Entity has no external borrowings.

14. RESERVES

	2022	2021
	\$	\$
Share-based payments reserve (refer also to Note 15)	2,434,104	1,066,102
Foreign currency translation reserve	79,618	60,572
	2,513,722	1,126,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

14. RESERVES (continued)

(a) Share-based payments reserve

The Share-based payments reserve records the consideration (net of expenses) received by the Company on the issue of options. In relation to the Executive and Securities Incentive Plan (**SIP**) Options issued for nil consideration, the fair value of these options (refer Note 15) are included in the Share-based payments reserve.

(b) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the Foreign currency translation reserve as described in the accounting policy note below and accumulate in a separate reserve within equity. The cumulative amount is reclassified to Profit or Loss when the investment is disposed of.

Accounting policy

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for Consolidated Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(iii) all resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in Other Comprehensive Income.

15. SHARE BASED PAYMENTS

The Company had share based payments, as follows:

Grant date	Expiry date	Fair value at grant date (\$)	Exercise price (\$)	Opening balance	During the period			Closing balance	Vested and exercisable at period end
					Granted/Issued	Exercised	Cancelled		
19-Mar-21	18-Mar-24	0.076	0.300	10,000,000	-	-	-	10,000,000	10,000,000
05-May-21	04-May-24	0.076	0.300	4,000,000	-	-	-	4,000,000	4,000,000
30-Nov-21	29-Nov-24	0.384	1.390	-	3,500,000	-	-	3,500,000	3,500,000
16-Feb-22	15-Feb-25	0.460	1.595	-	100,000	-	-	100,000	33,333
				14,000,000	3,600,000	-	-	17,600,000	17,533,333
Weighted average exercise price (\$)				0.300	1.366	-	-	0.518	0.520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

15. SHARE BASED PAYMENTS (continued)

The following options were issued during the financial year:

- (a) 3,500,000 Executive Options were granted (after approval of shareholders at the Company's Annual General Meeting) on 30 November 2021, each with an exercise price of \$1.39 and a term expiring on 29 November 2024.
- (b) 100,000 SIP Options were granted on 16 February 2022, each with an exercise price of \$1.595 and an exercise term expiring on 15 February 2025. The vesting conditions are 33.3% on grant, 33.3% on 15 February 2023 and 33.3% on 15 February 2024.

The fair value of the Executives and SIP options issued were calculated using an options valuation model which assumes (as at the date of grant) an underlying Company share price of \$0.895 and \$1.02 respectively (being the closing price), a risk-free rate of 0.87% and 1.49% per annum respectively (based on the 3 year Australian bond yield rate) and a volatility rate of 83% and 86% respectively for the underlying shares in the Company.

Accounting policy

Shared-based compensation benefits provided to personnel are accounted in accordance with AASB 2 (Share-based Payment).

The fair value of options granted are recognised as an employee benefits expense with a corresponding increase in equity. The total amount expensed are determined by reference to the fair value of the options granted, which takes into account market performance conditions and the impact of non-vesting conditions (if any) but excludes the impact of any service or non-market performance vesting conditions (if any).

Non-market vesting conditions (if any) are included in assumptions about the number of options that are expected to vest. Total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Consolidated Entity will revise its estimates of the number of options that are expected to vest based on applicable non-market vesting conditions. The Consolidated Entity will also recognise the impact of any revisions to the original estimates in profit or loss with a corresponding adjustment to equity.

16. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Lithium Energy Limited, as at 30 June 2022.

	2022	2021
	\$	\$
Statement of profit or loss and other comprehensive income		
Loss for the period	(2,308,913)	(1,162,010)
Other comprehensive loss	-	-
Total comprehensive period for the year	(2,308,913)	(1,162,010)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

16. PARENT ENTITY INFORMATION (continued)

	2022	2021
	\$	\$
Statement of financial position		
Current assets		
Cash and cash equivalents	6,652,792	7,936,499
Other	49,909	32,562
Non current assets	7,418,215	7,095,601
Total assets	14,120,916	15,064,662
Current liabilities	151,277	154,112
Total liabilities	151,277	154,112
Net assets	13,969,639	14,910,550
Issued capital	15,006,458	15,006,458
Reserves	2,434,104	1,066,102
Accumulated losses	(3,470,923)	(1,162,010)
Equity	13,969,639	14,910,550

Refer to Note 21 for the parent entity's contingent liabilities.

17. INVESTMENT IN CONTROLLED ENTITIES

Investment in controlled entities	Incorporated	Ownership interest	
		2022	2021
LE Australian Operations Pty Ltd	Australia	100%	100%
LE Operations Pty Ltd	Australia	100%	100%
Burke Minerals Pty Ltd	Australia	100%	100%
Solaroz S.A. (formerly Hananta S.A.)	Argentina	90%	90%

Accounting policy

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

18. RELATED PARTY TRANSACTIONS

Transactions with key management personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the financial year. The total remuneration paid to KMP by the Consolidated Entity during the financial period are as follows:

	2022	2021
	\$	\$
Directors		
Short-term employee benefits	300,000	112,579
Post-employment benefits	30,000	10,695
Equity-based benefits (refer to Note 15)	960,187	544,474
Other KMP		
Short-term employee benefits	75,000	34,822
Post-employment benefits	7,500	3,308
Equity-based benefits (refer to Note 15)	384,075	217,028
	<u>1,756,762</u>	<u>922,906</u>

19. AUDITORS' REMUNERATION

During the financial period, the following fees were paid for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2022	2021
	\$	\$
Rothsay Auditing		
Audit of financial statements	6,000	15,000
Other assurance services	-	9,900
Rothsay Audit & Assurance Pty Ltd		
Audit of financial statements	15,000	-
	<u>21,000</u>	<u>24,900</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2022

20. COMMITMENTS

(a) Mining Tenements/Concessions – Annual Fees and Expenditure Commitments

(i) Australian Tenements

The Consolidated Entity is required to pay rates, rent and other annual fees to relevant Regulatory Authorities of the State (and Local) Government and meet minimum annual expenditure commitments (subject to successful applications for exemption in relation thereto) in order to maintain rights of tenure over its granted Australian mining tenements. The total amount of these commitments will depend upon the number and area of granted mining tenements held/retained, the length of time of each tenement held and whether and to what extent the Consolidated Entity has been successful in obtaining exemption(s) from meeting annual expenditure commitments.

In relation to the Consolidated Entity's tenements in Queensland, Australia, the Consolidated Entity is liable to pay the native title holder an administrative fee in respect of each tenement, pursuant to the *Mineral Resources Act 1989 (Qld)* and *Mineral Resources Regulation 2013 (Qld)*.

(ii) Argentinian Tenements

The Consolidated Entity is required to pay a licence and other annual fees to relevant Regulatory Authorities of the Argentine (and or regional/provincial) Government in respect of mineral concessions held in Argentina. The total amount of this commitment will depend upon, inter alia, the number and area of concessions held/retained and the length of time of each concession held.

21. CONTINGENCIES

(a) Directors' Deeds

The Consolidated Entity has entered into deeds of indemnity with the Directors and Company Secretary of the Company, indemnifying them against liability incurred in discharging their duties as officers. As at the reporting date, no claims have been made under any such indemnities and, accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

(b) Australian Native Title

The Consolidated Entity's tenements in Australia are (or may in the future be) subject to native title rights of the traditional owners under the *Native Title Act 1993 (Cth)*. As at the reporting date, the Consolidated Entity has not entered into any native title related access and compensation agreements with any traditional owners and it is not possible to quantify the impact that native title may have on the operations of the Consolidated Entity in relation to these tenements.

(c) Government Royalties

The Consolidated Entity may be liable to pay royalties to Government on production obtained from its mineral tenements/concessions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2022

21. CONTINGENCIES (CONTINUED)

(d) Deferred Payments Relating to Acquisition of Solaraz Lithium (Argentina)

In March 2019, Strike Resources Limited (**Strike**) and Strike Operations Pty Ltd (now known as LE Operations Pty Ltd) (**LEOPL**) entered into an agreement to acquire a 90% shareholding in Hananta S.A. (incorporated in Argentina) (now known as Solaroz S.A.) (**Solaroz**) (**Solaroz Agreement**). Solaroz, in turn, has entered into an Option and Purchase Agreement (**Option Agreement**) with the registered legal and beneficial owner (**Owner**) of mineral concessions (totalling ~12,000 ha) (**Mining Properties**) which comprise the Solaroz Lithium Brine Project (**Solaroz Project**) located in northern Argentina.

With effect on 31 December 2020, LEOPL capitalised a \$196,893 (US\$140,000) loan into a 90% shareholding in Solaroz.

On 22 March 2021, Strike assigned its rights, obligations and interests under the Solaroz Agreement (with the consent of all other counterparties to the same) to Lithium Energy Limited.

Under the Option Agreement, Solaroz is required to make a series of payments in cash and (at the election of Solaroz, shares) over 4 years totalling US\$6,590,000 to the Owner according to the schedule below:

Solaroz's Payments to the Owner	Cash US\$	Cash or Shares US\$	Total US\$
On execution of the Agreement (paid in April 2019)	140,000	-	140,000
6 months after the approval of the Environmental Impact Assessment (EIA) Report (for drilling) (EIA Approval)	120,000	-	120,000
12 months after EIA Approval	330,000	-	330,000
18 months after EIA Approval	880,000	750,000	1,630,000
30 months after EIA Approval	1,180,000	1,000,000	2,180,000
42 months after EIA Approval	1,190,000	1,000,000	2,190,000
Total	3,840,000	2,750,000	6,590,000

At the completion of the payments to the Owner, registered title to the Mining Properties will be transferred to Solaroz. The Consolidated Entity can elect to terminate the Option Agreement with the Owner at any time, with no penalty. LEOPL will fund 100% of the development costs for the Solaroz Project (including the abovementioned payments to the Owner) to the completion of a bankable feasibility study. Thereafter, Hanaq S.A. (the minor 10% shareholder in Solaroz) is required to contribute pro-rata or dilute. Hanaq may at any time elect to convert its holding in Solaroz to a 1% Net Smelter Royalty.

In light of the above circumstances, the Consolidated Entity regards these future payment obligations as contingencies.

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since the end of the financial year that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (1) The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 40 to 61 are in accordance with the *Corporations Act 2001 (Cth)* and:
 - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of their performance for the period ended on that date;
- (2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (3) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* by the Executive Chairman (the person who, in the opinion of the Directors, performs the Chief Executive Officer function) and the Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and
- (4) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001 (Cth)*.



William Johnson
Executive Chairman

1 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LITHIUM ENERGY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lithium Energy Limited ("the Company") and its controlled entities ("the Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 30 June 2022 and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) 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 these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (Including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following key audit matters to communicate in our report:



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LITHIUM ENERGY LIMITED (continued)**

<i>Key Audit Matter - Cash and Cash Equivalents</i>	<i>How our Audit Addressed the Key Audit Matter</i>
<p>The Group's cash and cash equivalents make up 97% of total current assets by value and are considered to be the key driver of the Group's operations and exploration activities.</p> <p>We do not consider cash and cash equivalents to be at a high risk of significant misstatement, however due to the materiality in the context of the financial statements as a whole, this is considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures over the existence of the Group's cash and cash equivalents included but were not limited to:</p> <ul style="list-style-type: none"> • Testing a sample of cash payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and • Agreeing significant cash holdings to independent third-party confirmations and bank statements. <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>
<i>Key Audit Matter - Exploration and Evaluation Expenditure</i>	<i>How our Audit Addressed the Key Audit Matter</i>
<p>The Group has recorded significant exploration and evaluation expenditure.</p> <p>We do not consider exploration and evaluation expenditure to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, this is considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures in assessing exploration and evaluation expenditure included but were not limited to the following:</p> <ul style="list-style-type: none"> • We assessed the reasonableness of capitalising exploration and evaluation expenditure in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. • We tested a sample items capitalised as exploration and evaluation expenditure to supporting documentation; and • We documented and assessed the processes and controls in place to record exploration and evaluation transactions. <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LITHIUM ENERGY LIMITED (continued)**

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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 there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility 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 the 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility 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 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx.

We communicate with the directors regarding, amongst 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LITHIUM ENERGY LIMITED (continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters.

We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2022.

In our opinion the remuneration report of Lithium Energy Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay Audit & Assurance Pty Ltd

Daniel Dalla
Director

Dated 1 September 2022

LIST OF MINERAL CONCESSIONS

Lithium Energy has interests in the following mineral concessions/tenements as at 30 June 2022 and currently:

Solaroz Lithium Brine Project (Argentina) (90%)

Concession Name	Area (Ha)	Province	File No
Mario Ángel	543	Jujuy	1707-S-2011
Payo	990	Jujuy	1514-M-2010
Payo I	1,973	Jujuy	1516-M-2010
Payo 2	2,193	Jujuy	1515-M-2010
Chico I	835	Jujuy	1229-M-2009
Chico V	1,800	Jujuy	1312-M-2009
Chico VI	1,400	Jujuy	1313-M-2009
Silvia Irene	2,465	Jujuy	1706-S-2011

Burke Graphite Project (Queensland, Australia) (100%)

Tenement No.	Grant Date	Expiry Date	Area (blocks)	Area (km ²)
Burke EPM 25443	4/9/2014	3/9/2024	2 sub-blocks	~6.58
Corella EPM 25696	2/4/2015	1/4/2025	6 sub-blocks	~19.74

ANNUAL MINERAL RESOURCES STATEMENT

Burke Graphite Project (Queensland, Australia)

(100%)

The Burke Deposit (on the Burke EPM 25443 tenement) has a JORC Code (2012 Edition) compliant Mineral Resource:

Mineral Resource Category	Weathering State	Mt	TGC (%)	Contained Graphite (Mt)	Density (t/m)
Inferred Mineral Resource	Oxide	0.5	14.0	0.1	2.5
	Fresh	5.8	16.2	0.9	2.4
	Total Oxide + Fresh	6.3	16.0	1.0	2.4

Note: The Mineral Resource was estimated within constraining wireframe solids defined above a nominal 5% TGC cut-off. The Mineral Resource is reported from all blocks within these wireframe solids. Differences may occur due to rounding.

Refer Grade Tonnage Data in Table 2 of CSA Global Pty Ltd's Burke Graphite Project MRE Technical Summary dated 9 November 2017 (attached as Annexure A of Strike Resources Limited's ASX Announcement dated 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits

Compliance Notes

- The Mineral Resources estimate in respect of the Burke Graphite Project (above) has not changed since reported in last year's (2021) Annual Report.
- The Mineral Resources estimates in this Annual Mineral Resources Statement are based on, and fairly represents, information and supporting documentation prepared by a Competent Person (recognised under the JORC Code (2012 Edition)).
- The Annual Mineral Resources Statement as a whole (in respect of the Burke Graphite Project) has been approved by a Competent Person named in the JORC Code Competent Persons' Statements section of this Annual Report (at pages 69 and 70), where further information concerning their qualifications and professional memberships are also disclosed.
- Due to the nature, stage and size of the Company's existing operations, Lithium Energy believes there would be no efficiencies gained by establishing a separate Mineral Reserves/Resources Committee responsible for reviewing and monitoring the Company's processes for estimating Mineral Reserves/Resources. The Board as a whole has responsibility in this regard (with assistance from external advisers as appropriate) including ensuring that appropriate internal controls are applied to such calculations.
- The Company ensures that any Mineral Reserve/Resource estimations are prepared by Competent Persons and where appropriate, reviewed independently and verified (including estimation methodology, sampling, analytical and test data).
- The Company will report any future Mineral Reserves/Resources estimates in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the **JORC Code (2012 Edition)**), or any updated version of the same that may be applicable at the time of the relevant Mineral Reserve/Resource estimation.

JORC CODE COMPETENT PERSONS' COMPLIANCE STATEMENTS

JORC Code (2012) Competent Person Statement – Solaroz Lithium Project (Argentina)

The information in this document that relates to **Exploration Targets and Exploration Results (including geophysics surveys)** are based on information compiled by Mr Peter Smith, BSc (Geophysics) (Sydney) AIG ASEG. Mr Smith is a Member of the Australian Institute of Geoscientists (**AIG**) and an Executive Director of the Company. Mr Smith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the **JORC Code**). Mr Smith consents to the inclusion in the document of the matters based on his information in the form and context in which it appears.

For further information, refer also to the following ASX market announcements made by Lithium Energy dated:

- 18 August 2022 entitled "Highly Encouraging Geophysics Paves Way for Commencement of Drill Testing of Brines at Solaroz"
- 9 May 2022 entitled "Geophysics Expanded Across all Concessions to Refine Drill Targets at Solaroz Lithium Project"
- 8 June 2021 entitled "Substantial Lithium Exploration Target Identified at the Solaroz Project in Argentina"
- 26 May 2021 entitled "Geophysical Data Supports Highly Encouraging Exploration Potential for Solaroz"

JORC Code (2012) Competent Person Statement - Burke Graphite Project (Queensland)

The Competent Persons named below have been previously engaged by Strike Resources Limited (ASX:SRK) (**Strike**), the former parent company of Lithium Energy Limited (and subsidiaries) that hold the interests in the Burke Graphite Project. Lithium Energy Limited was spun out of Strike into a new ASX listing in May 2021.

- (a) The information in this document that relates to **Mineral Resources** are based on information compiled by Mr Grant Louw (MAIG, MGSSA) under the direction and supervision of Dr Andrew Scogings. Dr Scogings takes overall responsibility for this information. Dr Scogings is an employee of CSA Global Pty Ltd and at the time of the Mineral Resource estimation, Mr Louw was an employee of CSA Global Pty Ltd, who had been engaged by Strike to provide Mineral Resource estimate services. Dr Scogings is a Member of AIG (and at the time of the Mineral Resource estimation, also a member of the Australian Institute of Mining and Metallurgy (**AusIMM**)) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Dr Scogings consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

For further information, refer also to the following ASX market announcement released by Strike dated:

- 13 November 2017 entitled "Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest-Grade Natural Graphite Deposits"

JORC CODE COMPETENT PERSONS' COMPLIANCE STATEMENTS

- (b) The information in this document that relates to **metallurgical test work** is based on information compiled by Mr Peter Adamini, BSc (Mineral Science and Chemistry), who is a Member AusIMM. Mr Adamini is a full-time employee of Independent Metallurgical Operations Pty Ltd, who had been engaged by Strike to provide metallurgical consulting services. Mr Adamini has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Adamini consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

For further information, refer also to the following ASX market announcements released by Strike dated:

- 16 October 2017 entitled "Test-work confirms the potential suitability of Burke graphite for lithium-ion battery usage and Graphene production".
- 13 November 2017 entitled "Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest-Grade Natural Graphite Deposits".

- (c) The information in this document that relates to **Exploration Results (including ground Electro-Magnetic (EM) survey)** is based on information compiled by Mr Peter Smith (BSc (Geophysics) (Sydney) AIG ASEG), who is a Member of AIG. Mr Smith was a consultant to Strike and is also a Director of the Company (since 18 March 2021). Mr Smith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mr Smith consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

For further information, refer also to the following ASX market announcements released by:

- (i) Lithium Energy dated:

- 27 September 2021 entitled "High Grade Burke Graphite to be Optimised for Lithium Battery Application"
- 9 July 2021 entitled "Graphene from Burke Graphite Project Opens Up Significant Lithium-Ion Battery Opportunity".

- (ii) Strike dated:

- 21 April 2017 entitled "Jumbo Flake Graphite Confirmed at Burke Graphite Project, Queensland".
- 13 June 2017 entitled "Extended Intersections of High-Grade Graphite Encountered at Burke Graphite Project".
- 21 June 2017 entitled "Further High-Grade Intersection Encountered at Burke Graphite Project".
- 16 October 2017 entitled "Test-work confirms the potential suitability of Burke graphite for lithium-ion battery usage and Graphene production".
- 13 November 2017 entitled "Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest-Grade Natural Graphite Deposits".
- 26 June 2018 entitled "Burke Graphite Project – New Target Area Identified from Ground Electro-Magnetic Surveys".

Lithium Energy's ASX Announcements may be viewed and downloaded from the Company's website: www.lithiumenergy.com.au or the ASX website: www.asx.com.au under ASX code "LEL".

Strike's ASX Announcements may be viewed and downloaded from the Company's website: www.strikeresources.com.au or the ASX website: www.asx.com.au under ASX code "SRK".

FORWARD LOOKING STATEMENTS

This document contains “forward-looking statements” and “forward-looking information”, including statements and forecasts which include without limitation, expectations regarding future performance, costs, production levels or rates, mineral reserves and resources, the financial position of Lithium Energy, industry growth and other trend projections. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “is expecting”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes”, or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might”, or “will” be taken, occur or be achieved. Such information is based on assumptions and judgements of management regarding future events and results. The purpose of forward-looking information is to provide the audience with information about management’s expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Lithium Energy and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, changes in market conditions, future prices of minerals/commodities, the actual results of current production, development and/or exploration activities, changes in project parameters as plans continue to be refined, variations in grade or recovery rates, plant and/or equipment failure and the possibility of cost overruns.

Forward-looking information and statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date such statements are made, but which may prove to be incorrect. Lithium Energy believes that the assumptions and expectations reflected in such forward-looking statements and information are reasonable. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Lithium Energy does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.

ADDITIONAL ASX INFORMATION

as at 31 August 2022

CORPORATE GOVERNANCE STATEMENT

The Company has adopted the Corporate Governance Principles and Recommendations (4th Edition, 27 February 2019) issued by the ASX Corporate Governance Council in respect of the financial year ended 30 June 2022. Pursuant to ASX Listing Rules 4.7.3 and 4.10.3, the Company's 2022 Corporate Governance Statement (dated on or about 7 September 2022) and ASX Appendix 4G (Key to Disclosures of Corporate Governance Principles and Recommendations) can be found at the following URL on the Company's Internet website: www.lithiumenergy.com.au.

STATEMENT OF USE OF CASH

Pursuant to ASX Listing Rule 4.10.19, the Company confirms that it has used the cash (and assets in a form readily convertible to cash) that it had at the time of admission to ASX in a way consistent with its business objectives, during the financial year ending 30 June 2022.

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

- Each shareholder entitled to vote may vote in person or by proxy or by power of attorney or, in the case of a shareholder which is a corporation, by representative;
- Every person who is present in the capacity of shareholder or the representative of a corporate shareholder shall, on a show of hands, have one vote;
- Every shareholder who is present in person, by proxy, by power of attorney or by corporate representative shall, on a poll, have one vote in respect of every fully paid share held by them;
- The holder of restricted securities will cease to be entitled to exercise any voting rights (as above) if they are in breach of their restrictions deed with the Company; and
- Optionholders have no entitlement to vote.

SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	45,150,000	34,860,000	80,010,000
Executive Options (\$0.30, 18 March 2024) ¹	-	10,000,000	10,000,000
Broker Options (\$0.30, 4 May 2024) ²	-	4,000,000	4,000,000
Executive Options (\$1.39, 29 November 2024) ³	-	3,500,000	3,500,000
Securities Incentive Plan (SIP) ⁴ Options (\$1.595, 15 February 2025) ⁵	-	100,000	100,000

RESTRICTED SECURITIES

Class of Security	Number	Escrow Period
Fully paid ordinary shares	34,860,000	19 May 2023 (24 months from date of quotation)
Executive Options (\$0.30, 18 March 2024)	10,000,000	19 May 2023 (24 months from quotation)
Broker Options (\$0.30, 4 May 2024)	4,000,000	19 May 2023 (24 months from quotation)

1 Refer Section 16.3 (Rights Attaching to Executive Options) of the Company's Prospectus (dated 30 March 2021) for terms and conditions of the Executive Options

2 Refer Section 16.2 (Rights Attaching to Broker's Options) of the Company's Prospectus (dated 30 March 2021) for terms and conditions of the Broker Options

3 Refer LEL Announcement dated 2 December 2021: Notification regarding unquoted securities – LEL and Annexure B (Terms and Conditions of New Executive Options) of LEL's Notice of Annual General Meeting and Explanatory Statement dated 18 October 2021 and released on ASX on 28 October 2021

4 Refer LEL Announcement dated 17 May 2022: Securities Incentive Plan Terms

5 Refer LEL Announcement dated 18 February 2022: Notification regarding unquoted securities – LEL

ADDITIONAL ASX INFORMATION

as at 31 August 2022

UNLISTED OPTIONS

Executive Options (\$0.30, 18 March 2024)

Holder	No of Options	Grant Date	Exercise Price	Expiry Date
William Johnson	2,850,000	19 March 2021	\$0.30	18 March 2024
Peter Smith	1,450,000	19 March 2021	\$0.30	18 March 2024
Farooq Khan	2,850,000	19 March 2021	\$0.30	18 March 2024
Victor Ho	2,850,000	19 March 2021	\$0.30	18 March 2024
TOTAL	10,000,000			

All options are subject to escrow until 19 May 2023 (24 months from date of quotation).

Broker Options (\$0.30, 4 May 2024)

Holder	No of Options	Grant Date	Exercise Price	Expiry Date
CG Nominees (Australia) Pty Ltd	4,000,000	5 May 2021	\$0.30	4 May 2024

All options are subject to escrow until 19 May 2023 (24 months from date of quotation).

Executive Options (\$1.39, 29 November 2024)

Holder	No of Options	Grant Date	Exercise Price	Expiry Date
William Johnson	1,000,000	30 November 2021	\$1.39	29 November 2024
Peter Smith	1,000,000	30 November 2021	\$1.39	29 November 2024
Farooq Khan	500,000	30 November 2021	\$1.39	29 November 2024
Victor Ho	1,000,000	30 November 2021	\$1.39	29 November 2024
TOTAL	3,500,000			

Securities Incentive Plan Options (\$1.595, 15 February 2025)

Holder	No of Options	Grant Date	Exercise Price	Expiry Date
SIP Participant	100,000	16 February 2022	\$1.5895	15 February 2025

DISTRIBUTION OF FULLY PAID ORDINARY SHARES

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
0	-	1,000	696	480,343	0.60%
1,001	-	5,000	1,148	3,080,684	3.85%
5,001	-	10,000	503	4,148,312	5.19%
10,001	-	100,000	536	14,933,598	18.67%
100,001	-	and over	62	57,367,063	71.70%
TOTAL			2,945	80,010,000	100%

UNMARKETABLE PARCELS

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	512	197	71,293	0.09%
513	-	over	2,748	79,938,707	99.91%
TOTAL			2,945	80,010,000	100%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 512 shares or less (being a value of \$500 or less in total), based upon the Company's closing share price of \$0.98 on 31 August 2022.

ADDITIONAL ASX INFORMATION

as at 31 August 2022

TOP TWENTY, ORDINARY FULLY PAID SHAREHOLDERS

Rank	Holder	Shares Held	% Issued Capital
1	STRIKE RESOURCES LIMITED	* 34,410,000	43.01
2	BNP PARIBAS NOMINEES PTY LTD	2,500,536	3.13
3	RUBI HOLDINGS PTY LTD	1,548,750	1.94
4	BENTLEY CAPITAL LIMITED	1,250,000	1.56
5	NATIONAL NOMINEES LIMITED	1,201,037	1.5
6	STANDARD PASTORAL COMPANY PTY LTD	1,050,000	1.31
7	RECO HOLDINGS PTY LTD	1,000,000	1.25
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	903,112	1.13
9	CITICORP NOMINEES PTY LIMITED	811,339	1.01
10	WOWE PTY LTD	730,982	0.91
11	HONGZE GROUP LTD	641,500	0.8
12	MR MICHAEL OWEN SHERRY	500,000	0.62
13	IRIS SYDNEY HOLDINGS PTY LTD	480,000	0.6
14	SNAZZYBOY VENTURES PTY LTD	477,566	0.6
15	MR PHILLIP RICHARD PERRY	470,000	0.59
16	MR ROBERT VELLETRI + MRS FRANCINE LEE VELLETRI	464,625	0.58
17	MRS HYEOK HELEN MA	460,140	0.58
18	PETER CRAIG SMITH	450,000	0.56
19	UPSKY EQUITY PTY LTD	400,000	0.5
20	SUPERHERO SECURITIES LIMITED	381,146	0.48
	TOTAL	50,130,733	62.66%

* Subject to escrow until 19 May 2023

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Registered Shareholder	Shares Held	% Voting Power
Strike Resources Limited (ASX:SRK) ⁶	Strike Resources Limited	34,410,000	43.01%
Bentley Capital Limited (ASX:BEL) ⁷	Strike Resources Limited	34,410,000	44.57%
	Bentley Capital Limited	1,250,000	

6 Refer Strike's ASX Announcement dated 19 May 2021: Notice of Initial Substantial Holder

7 Refer Bentley's ASX Announcement dated 19 May 2021: Notice of Initial Substantial Holder



LITHIUM ENERGY LIMITED

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