Li-S Energy

Annual Report

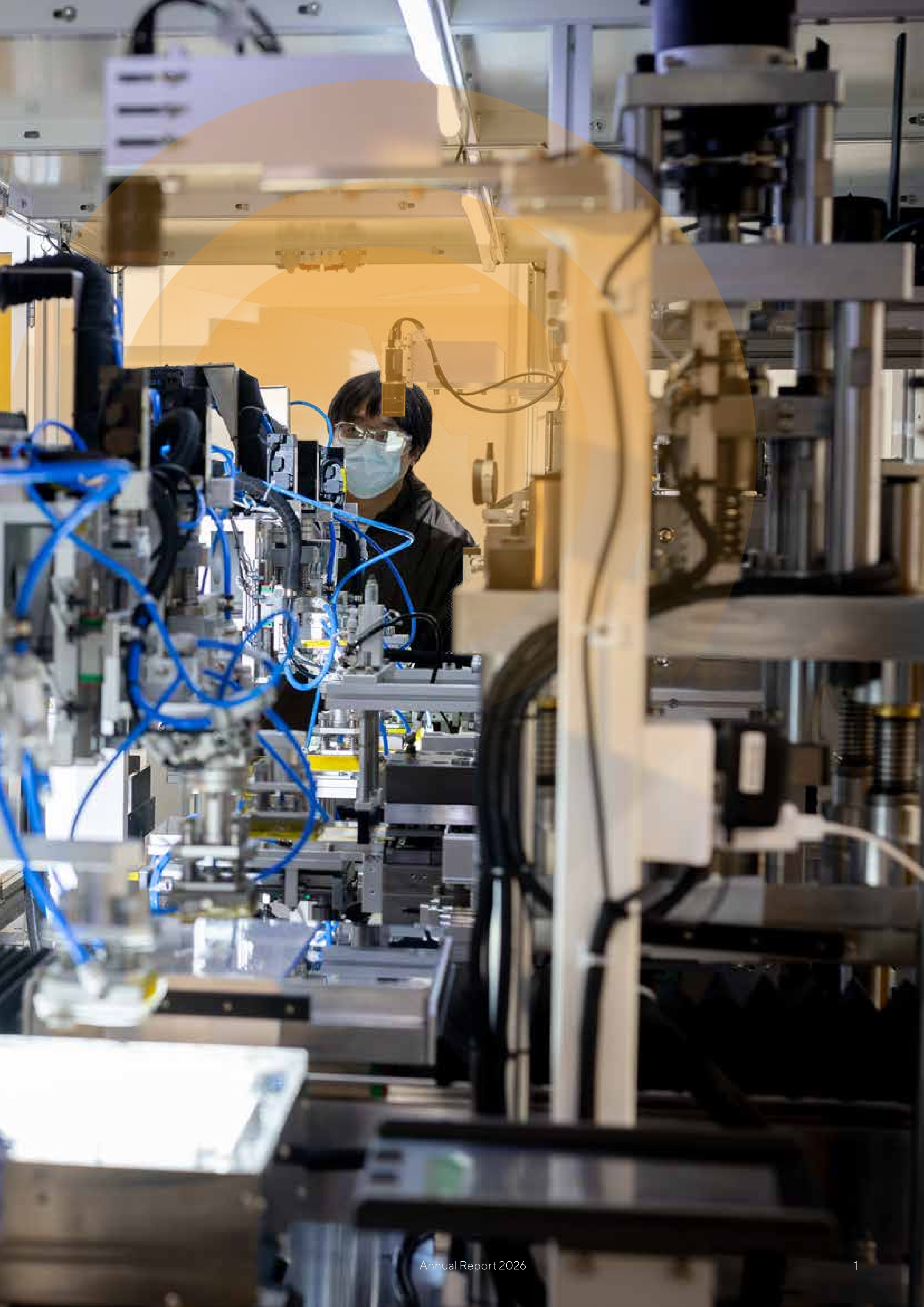
2026

Contents

Australian technology. Global potential. Built to go further.

Li-S Energy is commercialising a new generation of ultra-lightweight, high-energy density batteries designed to extend range, endurance and payload.

With sovereign manufacturing in Australia, proprietary technology and cells now progressing through customer testing and qualification, we are building the capability, partnerships and pathway to take lithium-sulfur battery technology to commercial scale.



Chairman's Report

Dear Shareholders,

It is my pleasure to present this financial report to shareholders in what has been another strong year of progress for Li-S Energy Limited (LIS).

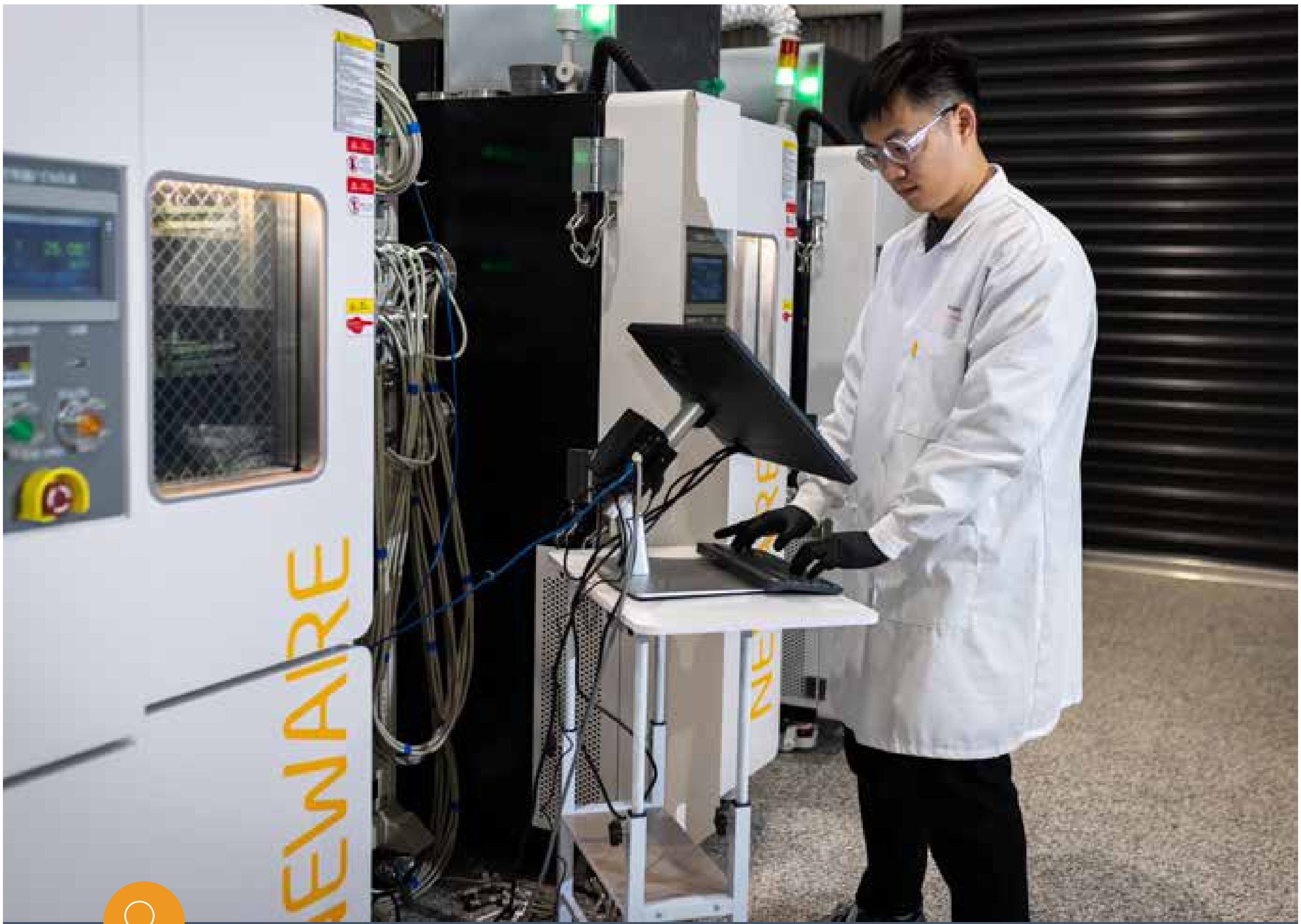
2026 PROGRESS

In 2026 Li-S Energy (LIS) has continued its remarkable progress to commercialise our lithium sulfur battery chemistry right here in Australia. I think it is often overlooked that we are developing novel world-leading science coupled with engineering ingenuity to bring our first products to market. Less than a year ago we announced plans to develop a high Power Cell to sit alongside our original high energy cells. That Power Cell is already opening an array of commercial applications that are not possible with just our energy cell.

This Power Cell development has been doubly important in these testing times. Across the world vast investments are being made in drone technology, with the limitation on range, speed and payload commonly being the battery pack. Our cells are being recognised as a potential game changer to this challenge and our partnerships in the US and Australia in particular have placed us squarely at the forefront of this emerging and dynamic defence sector and are seeing the evolution of LIS from a battery technology integrator into a defence-focused supplier of unique capability.

Over the year, we have continued to leverage a number of Government support programs, most importantly an ARENA Advancing Renewables Program grant to accelerate both the optimisation of our current facilities and the development of a feasibility study for our next phase of scale up. This work stands us in good stead to be able to grow to meet customer demand.

I also want to recognise the support of my fellow Board members during the year Ms Hedy Cray (who retired following the 2025 AGM), Mr Rick Francis and Managing Director and CEO, Dr Lee Finniear, plus the efforts of the management team led by Lee with support from CTO Dr Steve Rowlands, CFO Mr Andrew Davies and our Chief Strategic Advisor, Mr Glenn Molloy.



STRATEGIC FOCUS

The Board and management team are continually reviewing strategic imperatives and milestones for the company. We look at the strategy going forward across four core dimensions and believe that execution across these strategic pillars will deliver that long-term strategy:

1. **Financial** – Ensuring that the company is able to fund its strategic development and growth and can access sources of capital when they are available.
2. **Operational** – Delivering on the milestones of our ARENA grant for manufacturing optimisation and scale up planning whilst continuing to ensure our facilities are able to support the expectations of our customers.
3. **Technical** – Locking the design of our power and energy cells for commercial availability while continuing to innovate across all areas of our unique science and engineering.
4. **Commercial** – Transitioning collaboration agreements to commercial partnerships whilst exploring new pathways to profitable revenue.

We have had many successful outcomes across all these priorities over the year, but from my perspective I would highlight a few key achievements that are leading to major commercial opportunities.

Firstly, the installation and commissioning of our cathode coater at the start of the year. This is the most complex piece of equipment in our production process, but its consistency and fine tolerances have supported the rapid development of our Power Cell that has sparked enthusiasm across the drone industry.

Secondly, the award to LIS of a $7.8m grant from the Australian Renewable Energy Agency (ARENA) to complete the feasibility and front-end engineering design for a planned scale up plant. The support is an endorsement of LIS' ambitious plan to commercialise our solutions at a scale unmatched by any lithium battery cell manufacturer in Australia.

Finally, the required regulatory approvals to ship our cells overseas. It cannot be overstated how complex the approval process is for a novel battery chemistry, but now it is in place, we are able to commence the critical export of test cells to prospective customers.

Chairman's Report

continued

EXECUTIVE REMUNERATION

To support the execution of our strategic imperatives and the criticality of the next few years to the company, we commissioned an independent, external review of our executive remuneration structure by Guerdon Associates. As a result, the Board is exploring awards to the Managing Director and other senior executives in the company of a significant, one-time allocation of performance rights that may vest in tranches over a number of years upon delivery of challenging, key KPIs linked to each of LIS' four strategic priorities. Once finalised, this plan will be put to shareholders for approval at the AGM in November 2026.

In addition, the Board has determined to introduce a minimum shareholding policy for all directors and KMP, to be phased in over the coming three years.

RESEARCH AND DEVELOPMENT (R&D) UPDATE

In 2026, our ongoing investment in R&D has seen truly exciting results. In November 2025 we announced preliminary results of a new Power Cell that offered high continuous discharge rates on a commercial 10Ah cell with minimal reduction in energy density. We believe this is one of the most exciting developments in many years, not just for LIS but the lithium sulfur industry globally.

Developmental progress of this Power Cell has been rapid over the reporting period, enabling the Company to incorporate it into our industry collaborations and prototype cell packs and we look forward to locking down the design and specifications as a commercial product in the coming months.

Intellectual property protection remains critical as we progress to commercial products, so our dedicated IP management committee continually assesses our existing and new IP to ensure it is stored securely and protected as patents or trade secrets as appropriate.

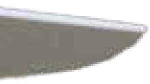
Most of the LIS R&D continues to be conducted in-house, but we continue to utilise and appreciate the ongoing support from the team at Deakin University, our long-term partner.

COMMERCIAL UPDATE

Over the last 12 months we have significantly stepped up commercial activity with existing and new partners as we have progressed from collaborations to full commercial development and testing. Two new inputs to this in the year have been the development of our Power Cell technology as previously mentioned and the full commissioning of our lithium foil manufacturing line that has led to the first sale of premium lithium foil to a major Australian research institution. Key achievements in the year include:

- The partnership with MSubs to develop and test our cells for unmanned underwater vehicles (UUV) and the commissioning of a test chamber to simulate high pressure environments has enabled us to optimise solutions for this rapidly growing defence sector and promises exciting opportunities in the coming years.
- Authorisation under the AUKUS framework early in the year that has enabled a more streamlined export process for our dual-use technologies.
- Continued development work with our key existing partners including delivery of battery modules to V-TOL Aerospace under the EATP program.
- Ongoing collaboration with Praetorian Aeronautics investigating our batteries to power their counter-drone interceptors.
- In-house development work on the use of power cells and hybrid energy systems to power a range of drones.

The continued pathway to commercial offtake scale remains our core purpose in 2027, with a focus on transitioning existing collaboration partners to offtake agreements and further development of plans for scaled up manufacturing. We know that we have world-leading technology, we know we can manufacture and assure our products. We will now work with all our partners to bring our solution to market.



SHAREHOLDER SUPPORT

LIS continues to value the continued support of its shareholders as we drive towards commercialisation of our innovative battery technology. While it may seem like a slow journey, the progress of our technology has been at a cadence that few other emerging battery manufacturers can match. In the coming years we expect to transition to scale manufacturing, bringing long-anticipated validation to all shareholders.

The capital raised at IPO in 2021 has ensured that not only can the company fund its ongoing development work, but has also retained a healthy balance sheet in difficult economic conditions with $15.0 million of cash and cash equivalents at the end of the 2026 financial year. This gives us the strategic flexibility to continue to invest in and develop opportunities as they arise, enabling us to increase our focus on developing products for our core partners and customers in the defence drone industry.

OUTLOOK

2026 has been a year of huge progress for LIS as the final pieces of our commercialisation jigsaw fall into place. We have opened up a swathe of new partners and opportunities through the development of our Power Cell; sold our first Australian-made lithium foil and brought a strategic focus to our position and a key technology enabler for the defence industry.

Looking ahead, the next two years will be critical to cement LIS as a world-leading next generation battery company. We will focus efforts across our four strategic pillars. Primarily, we must ensure we retain tight control over our financial position as we extend into new opportunities and prepare for investment in the next phase of scale-up. We must deliver the anticipated outcomes for the major projects and opportunities in flight without compromising on quality or safety. We must lock down the design and specifications for our first generation of commercial products whilst continuing to extend and challenge ourselves to further refine our technology and strengthen our IP position. Finally, we must deepen the relationships with existing and emerging partners transitioning from collaborations to testing and finally to commercial offtake. I have full confidence in the ability of the management team to execute on this plan and the benefits that it will bring to all of our stakeholders.

We have already received significant Federal Government support through the Trailblazer Universities Program, Industry Growth Program, Emerging Aviation Technology Program and ARENA Advancing Renewables Program. We will continue to engage further on policy evolution as State and Federal Governments look to build sovereign capabilities in batteries. With our cathode and anode manufacturing capabilities in place, we are already extending our capabilities up and down the value chain and will look to increase the value of our unique capability.

Ben Spincer
Chairman

Managing Director's Report

Dear Shareholders,

Very occasionally, the stars align for a business where a technology, a market and a global demand shift create an unprecedented opportunity. In FY26 we saw that happen for Li-S Energy (LIS).

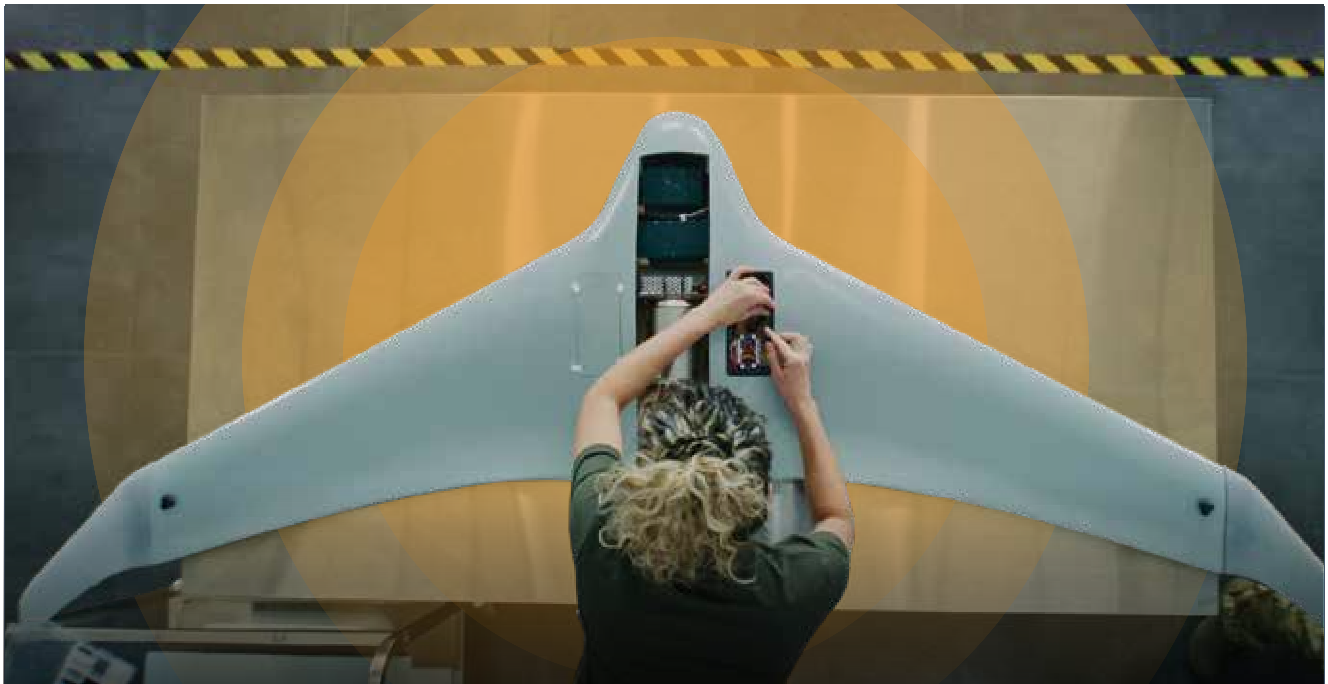
The Company's primary objective has been to create and commercialise the highest energy density batteries available using our proprietary technology. At IPO in 2021, we targeted weight-critical markets spanning electric vehicles, eAviation, drones and defence. Since then, EV batteries have been commoditised whilst the opportunities in drones and defence generally has grown exponentially.

Today, geopolitics and the recent experiences of drone and counter-drone warfare in Ukraine and the Middle East have driven a seismic shift in global defence doctrine. Allied governments have moved rapidly, announcing massive budgets for drones to re-equip their defence forces and protect their cities.

What ultimately limits a drone's performance is its battery. Li-S Energy's lightweight batteries lift that limit, while also offering a sovereign and allied supply chain free of the materials dominated by non-allied processing, the hidden Achilles heel of conventional lithium-ion technology no matter where the cells are made.

Almost our entire opportunity pipeline today is in defence, across unmanned systems from the stratosphere to deep underwater. All could benefit from batteries that extend range, operating time and payload while eliminating material reliance on non-allied supply chains.

In reality that makes us a Company with substantial upside exposure to the defence industry, with a product that has the potential to drive a broad-spectrum capability enhancement across thousands of unmanned systems, built by multiple drone companies across the allied defence landscape.



THE DEFENCE DRONE MARKET

Let me be specific about the potential.

The Pentagon's request for drone and counter-drone capability jumped from US$16.5 billion in June 2025 to more than US$74 billion by April 2026, described by the Pentagon itself as the largest investment in drone systems in its history. The UK lifted its commitment from over £4 billion to over £5 billion, Europe went from no drone-specific commitments to more than €8.5 billion, and Australia's 2026 National Defence Strategy lifted the 10 year investment horizon in drone, counter-drone and autonomous systems from more than A$10 billion to up to A$22 billion.

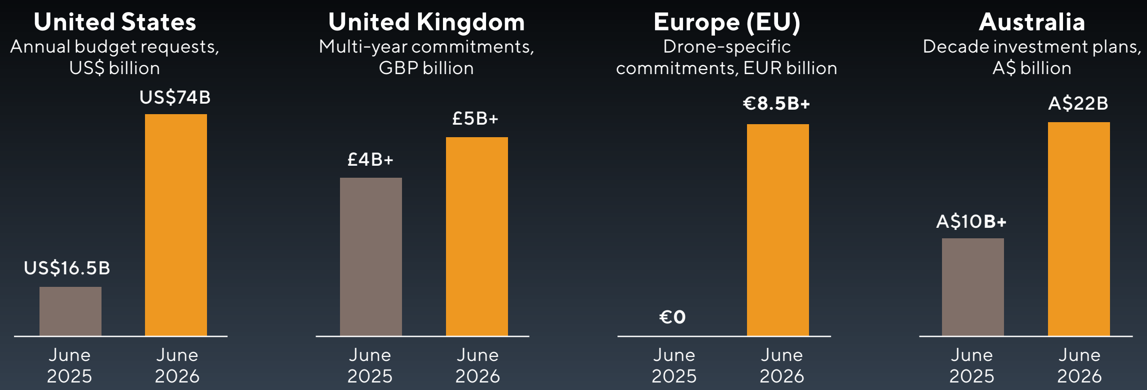


Figure 1 - Change in announced government commitments to drone and counter-drone capability - 2025 to 2026[1]

Taken together, these announcements represent well over US$100 billion of planned and committed spending, across different timeframes and programs[2]. The vast majority of the drones purchased will be battery powered, and, anecdotally, industry feedback is that the battery is around 20% of the cost of a typical FPV drone platform.

As another point of reference, Ukraine's President stated in July 2026 that Ukraine is now producing 10 million drones a year, and on the most recent published production mix around 95 per cent of Ukraine's drones are battery powered[3,4].

1 All figures are announced commitments in local currencies and are not comparable across regions: US figures are annual budget requests; UK figures are multi-year commitments; Australian figures are ten-year investment plans (2026: A$12-15 billion for uncrewed systems plus up to A$7 billion for counter-drone). The Europe figure sums announced drone-specific commitments (the EU-Ukraine drone agreement, the proposed Drone Alliance and contracted German loitering munition programs) and excludes the broader EUR 150 billion SAFE instrument. Sources: US, UK, EU and Australian government budget documents and announcements.

2 Converted at indicative exchange rates as at July 2026 (GBP/USD 1.35, EUR/USD 1.17, AUD/USD 0.65). Figures span different timeframes and funding types, as set out in the chart notes.

3 Based on Ukraine's reported 2024 production of 2.2 million FPV drones and 100,000 long-range strike UAVs: censor.net/en/news/3537464.

4 https://www.kyivpost.com/post/80328.

Managing Director's Report
continued

OUR COMPETITIVE ADVANTAGE

Drone performance comes down to three things: range, operating time and payload. All three are defined by the battery.

Conventional lithium-ion cells deliver roughly 220 to 250 Wh/kg. Our GEN3 lithium sulfur cells have achieved up to 456 Wh/kg after formation cycling – approaching twice that of lithium-ion. A drone that stores close to twice the energy for the same battery weight flies materially further, loiters materially longer, or carries more payload.

A drone maker whose aircraft flies materially further than its competitors, because it is powered by our cells rather than lithium-ion, gains a winning advantage, in tenders as well as in the field.

In practice the added range means far more than just a number on a specification sheet. For defence drone pilots it means added safety. It delivers the ability to operate from a location beyond the range of comparable enemy drones, while still being effective for their own operations. This capability saves lives.

THE LIS POWER CELL

During the year our scientists and engineers achieved what we believe to be a world first for commercial-scale lithium sulfur: a cell delivering continuous discharge rates of 2C on a commercial 10Ah cell, while keeping the energy density advantages of our chemistry.

The C rate is simply a measure of power. A cell discharging at 1C empties in an hour; at 2C, in thirty minutes. A higher C-rate means more power on demand. The Power Cell has materially broadened our market, bringing multi-rotor drones, robotics and communications applications within reach, alongside our fixed-wing, high-altitude and underwater opportunities.

It is a testament to the expertise and dedication of our team, together with the development efficiencies of the Phase 3 facility, that we took the Power Cell from initial concept to commercial sized cells in partner battery packs in under 9 months – a timeline that would normally be measured in years.

OUR SOVEREIGN & ALLIED SUPPLY CHAINS

Decades of globalisation have left the processing of battery raw materials highly concentrated, with allied supply chains producing or controlling less than 5% of global battery grade graphite, less than 20% of its refined cobalt, and less than 25% of refined nickel[5]. Almost every lithium-ion supply chain, including US cell makers, are exposed to this battery materials supply challenge if they sell into the defence sector. We are not.

As an example, the strategic defence risk became abundantly clear in October 2025. On that date China announced export licensing controls covering high energy density lithium-ion batteries, synthetic graphite anode materials, certain cathode materials and battery production equipment. After rapid, focused diplomacy by the USA, those measures were suspended for twelve months – but the earlier controls on natural graphite remain in place.

Our cells use no graphite, no nickel, no cobalt and no manganese. Sulfur is one of the most abundant elements on earth. We make our cells in Australia, and this year we started making our own Australian lithium foil for our anodes. For defence customers, supply chain assurance is not a nice-to-have, it is a procurement requirement.

This represents our second competitive advantage, in addition to our cell performance.

DRIVING OUR MARKET PENETRATION

This year we exhibited at major defence conferences and exhibitions across North America, Europe and Australasia. Our partner list is growing – MSubs and Praetorian Aeronautics joined our existing programs – our pipeline of opportunities is expanding, and the interest is spread across the land, sea and air domains.

In parallel we locked down essential cell shipping regulatory approvals, being AUKUS authorisation, plus the CASA, PHMSA and FAA certifications needed to airfreight cells to the United States, and we finalised our first cell product designs for comprehensive testing.

These actions serve one objective: getting test cells, then trial battery packs, into the hands of the agencies and organisations most interested in creating a performance overmatch for their platforms. The sooner our cells are in their hands to test, then in greater volume to trial, the sooner this business scales.

5 Sources: International Energy Agency, Global Critical Minerals Outlook 2025; C4ADS, Refining Power, February 2025.

OUR PATHWAY TO SCALE

Every company commercialising novel technology faces an inconvenient truth: scale without orders destroys capital, and orders without scale destroys credibility and closes the window of opportunity. This is the classic "Chicken & Egg" manufacturing challenge we have recognised from the beginning.

Our IPO funding was designed to take us to initial semi-automated production - to prove our cells could be built outside a laboratory glove box and deliver commercial sized multi-layer pouch cells for testing and customer trials.

It has succeeded.

Today we routinely produce high-quality, matched 10Ah and 20Ah pouch cells and build them into complete battery packs with our own battery management system, something I believe eclipses the capability of any other battery company of our size that I am aware of.

But it is not a gigafactory, so, in parallel, we have been building our pathway to scale.

Our $7.8 million matched ARENA grant is funding us to do exactly that. Stage 1 is well advanced: the FEL-1 feasibility study, led by international engineering consultancy Hatch, is on track for completion in the third quarter of calendar 2026. Alongside this, four manufacturing optimisation studies are underway to lift the production rates of key steps for a scaled manufacturing line.

Stage 2, subject to Stage 1 outcomes, will take us through FEL-2 and FEL-3 detailed design for a phased scale-up targeting an end-state 1 GWh facility - with concrete offtake agreements expected before any material construction commitment.

When demand converts to orders, we intend to be ready.

OUTLOOK

Procurement timing is never guaranteed in the defence space, and budgets do not guarantee orders for any supplier but the growth and scale of this opportunity is unlike any I have seen in my career.

To prepare, we spent FY26 locking down our first product designs, gaining the regulatory approvals to ship them internationally, building our presence and pipeline across the allied defence industry, and preparing our pathway to scale. With the defence tailwind blowing a gale, we have to be ready. Getting prepared is exactly what 2026 was about.

None of this narrows our long-term horizon. Once our cell manufacturing is at scale, the transportation and eAviation markets will be actively targeted, but today defence is our near-term opportunity, and it is the catalyst for driving that scale.

My thanks go to our brilliant team of scientists, engineers and professionals, to the Board for their guidance, to our partners for their confidence, and to you, our shareholders, for backing us on this journey.

2026 has been a productive year and we are confident 2027 will be even better.

Lee Finniear
Managing Director &
Chief Executive Officer

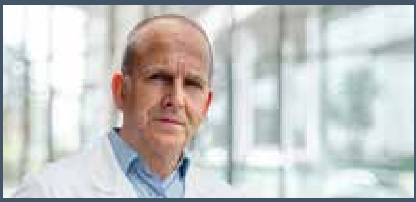
Board of Directors

Mr Ben Spincer
Non-Executive Director
and Chairman

Mr Rick Francis
Non-Executive Director

Dr Lee John Finniear
Managing Director and
Chief Executive Officer

Management Team



Dr Stephen (Steve) Rowlands
Chief Technology Officer

Mr Andrew Davies
Chief Financial Officer

Mr Glenn Molloy
Chief Strategic Advisor

See pages 11 to 13 for further information.

Director’s Report

The directors of Li-S Energy Limited (“Li-S Energy”, “LIS” or the “Company”) present their report together with the consolidated financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 30 June 2026 (“FY26”).

DIRECTORS

The names of the Directors in office at any time during the year or since the end of the year are set out below. Directors were in office for the entire period unless otherwise stated.

Ben Spincer	Non-Executive Director and Chairman
Rick Francis	Non-Executive Director
Lee Finniear	Managing Director (appointed 8 October 2025)
Hedy Cray	Non-Executive Director (retired 18 November 2025)

INFORMATION ON DIRECTORS

Details of the current Directors, their qualifications, experience, and special responsibilities are detailed below:

Mr Ben Spincer MA, PhD, GAICD

Non-Executive Director and Chairman

Appointed as a Non-Executive Director on 18 March 2021; Member of the Audit & Risk Committee from 18 November 2025.

Ben is currently the Executive Chairman of PowerPlus Energy Pty Ltd and on the Boards of White Graphene Ltd and EnyGy Ltd. Previously, Ben was the Executive Director of Deakin Research Innovations, responsible for Deakin’s commercial research partnerships, as well as the commercialisation and translation of the University’s research and oversight of the ManuFutures advanced manufacturing scale-up facility. He was a member of the Victorian Government Innovation Taskforce in 2020 and represented Deakin on a number of research centre and institute Boards.

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

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

Other public listed directorships held in the last three years: Nil.

Mr Rick Francis BCom, MBA, GAICD, and CA

Non-Executive Director

Appointed as a Non-Executive Director on 18 February 2025; Member and, from 18 November 2025, Chair of the Audit & Risk Committee.

Rick has 25 years’ experience in the energy and infrastructure sectors. He was the Managing Director and CEO (and previously Chief Financial Officer) of Spark Infrastructure Group (previously ASX: SKI) for over a decade. At that time, SKI was an S&P/ASX 100 entity that made long-term investments in energy infrastructure assets and renewable electricity generation technologies. During his tenure, he was also a non-executive director of electricity distribution businesses, Victoria Power Networks (comprising CitiPower and Powercor) and SA Power Networks and was Deputy Chair of TransGrid, the operator of the high-voltage electricity transmission network in NSW and the ACT. Before this, Rick held senior roles at the APA Group (ASX: APA) and Origin Energy (ASX: ORG).

Other public listed directorships held in the last three years:

- Non-Executive Director of PPK Group Limited since 2 December 2024

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Dr Lee John Finniear BSc (Hons), PhD, FAICD

Appointed Managing Director on 8 October 2025, and Chief Executive Officer on 14 February 2021.

Lee has more than 25 years' experience as a senior executive, including 10 years with Intergraph Corporation (a US-based Fortune 1000 technology company) in roles including Vice President – Asia Pacific, plus more than 10 years as the Chief Executive Officer and Managing Director of NASDAQ and ASX listed technology companies. Prior to joining LIS, Lee was the founder and Managing Director of a company delivering innovative Internet of Things (IoT) products to business and consumer markets. He also served as Vice President – Asia Pacific for Cubic Telecom, a European telecommunications operator, leading the expansion of its business across the region.

Lee has a First Class BSc. (Hons) degree in Civil Engineering and a PhD in Artificial Intelligence and Geographic Information Systems. He has been a Fellow of the Australian Institute of Company Directors for 15 years and is a founding Director of the Advanced Materials and Battery Council.

Other public listed directorships held in the last three years: Nil

INFORMATION ON COMPANY SECRETARIES

Mr Will Shiel BA in Law (Hons), FGIA

Appointed Company Secretary on 30 June 2022.

Will has over 20 years' experience in the legal industry. He specialises in all aspects of commercial law, with a particular focus on contracts and cutting-edge technology transactions.

Before joining LIS, Will was Head of Legal (Technology) at ASX Limited (ASX:ASX) where he managed a team responsible for technology, intellectual property and data matters. Before this, he held a variety of senior positions in Brisbane, Sydney and London at leading national and international law firms, including Allens Linklaters, Gilbert+Tobin and Clifford Chance. Will works across PPK Group Limited, Li-S Energy, White Graphene Limited and BNNT Technology Pty Ltd.

Mr Liam Fairhall BLaw (Hons); BMed Rad Sci; Grad Dip ACGRM

Appointed Company Secretary on 30 June 2022.

Liam is an experienced corporate lawyer and governance professional that has extensive experience in advising Boards on a wide range of legal, regulatory and compliance matters. Liam's senior management roles include Deputy General Counsel and Company Secretary at PPK Group Limited, and prior to that, Head of Legal and Company Secretary at a technology-focused bank specialising in payment products and financial crimes services. Earlier in his career, he was a Senior Associate in the Corporate Advisory Group at one of Brisbane's largest independent law firms.

INFORMATION ON MANAGEMENT TEAM

CHIEF TECHNOLOGY OFFICER

Dr Stephen (Steve) Rowlands BSc. (Hons) PhD

Appointed Chief Technology Officer on 12 July 2021.

Steve has over 25 years' experience in the energy storage sector, and has been CTO of LIS for the last five years. During this time, he has led the Company's technology roadmap and scale-up from laboratory cells through to a scaled, commercial-format pilot production facility, overseeing the development of the GEN3 semi-solid-state chemistry, the commissioning of the Phase 3 and Phase 3S production lines, the design of the Company's proprietary battery management system, and the development of the novel Power Cell technology. He has extensive knowledge of nanomaterials and their effect on the detailed mechanisms of lithium sulfur technology.

Before joining LIS, Steve spent eight years as Deputy CTO at OXIS Energy, an early pioneer of lithium sulfur battery technology, where he managed the cathode, electrolyte, cell test engineering and production development teams and delivered a pilot production line for lithium sulfur manufacture.

Steve has a First-Class BSc. (Hons) degree in Applied Chemistry and a PhD in Electrochemical Supercapacitors for Energy Storage.

CHIEF FINANCIAL OFFICER

Mr Andrew Davies BCom, CA, GAICD

Appointed Chief Financial Officer on 1 September 2025.

Andrew has 20 years' experience in finance and accounting, having held senior roles across the automotive, mining, energy storage and advanced materials sectors. Andrew joined LIS in September 2021 as Senior Group Financial Controller, playing a key role in supporting the Company's commercialisation pathway. In that role he oversaw the financial management, treasury operations and statutory reporting of LIS, working closely with the Board and executive team on day-to-day management, strategic planning, governance and government grant applications.

CHIEF STRATEGIC ADVISOR

Mr Glenn Molloy

Engaged as Chief Strategic Advisor from 12 June 2021 following two years serving as Executive Chairman and then Director of LIS ahead of key appointments.

Glenn founded PPK Group Limited, then known as Plaspak Group Limited, in 1979 and has acted as a director of PPK Group Limited since that time. He has extensive experience on public company boards, and in advising publicly listed and private entities on commercial aspects of mergers, acquisitions and divestment activities. He is a director of a number of PPK Group Limited's related companies, including PowerPlus Energy Pty Ltd.

PRINCIPAL ACTIVITIES

Li-S Energy Limited was incorporated on 12 July 2019 and listed on the Australian Securities Exchange (ASX) on 28 September 2021. The Company was established to commercialise advanced lithium sulfur (Li-S) battery technology based on proprietary nanomaterials. These materials include boron nitride nanotubes (BNNTs), white graphene and the Company's proprietary Li-nanomesh, which are designed to:

- Increase the energy density of batteries compared to conventional lithium-ion technology; and
- Improve the cycle life of lithium sulfur and lithium metal batteries, that were limited by degradation mechanisms in traditional designs.

These advancements facilitate the development of batteries that are both lighter in weight and more durable, with direct applications for significant addressable markets in the defence, commercial drone and aviation sectors.

The Company aims to generate diversified revenue streams from the following sources:

1. Collaborative programs with product OEMs to integrate and test Li-S Energy battery cells and battery packs in high-value applications such as uncrewed aerial, underwater and counter-drone systems, electric aviation and various defence platforms;
2. The sale of lithium metal foils and laminates, including foils with nanomaterial coatings optimised for lithium sulfur and lithium metal battery chemistries;
3. The supply of boron nitride nanomaterials, Li-nanomesh, and associated know-how to battery manufacturers seeking to enhance the performance of Li-S and lithium metal batteries or other advanced chemistries;
4. Licensing of LIS' intellectual property to third-party manufacturers for the production of battery cells and modules using LIS' proprietary materials and designs; and
5. Scaling cell production via a staged development targeting up to 1 GWh per year, with the manufactured cells sold commercially to global target markets.

During FY26 the Company recorded its first product revenue, with the initial commercial sale of Australian-made lithium foil.

Review of Operations

FY26 was the year in which Li-S Energy converted its established production capability into a series of commercial and regulatory firsts.

The Company completed and certified Australia's first lithium metal foil production line and made its first commercial sale of lithium foil; developed its new Power Cell architecture, opening high-power applications for its chemistry; secured the export authorisations and air transport approvals required to ship cells to international partners; and, supported by a $7.8 million ARENA grant, formally commenced planning for commercial-scale manufacturing.

A summary of highlights and key activities during the financial year is set out below:

Power cell and technology development

- **Announced the Power Cell**, a next-generation lithium sulfur cell delivering continuous discharge rates of 2C on a commercial 10Ah cell, while retaining the energy density advantages of Li-S chemistry; and
- **Progressed the Power Cell into partner battery packs** and advanced the Company's proprietary Battery Management System (BMS) and pack integration capability, with new patent protection applied for.

Strategic partnerships

- **Signed collaboration agreements with UK undersea systems specialist MSubs**, with depth testing of Li-S cells commenced at Geelong as planned, and with Praetorian Aeronautics, which is targeting production of up to 10,000 Dagger counter-UAV interceptor drones per year;
- **Delivered the Company's first complete battery pack to V-TOL Aerospace under the EATP program**, ahead of flight testing anticipated early in FY27; and
- **Continued collaboration with existing partners**, including a major defence prime and Kea Aerospace, engaged Paladin Defense Services LLC as US representative and appointed a new Head of Strategic Partnerships.

Manufacturing and facilities

- **Installed and commissioned a high-precision cathode coater within a dedicated cathode clean room**. With advanced in-line scanning tools providing precise metrology data indexed to each section of cathode, this sophisticated system is instrumental in the production of both Li-S Power and Energy cells;
- **Completed Australia's first lithium metal foil production line**, supported by the $1.78 million Industry Growth Program (IGP) grant; and
- **Expanded the Battery Testing Centre**, doubling the floor area and adding 88 cell cycling channels, including 64 channels of 100A power cyclers, blast-proof thermal chambers, a battery pack construction workshop, temperature-controlled cell storage and high-pressure containment for undersea testing.

Commercial and regulatory milestones

- **Acquired AUKUS authorisation and secured CASA, PHMSA and FAA approvals**, completing the certifications required to airfreight cells to the United States;
- **Achieved ISO 9001:2015 quality management systems certification** for its lithium foil production line; and
- Completed Australia's first lithium foil production line and **recorded a first, modest commercial sale of lithium foil**.

Pathway to manufacturing scale

- **Awarded a $7.8 million ARENA grant** for manufacturing optimisation, feasibility and front-end engineering design (FEED) studies for the planned Phase 4 facility, targeting up to 1 GWh per annum; and
- **Received the first $1.9 million tranche from ARENA and appointed Hatch to deliver the FEL-1 feasibility study**, on track for completion in the third quarter of calendar year 2026.

Corporate and financial

- **Received a $3.0 million Research and Development Tax Incentive refund** and ended the year with $15.0 million in cash and cash equivalents and no fixed debt.

Across each of these areas, the Company delivered on the commitments it made to shareholders: the Power Cell announced in November 2025 was in partner battery packs within months; the shipping regulatory approvals flagged at the half year were completed; the Hatch-led FEL-1 study commenced and remains on track; and battery packs and test programs were delivered as planned. The Board considers this record of stating milestones and then delivering them to be central to the Company's growing credibility with partners, customers and government.

COMMERCIALISATION STRATEGY

The Company’s commercialisation strategy has five phases, with the first two completed in prior years. In FY26 the focus remained on executing Phase 3 while materially advancing the planning for Phase 4, which will scale manufacturing and enable larger scale commercial supply.

The Company engaged extensively with its key target markets in drones, defence, eAviation and, for the first time, undersea systems. With the Phase 3 facility producing cells for testing and trials, partners and potential customers can independently assess the Company’s energy density, safety and weight advantages, and these evaluations are expected to lead to demand signals, letters of intent and conditional offtake agreements in support of Phase 4 planning.

Phase 4 is being planned as a staged development targeting a commercial scale facility of up to 1 GWh of annual capacity, up to a 500-fold increase over the Company’s existing 2 MWh automated line in Geelong. The detail of this staged development will be informed by the ARENA co-funded FEL-1 Study undertaken by global engineering consulting firm HATCH, which is currently nearing completion.

The Company is considering a range of commercial approaches, including strategic partnering, technology licensing and project financing, and expects that binding or conditional offtake agreements would be secured prior to any material financial commitment to construction. As a complementary opportunity, the Company has also commenced the supply of lithium metal foils and laminates, with a first, modest commercial sale completed in the final quarter of FY26.

PRODUCT DEVELOPMENT STRATEGY

Power Cell Development

At the Company’s 2025 Annual General Meeting, Li-S Energy announced the development of its Power Cell, a next-generation lithium sulfur cell architecture designed to deliver high power output alongside the intrinsic gravimetric energy density advantages of Li-S chemistry. Enabled in part by the new high precision cathode coater and fine tuning of the lithium foil anode, initial test results demonstrated continuous discharge rates of 2C on a commercial 10Ah cell with minimal reduction in energy density, around 10 times the typical power output of high energy density lithium sulfur cells. These results prompted a scaled testing program supported by the new power cyclers in the expanded Battery Testing Centre.

The Power Cell targets applications where peak power and rapid discharge are critical, and for the first time allows the Company to address a broader range of drone applications in addition to lower-power fixed-wing platforms. During the year the Power Cell was incorporated into partner battery packs, and the Company is working towards locking down the design and specifications of both its power and energy cells as commercial products.

Energy Cell Development

The Company’s high energy cell remains the foundation of its product family, targeting applications with low continuous power draw but extreme sensitivity to weight and buoyancy, most notably high altitude pseudo satellites (HAPS) and uncrewed underwater vehicles (UUVs). During FY26 the Company prioritised the development of the Power Cell, but continued to refine its Energy Cell designs for quality, consistency and operational robustness, with cells achieving energy densities of up to 456 Wh/kg, among the most advanced globally, and cycle life continuing to improve under long-duration testing.

Battery Management System and Battery Pack Integration

The Company’s proprietary intelligent Battery Management System (BMS) advanced during the year, driven primarily by battery pack development for the EATP project. Each completed pack is a fully integrated power system incorporating Li-S cells, including Power Cell technology, the Company’s BMS and control electronics. The BMS enables a more rapid, lower friction pathway for partners to adopt Li-S Energy cells, and patent protection has been applied for on unique aspects of the pack design.

PARTNER DEVELOPMENT STRATEGY

During FY26, Li-S Energy materially expanded its partner engagement, particularly within the defence sector, and extended its opportunity envelope into the undersea domain. The Company appointed a Head of Strategic Partnerships, and engaged Paladin Defense Services LLC as its US representative to progress opportunities with US defence, aerospace and government agencies.

Market engagement

The Company maintained high visibility with defence and aerospace stakeholders through a series of international events: the DSEI 2025 global defence conference in London and the AUSA 2025 Annual Meeting & Exposition in Washington DC, both supported by Austrade; Indo Pacific 2025 in Sydney, supported by Invest Victoria; the Singapore International Airshow, and SOF Week 2026 in Tampa, Florida, attended as part of the Team Defence Australia delegation. The Company was also hosted in Canberra by several government departments and ministerial offices. These engagements continue to grow the Company's pipeline of prospective customers and collaboration partners, establish direct relationships with key program managers, integrators and platform OEMs, and deepen the Company's understanding of end-user requirements across mission-critical applications.

Partner programs

- **MSubs – uncrewed underwater vehicles:** In December 2025 the Company entered into a strategic collaboration with UK-based underwater systems specialist MSubs Ltd, a globally recognised designer and manufacturer of advanced crewed and uncrewed underwater platforms serving defence and commercial markets, including the UK Ministry of Defence and key US defence programs. The parties are jointly evaluating Li-S Energy cells as large-scale propulsion battery systems for MSubs' extra-large uncrewed underwater vehicle (XLUUV) platforms, including the XV Excalibur delivered to the Royal Navy. The MSubs high-pressure test chamber was commissioned at Geelong in the June 2026 quarter and initial cell testing under simulated deep-ocean conditions, building to depths of up to 1,000 metres, has commenced. Results will inform simulated mission-profile endurance testing planned for FY27.
- **Praetorian Aeronautics – counter-UAV interceptors:** Also in December 2025, the Company signed a Collaboration Agreement with Praetorian Aeronautics, a South Australian defence technology company specialising in autonomous aerial systems and battle management software, to assess the integration of Li-S Energy's lightweight, high-energy-density cells into Praetorian's AI-driven Dagger counter-UAV interceptor drones. Initial battery pack design work commenced in the March 2026 quarter. With Praetorian targeting production of up to 10,000 Dagger units per year, the program represents a meaningful, fully sovereign commercial opportunity.
- **EATP – Pegasus long-endurance drone:** Under the $1.35 million Federal Government Emerging Aviation Technology Partnership (EATP) grant, delivered in collaboration with V-TOL Aerospace and Halocell, the Company delivered its first complete battery pack to V-TOL Aerospace in March 2026 for bench testing, incorporating Power Cell technology selected for the high instantaneous power demands of take-off and solar contingency scenarios. Additional packs were built in the June 2026 quarter ahead of initial flight testing of the V-TOL platform, anticipated early in FY27.
- **Paladin Defense Services – US representation:** In the September 2025 quarter the Company appointed Paladin Defense Services LLC, based in Kentucky and led by former US Army Commanders, as its US representative. Paladin's government acquisition status provides access to sole-source US Government contracts of up to US$7.5 million, reducing procurement timelines and supporting introductions, testing and funded trials with the US Department of Defense and major defence primes.
- **Other collaborations:** The Company continued collaboration under its existing programs, including the cell supply agreement with a major defence prime contractor entered into in June 2025 and the collaboration with New Zealand-based Kea Aerospace on high-altitude, solar-electric stratospheric aircraft, while progressing a number of prospective international partner relationships strengthened by the completed US air transport regulatory approvals, ISO 9001:2015 certification and a growing body of test data.

REGULATORY APPROVALS TO SHIP CELLS INTERNATIONALLY

Li-S Energy's lithium sulfur cells, given their ultra-high energy density, are regulated as dual-use goods under Australian defence export controls and, as a novel chemistry, require additional approvals for air transport under dangerous goods regulations. During the year the Company completed the certifications required to airfreight its prototype cells to the United States: AUKUS authorisation, acquired early in the reporting period, enables export to the US and UK without an export permit; CASA approval was received in the March 2026 quarter; and PHMSA approvals, in coordination with the FAA, followed in the June 2026 quarter, providing a compliant pathway under ICAO and IATA Special Provision A88.

These certifications, the culmination of over 18 months of work, enable the Company to supply evaluation cells directly to international defence organisations, government agencies and commercial partners. UN38.3 cell testing also continued and, when completed, will enable larger volumes of cells to be shipped.

PHASE 3 PRODUCTION, TESTING AND QUALITY

The Phase 3 and 3S production lines at the Company's Geelong facility, Australia's largest advanced pouch cell production capability, produced lithium sulfur cells throughout FY26 for internal testing, partner evaluation and battery pack builds.

A key milestone early in the year was the commissioning of the high precision cathode coater, the most complex piece of equipment in the production process, whose consistency and fine tolerances directly supported the rapid development of the Power Cell. With production co-located with the on-site Battery Testing Centre, the full development cycle from cathode preparation to completed commercial-sized multi-layer cells under test is now routinely completed in less than 4 days.

During the second half of the year the Company completed a major expansion of the Battery Testing Centre, doubling its floor area and adding a further 88 cell cycling channels, including 64 channels of 100A per channel power cyclers, thermal chambers, a battery pack construction workshop, and secure safety containers for vibration and high-pressure depth testing. The expansion was driven by the extended cycle life being achieved by cells under test, growing production for partner battery packs and increasing module testing requirements, and provides the capability to characterise the new 10Ah Power Cell.

Lithium foil production

The Company also completed Australia's first lithium metal foil production line during the year, supported by matched funding under the Federal Government's Industry Growth Program. The line, which produced Australia's first 20-micron lithium foils during commissioning, primarily secures the supply, specification and surface quality of the anode material used in the Company's own cells, reducing anode material costs by up to 80% and de-risking a volatile international supply chain. Both free standing lithium foil and copper laminated lithium foil to a ±2µm tolerance are being produced.

Following ISO certification, a first, modest commercial sale of lithium foil was completed in the June 2026 quarter to a major Australian battery research institution. While minor in financial terms, the sale provides external validation of the capability and a potential supplementary revenue stream over time.

ISO 9001:2015 quality management systems accreditation

During the June 2026 quarter the Company achieved ISO 9001:2015 quality management systems certification for its lithium foil manufacturing operations, providing internationally recognised validation of its quality management systems and strengthening its commercial credentials in highly regulated sectors including defence and aerospace, where certified quality systems are often a prerequisite for supplier qualification.

PATHWAY TO COMMERCIAL MANUFACTURING SCALE

In November 2025, Li-S Energy was awarded a $7.8 million grant under the Australian Renewable Energy Agency's (ARENA) Advancing Renewables Program. The matched funding supports three workstreams: manufacturing optimisation covering cathode production, anode production, cell stacking and recycling; a feasibility study for the staged development of a facility of up to 1 GWh per year; and front-end engineering design (FEED) to deliver tender-ready engineering and cost packages.

Following the award, the Hon. Chris Bowen MP, Minister for Climate Change and Energy, visited the Geelong facility in December 2025, underscoring the alignment between the Company's growth objectives and national priorities for sovereign battery manufacturing capability.

In February 2026, the Company received the first $1.9 million funding tranche and appointed Hatch, a global engineering consultancy with battery gigafactory experience, to deliver the Phase 4 Front-End Loading (FEL-1) feasibility study. Hatch conducted its kick-off workshop with the Company's technical and engineering teams during the June 2026 quarter, and the study remains on track for completion in the third quarter of calendar year 2026, with the four manufacturing optimisation studies feeding their results into the FEL-1 knowledge base.

The Company expects independent engineering-led project definition to be a key enabler for customer adoption and future offtake agreements, and the ARENA-supported work provides an on-ramp for engagement with the National Reconstruction Fund and other Federal and State agencies, strategic and joint venture partners, and providers of project finance. The grant builds on support already received through the Trailblazer Universities Program, the Industry Growth Program, the EATP program and the $3.0 million R&D Tax Incentive refund received during the year.

INTELLECTUAL PROPERTY & CYBER SECURITY

The Company maintained a strong focus on the protection and strategic management of its intellectual property portfolio, recognising it as a core asset underpinning long-term value. The dedicated IP management processes overseen by the CTO continually assesses existing and new IP to determine the most appropriate method of protection, through the patent process or as confidential proprietary information maintained as a trade secret.

In parallel, the Company proactively manages its cyber security profile, undertaking regular simulated phishing attacks, external threat assessments, penetration testing and system audits in line with best practice frameworks, uplifting the systems and platforms where appropriate.

BOARD AND EXECUTIVE CHANGES

In September 2025, Andrew Davies was appointed Chief Financial Officer, having acted as the Company's Senior Group Financial Controller for four years under the shared services agreement with PPK Group. In October 2025, Dr Lee Finniear, Chief Executive Officer, was appointed to the Board as Managing Director. At the Annual General Meeting in November 2025, Ms Hedy Cray retired from the Board after more than four years of dedicated service, including a key role in the Company's ASX listing in September 2021; the Board thanks her for her substantial contribution to the leadership and governance of the Company.

REVIEW OF FINANCIAL CONDITION

Li-S Energy held combined cash, short-term investments and loans receivable of $15.6 million at 30 June 2026 (2025: $18.8 million), a net utilisation of $3.2 million during the year. That funded the completion of Australia's first lithium metal foil production line, expansion of the Battery Testing Centre and $4.8 million of capital and development expenditure, supported by $6.4 million of government grant funding received (2025: $3.3 million). The net loss after tax reduced to $4.9 million (2025: $6.4 million), or 0.77 cents per share (2025: 1.01 cents). The following table summarises the key financial measures.

	FY26 $'000	FY25 $'000	Change $'000	Change %
Statutory Loss after income tax expense	**(4,856)**	(6,414)	1,558	24.3%
Statutory Loss before income tax expense	**(4,257)**	(6,414)	2,157	33.6%
Basic loss per share (cents)	**(0.77)**	(1.01)	0.24	23.8%
Net cash used in operating activities	**(2,397)**	(3,270)	873	26.7%
Capital and development expenditure (cash)	**(4,775)**	(6,153)	1,378	22.4%
Government grant funding received (cash)	**6,391**	3,296	3,095	93.9%
Net increase/(decrease) in cash held	**125**	(7,956)	8,081	n/a
Cash and current financial assets	**15,630**	18,855	(3,225)	(17.1%)
Net assets	**30,768**	35,294	(4,526)	(12.8%)
Net tangible assets per share (cents)	**3.38**	4.02	(0.64)	(15.9%)

Financial Performance

The Company reported a net loss after tax of $4.9 million for the twelve months to June 2026 (2025: $6.4 million loss). LIS recorded its first product revenue in FY26 through the first commercial sale of its Australian made lithium foil. Revenue remains immaterial at this stage of commercialisation however, with the result for the year being shaped principally by government grant income and operating expenditure.

LIS recorded $3.9 million in government grant income in FY26 (2025: $0.9 million), reflecting grant income recognised from the various government grant programs underway, including new programs in FY26 – the research and development tax incentive (R&DTI), and ARENA's Advancing Renewables Program. In addition, LIS also recorded finance income of $0.8 million (2025: $1.2 million), which decreased due to lower balances held and a change in investment mix.

Operating expenditure remained tightly controlled against a substantially higher level of activity. Administration expenses reduced to $2.2 million (2025: $2.4 million), and management fees paid to PPK Aust. Pty Ltd under the Management Services Agreement, covering finance, legal, information technology and cyber security, and administration support, reduced to $0.7 million (2025: $1.0 million). Directors' fees were broadly unchanged at $0.2 million (2025: $0.2 million), with NED remuneration remaining unchanged since 2021. Employee benefits expense increased to $1.0 million (2025: $0.8 million) driven by increased headcount to deliver the various work programs underway, with a further $3.0 million in employee costs capitalised (2025: $2.3 million). Professional fees incurred increased to $1.3 million (2025: $1.0 million) –primarily driven by FEL-1 consulting fees incurred to date of $0.3 million. Share-based payment expense, a non-cash charge recognising the cost of performance rights issued to executives, was $0.3 million (2025: $0.2 million). Depreciation and amortisation, also non-cash, increased to $2.1 million (2025: $1.9 million) as the Phase 3 production facility, the cathode coating line and the completed lithium metal foil line moved into service. Finance costs incurred relate to the accounting for lease liabilities.

Expenditure directly attributable to the development of the LIS' battery technology continues to be capitalised rather than expensed, with $2.3 million capitalised as intangible assets during the year (2025: $2.8 million).

The result also includes two other substantial non-cash items. An unrealised loss of $1.3 million (2025: $1.1 million) was recognised on revaluation of the investment in Zeta Energy, held at fair value through profit or loss, and an income tax expense of $0.6 million (2025: $nil) arising from the derecognition of the deferred tax asset carried forward from prior years. The Company's carried-forward (unrecognised) tax losses continue to remain available for use in future periods.

Excluding both items, the non-IFRS underlying loss after tax was $3.0 million (2025: $5.4 million).

Financial Position

The Company ended the year with net assets of $30.8 million (2025: $35.3 million), comprising total assets of $34.3 million (2025: $38.1 million) and total liabilities of $3.5 million (2025: $2.8 million).

Cash and cash equivalents were marginally higher at $15.0 million (2025: $14.9 million), driven by rotation out of financial assets into cash during FY26, with current financial assets reducing to $0.7 million (2025: $4.0 million). Trade and other receivables of $2.8 million (2025: $0.0 million) reflecting the estimated FY26 R&DTI receivable, LIS continued to invest in its facilities and development program, with property plant and equipment at the reporting date of $5.7 million (2025: $5.4 million), and intangible assets of $9.1 million (2025: $9.0 million). Total assets were affected by the non-cash reduction in non-current financial assets (investment in Zeta Energy) to $0.3 million (2025: $1.6 million), and derecognition of the deferred tax assets to $Nil (2025: $0.6 million).

Total liabilities reported include deferred government grant income of $1.7 million (2025: $0.9 million), representing grant funding received but not yet recognised in profit or loss, trade and other payables of $0.8 million (2025: $0.7 million), and employee provisions and lease liabilities recognised under the relevant accounting standards. The Company has no interest-bearing debt other than those lease liabilities.

Capital management, going concern and outlook

The Board's ongoing objective is to maintain sufficient funding to meet working capital and strategic investment needs over both the short and long term. The Board have approved project plans, budgets and cash flow forecasts indicating sufficient cash to meet planned and committed expenditure over the next twelve months, and the financial statements have been prepared on a going concern basis.

The scale-up from Phase 3 to a commercial Phase 4 facility will require additional capital in the future. The ARENA-supported FEL-1 study, due for completion in the third quarter of calendar 2026, will assist in defining the scale, cost and staging of that investment and inform a funding approach that may include strategic partnering, technology licensing, project financing, further government support or the issue of additional equity. Funding and liquidity risk is addressed in the Material Business Risks section of the Directors Report.

No dividend was declared or paid in respect of FY26.

This section should be read in conjunction with the Review of Operations set out in the Directors report, along with the audited financial statements that follow.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as set out in the Review of Operations and the Review of Financial Condition, there were no significant changes in the state of affairs of the Group during the financial year.

DIVIDENDS

There were no dividends declared or paid during the period.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There has been no matter or circumstance that has arisen since the end of the financial period which is not otherwise dealt with in this report or in the financial statements that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

FUTURE DEVELOPMENTS

The Board and management team review the Company's strategy across four dimensions, and believe execution across these strategic pillars will position the Company for long-term sustainable growth and the creation of shareholder value:

1. **Financial** – ensuring the Company can fund its strategic development and growth, maintaining tight control over its financial position as it prepares for investment in the next phase of scale-up;
2. **Operational** – delivering the milestones of the ARENA grant for manufacturing optimisation and scale-up planning, while ensuring facilities continue to support customers and our technical team;
3. **Technical** – locking the design of the power and energy cells for commercial availability, while continuing to innovate and strengthen the Company's IP position; and
4. **Commercial** – transition from collaboration agreements to commercial partnerships and conditional offtake agreements, by delivering test cells, while exploring new pathways to profitable revenue, including lithium foil sales.

OPTIONS AND UNISSUED SHARES

As at the date of this report, there are:

- 1,606,795 outstanding Service Rights granted under the NED Equity Plan;
- 1,200,000 outstanding Service Rights under the Executive Rights Plan; and
- 8,063,827 outstanding Performance Rights under the Long Term Incentive Plan (LTIP).

See the Remuneration Report below for further information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The operations of the Group are not subject to any particular and significant environmental regulation under a law of the Commonwealth or any State or Territory, and the Group is not registered under the *National Greenhouse and Energy Reporting Act 2007 (Cth)*. The Group's lithium sulfur battery technology is directed at higher energy density and lower cell weight, using materials that sit outside the graphite, cobalt and nickel supply chains on which conventional lithium-ion cells depend, and is manufactured in Australia. The Board considers sovereign manufacturing capability and reduced reliance on imported battery materials to be the Group's most material environmental and social contributions at this stage of its development.

Mandatory climate-related financial reporting is being phased into the *Corporations Act 2001 (Cth)* by entity size. An entity is captured once it satisfies at least two of three thresholds, being consolidated revenue of $50 million, consolidated gross assets of $25 million, or 100 employees. At 30 June 2026 the Group satisfied one of those thresholds and is therefore not yet required to prepare a sustainability report under AASB S2 Climate-related Disclosures. The Group assesses its position annually; the earliest year for which it could be required to report based on the current thresholds is the year ending 30 June 2028.

The Group publishes a Sustainability Report voluntarily. It is not prepared in accordance with the Australian Sustainability Reporting Standards, is not audited, and is available on the Company's website.

Remuneration Report (audited)

The Directors of the Company present the Remuneration Report ('the Report') for the year ended 30 June 2026. This Report has been prepared in accordance with the requirements under the *Corporations Act 2001* and applicable Accounting Standards. This report forms part of the Directors' Report and, unless otherwise indicated, has been audited in accordance with section 300A of the *Corporations Act 2001*.

The Report details the remuneration arrangements for the Company's key management personnel (KMP) which include those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group including:

- Non-executive directors (NEDs)
- Executive director and certain senior executives (collectively the Executive KMP)

The table below outlines the KMP of the Company for the year ended 30 June 2026 and up to the date of this report:

Name	Position	Term as KMP
Directors		
Ben Spincer	Non-Executive Chair	Full financial year
Rick Francis	Non-Executive Director	Full financial year
Hedy Cray	Non-Executive Director	Retired 18 November 2025
Lee Finniear	Managing Director (MD) and Chief Executive Officer (CEO)	Full financial year as CEO, appointed Managing Director 8 October 2025
Other KMP		
Steve Rowlands	Chief Technology Officer (CTO)	Full financial year
Glenn Molloy	Chief Strategic Advisor (CSA)	Full financial year
Andrew Davies	Chief Financial Officer (CFO)	Appointed 1 September 2025
Sarah Price	Chief Financial Officer (CFO)	Resigned 1 September 2025

Remuneration Policy

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

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

The Board has not established a separate remuneration committee. The setting of remuneration, and decisions on the granting and vesting of incentives, are the responsibility of the full Board. The Board reassesses this position periodically and may establish a remuneration committee in the future. The policy for determining the nature and amount of remuneration for board members and executives is detailed in the paragraphs which follow.

Remuneration of non-executive directors is determined by the Board from the maximum amount available for distribution to the non-executive directors as approved by shareholders. In determining the appropriate level of directors' fees, data from surveys undertaken of other public companies similar in size or market section to the Company is taken into account, along with the engagement of remuneration consultants where appropriate. Currently this amount is set at $800,000 per annum in aggregate and was approved by shareholders at the Annual General Meeting held in November 2021.

Non-Executive Directors (NEDs)

The table below sets out the total fixed remuneration (TFR) payable for each NED role. Fees are pro-rated for any part of the year in which a role is held. No additional fees are payable for membership of Board committees.

Role	Total Fixed Remuneration ($ per annum)
Non-Executive Chair	120,000
Non-Executive Director	80,000

Executives

The Board is responsible for reviewing and approving remuneration arrangements for NEDs and the executive KMP. The broad remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of high quality and standard.

A review of the compensation arrangements for executives is conducted by the full Board at a duly constituted Directors' meeting. The Board conducts its review annually based on established criteria which includes:

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

The remuneration mix for each executive KMP varies due to the differing nature and responsibilities of their roles.

Use of Remuneration Consultants

During the year ended 30 June 2026 the Board resolved to engage Guerdon Associates (**Guerdon**), an independent, external remuneration consultant, in relation to a number of matters. As the Company does not have a remuneration committee, Guerdon was engaged by, and primarily reported to, the Non-Executive Chair. Where the matters considered related to potential fees and equity grants to the Non-Executive Chair, additional oversight was provided by the Chair of the Audit and Risk Committee.

Guerdon reviewed the Company's remuneration proposals in respect of Non-Executive Director fees and executive equity grants, prepared an analysis of equity dilution in a peer group of companies, and provided an independent report to the Board discussing those proposals and alternatives to them. Consideration of $13,560 (excluding GST) was payable for this work, which the Board considers constituted a remuneration recommendation for the purposes of section 300A(1)(h) of the *Corporations Act 2001*.

Guerdon also collected and summarised statutory Non-Executive Director fee data for a peer group of companies of comparable market capitalisation and discussed remuneration benchmarking and alternative incentive framework structures with the Non-Executive Chair. That advice was factual and exploratory in nature and in the Board's view did not constitute a remuneration recommendation for the purposes of the Corporations Act. Consideration of $7,707 (excluding GST) was payable for this work.

Total consideration payable to Guerdon in respect of the year was $21,267 (excluding GST), and Guerdon provided no other services to the Company during the year.

The Board is satisfied that the advice provided by Guerdon (including the remuneration recommendation) was made free from undue influence by the members of key management personnel to whom it related. Guerdon was engaged by, reported to and took instructions from the Non-Executive Chair rather than management, with additional oversight provided by the Chair of the Audit and Risk Committee to the extent the report related to the Non-Executive Chair. Further, its report was provided to the Board without prior review by the executive key management personnel to whom it related.

Company Performance and Shareholder Wealth for Executive Remuneration

Statutory performance indicators

	2026 $'000	2025 $'000	2024 $'000	2023 $'000	2022 $'000
Loss after income tax expense	**(4,856)**	(6,414)	(4,624)	(3,336)	(6,272)
Revenue	**1**	-	-	-	-
Share price at period end ($/Share)	**0.13**	0.11	0.13	0.24	0.44
Basic loss per share (c/Share)	**(0.77)**	(1.01)	(0.73)	(0.52)	(0.99)
Diluted loss per share (c/Share)	**(0.77)**	(1.01)	(0.73)	(0.52)	(0.99)
Dividends declared (c/Share)	**–**	–	–	–	–

The Board seeks to align executive reward with the creation of shareholder value over the longer term. The Company remains in the commercialisation stage of its development with limited revenue, and the Board therefore assesses performance principally by reference to the delivery of the key metrics, as noted in the key performance indicators list below. The two methods employed in achieving this are:

Short Term Incentives (STI)

LIS has a STI plan in place for eligible executives which is ordinarily paid as cash above their normal contracts and aligned with key performance indicators (KPIs) as determined by the Board. The KPIs are developed from the strategic and operating plans and are chosen to reflect the core drivers of short-term performance and deliver sustainable value to the Company, its shareholders and its customers.

The KPIs for FY26 applying to the CEO were based on the following key metrics:

Key metric	Targets	Weighting
Stakeholder Engagement	Delivery of the stakeholder engagement plan across shareholders, partners, government, customers, and suppliers	20%
Strategic	Delivery of the strategic plan set by the Board	20%
Financial	Delivery of new grant funding opportunities, and exceeding revenue and cash flow targets as determined by the Board.	20%
Operational	Delivery of the operational plan, driven by the transition from a research led to an engineering led business	20%
Technical	Complete agreed research and development program and protection of new IP developed.	20%

The CTO and the CFO also participate in the STI, assessed against key performance indicators set by the CEO and the Board and aligned to the same key metrics. The Chief Strategic Advisor does not participate in the STI. Performance against each metric is assessed by the full Board following the end of the financial year, having regard to management's report on delivery against the underlying milestones together with the Board's own knowledge of the Company's operations.

Participation in the STI is considered on an annual basis, at the discretion of the Board. Awards for the current year are assessed by the Board, and granting of any STI amounts is at their discretion, taking into account the individual's performance against the above metrics. Such awards are normally settled in cash, however the Board retains the discretion to instead settle any such amounts in rights.

The following table outlines the STI opportunity (as a percentage of TFR), and STIs awarded to each executive for the FY26 period:

Executive KMP	Max STI opportunity (% of TFR)	% of max STI awarded	% of max STI forfeited
MD & CEO	40%	70%	30%
CTO	30%	80%	20%
CFO	30%	75%	25%

Long Term Incentives

In FY26 the Company granted 4,968,043 performance rights (FY26 Performance Rights) to specific executive officers and senior staff of the Company under the terms of the Long Term Incentive Plan (LTIP), of which 3,669,432 were issued to KMP. FY26 was the first year the CEO and the CFO were included in the LTIP. The fair value of these performance rights was calculated on the grant date and is recognised over the period during which the related services are rendered. The vesting of the performance rights granted is based on the achievement of specified internal and external vesting conditions. The fair value of the performance rights granted to KMP has been calculated by an independent valuer using the Black-Scholes option pricing model for the retention tranche and a Monte Carlo simulation methodology, which utilises the binomial option pricing model, for the share price tranche. The valuation is based on numerous inputs, including the following:

FY26 Performance rights – Award date 22 December 2025	
Vesting date	30-Jun-28
Expiry date	22-Dec-40
Number of performance rights granted to KMP	3,669,432
Share price at grant date	$0.1500
Average fair value at grant date	$0.1256
Exercise price	$Nil
Expected life	2.52 years
Volatility	68.00%
Risk free interest rate	4.13%
Dividend yield	Nil
Outperformance hurdle – rTSR	N/A
Outperformance hurdle – aTSR	200.00%

The measurements used for the FY26 Performance Rights granted to a KMP are as follows:

Nature	Weighting	Fair value at grant date	# of Rights granted to KMP
Retention (service)	50.0%	$0.1500	1,834,716
aTSR	50.0%	$0.1012	1,834,716

The absolute TSR (aTSR) metric requires the Company to achieve a share price uplift of at least 300% over the Measurement Period by reference to the volume weighted average price (VWAP) used to calculate the initial grant of FY26 rights (adjusted for any dividends) and the 20 day VWAP up to and including 30 June 2028. No part of the aTSR tranche vests unless the ending VWAP is at least equal to that starting VWAP, at which point 25% of the tranche vests, increasing on a straight line basis to full vesting where the ending VWAP is three times the starting VWAP or more.

A summary of the material terms of the FY26 LTIP is as follows:

Plan Structure	The LTIP is managed by a Trust, which was adopted in March 2023. The Board has appointed an external Trustee to administer the Trust.
Term	Each Right has a Term of 15 years and, if not exercised within that Term the Rights will lapse.
Eligibility	Participation is expected to be open to certain senior executives and management of the Company only. The number of Rights granted are expected to reflect market standard percentages of fixed pay. Directors, other than any managing director, are not eligible to participate in the LTIP.
Performance Rights	Each vested Right can be exercised for one share in Li-S Energy Limited.
Measurement Period	The Measurement Period for the FY26 Performance Rights is a period of 3 years from 1 July 2025 to 30 June 2028.
Vesting Conditions	The nature and weighting of the vesting conditions are broadly consistent for each Participant but are tailored for the role that each Participant performs. The Board will use their judgement to assess whether the vesting conditions have been met.
Gates	No Gates have been attached to these Tranches of Rights.
Vesting and Vesting Date	Rights will typically vest following the completion of the Measurement Period based on an assessment of the Vesting Conditions, however Rights may vest before the end of the Measurement Period in some limited circumstances.
Exercise Restrictions	No Exercise Restrictions have been attached to these Tranches of Rights.
Disposal Restrictions	Rights may not be disposed of at any time but they may be exercised following vesting. No additional Restrictions have been attached to the Shares that may be acquired when vested Rights are exercised. Thus, the Disposal Restrictions that apply to the Shares will arise from the Company's Securities Trading Policy and the insider trading provisions of the Corporations Act.
Exercise and Exercise Price	The Exercise Price is nil (no amount needs to be paid by the Participant in order to exercise the Rights). Vested Rights may be exercised at any time after the Vesting Date and before the end of their Term. In order to exercise vested Rights, a Participant must validly submit an Exercise Notice. On exercise of vested Rights, the Board will issue a Settlement Notice and ensure that there are a sufficient number of Shares available to satisfy the exercised Rights. The Board will not ordinarily settle the exercised vested Rights in cash.
Termination of Employment	If a Participant's employment with the Company ceased during FY26, the retention component of the FY26 Rights would have been forfeited, and the aTSR component forfeited in the proportion that the remainder of the FY26 bears to the full FY26. Remaining unvested Rights will be retained by the Participant, subject to the Malus and Clawback provisions, with a view to testing for possible vesting having regard to performance during the Measurement Period up to the date of cessation of employment. The Board will be convened where required to consider any such off-cycle assessment of vesting conditions. Vested Rights held following a termination of employment may now continue to be held by the Participant unless the Board determines otherwise.
Malus and Clawback	Rights may be forfeited at any time, including during and subsequent to a Participant's employment with the Company, should the Malus and Clawback provisions come into play.
No Hedging	Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares. This is a Corporations Act requirement.

Change of Control	If a de-listing is imminent, vesting will automatically occur at the level derived from application of the following formula:

Number of Performance Rights in Tranche to Vest	=	Unvested Performance Rights in Tranche	X	% of First Year of Measurement Period Elapsed

Additional vesting will occur to the extent, if any, determined by the Board and any remaining unvested Rights will lapse; and Restricted Shares will cease to be subject to Specified Disposal Restrictions, and any CHESS holding locks will be removed if applicable, unless otherwise determined by the Board.

In other cases of a change of control the Rights will remain on foot, subject to possible modification of Vesting Conditions, for testing for vesting at the end of the Measurement Period.

Remuneration Details for the year ended 30 June 2026 for the KMP

Statutory remuneration disclosures are prepared in accordance with the *Corporations Act 2001* and the relevant Australian Accounting Standards. The share-based payments included and expensed during the financial year have been calculated in accordance with AASB 2 *Share-based payments*, and do not reflect actual cash amounts received during the financial year.

Non-Executive Director (NED) remuneration for the years ended 30 June 2026 and 30 June 2025:

		Short-term benefits			Post-employment benefits	Share-based payments		
	Year	Salary and fees $	Cash Bonus $	Non-monetary benefits $	Superannuation benefits $	Service Rights $	Total $	Performance related percentage %
B Spincer[1]	**2026**	**207,143**	**–**	**–**	**12,857**	**–**	**220,000**	**–**
	2025	107,623	–	–	12,377		120,000	–
R Francis	**2026**	**71,429**	**–**	**–**	**8,571**	**–**	**80,000**	**–**
	2025	26,479	–	–	3,045	–	29,524	–
H Cray	**2026**	**33,333**	**–**	**–**	**–**	**–**	**33,333**	**–**
	2025	80,000	–	–	–		80,000	–
R Levison	**2026**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2025	13,333	–	–	–		13,333	–
Total NEDs	**2026**	**311,905**	**–**	**–**	**21,428**	**–**	**333,333**	
	2025	227,435	–	–	15,422	–	242,857	

1 Salary and fees paid in 2026 includes a one-off payment of $100,000 for consulting services provided in relation to assistance with the receipt of government grant applications, and recorded in professional fees on the face of the statement of profit or loss. These services were outside the scope of Mr Spincer's regular duties as the Non-Executive Chair and were provided on arm's length commercial terms and approved by the other Directors in his absence.

Executive KMP remuneration for the years ended 30 June 2026 and 30 June 2025:

		Short-term benefits			Post-employment benefits	Share-based payments		
	Year	Salary and fees $	Cash Bonus[4] $	Non-monetary benefits $	Superannuation benefits $	Service & Performance Rights[3] $	Total $	Performance related percentage %
L Finniear *Managing Director & CEO*	**2026**	**370,000**	**112,000**	**–**	**30,000**	**120,676**	**632,676**	**37%**
	2025	339,290	98,970	–	30,000	1,344	469,604	21%
S Rowlands *Chief Technology Officer*	**2026**	**270,000**	**72,000**	**–**	**30,000**	**64,648**	**436,648**	**31%**
	2025	221,704	51,912	–	26,605	100,568	400,789	38%
G Molloy[1] *Chief Strategic Advisor*	**2026**	**51,625**	**–**	**–**	**–**	**–**	**51,625**	**–**
	2025	71,750	–	–	–	–	71,750	–
A Davies *Chief Financial Officer (from 1 September 2025)*	**2026**	**216,667**	**65,250**	**–**	**25,100**	**62,493**	**369,510**	**35%**
	2025	–	–	–	–	–	–	–
S Price[2] *Chief Financial Officer (up to 1 September 2025)*	**2026**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2025	–	–	–	–	–	–	–
Total Executive KMP	**2026**	**908,292**	**249,250**	**–**	**85,100**	**247,817**	**1,490,459**	**33%**
	2025	632,744	150,882	–	56,605	101,912	942,143	27%

1 Remunerated through a consulting agreement at an agreed hourly rate for work undertaken on behalf of the Company.
2 Remunerated by PPK Aust, pursuant to the management services agreement, under which $660,000 (2025: $950,000) was charged during the period, which included fees for KMP services to 1 September 2025.
3 The share-based payment is based on progressive recognition of each award grant over its relevant service or performance period.
4 The cash bonus recorded for Dr Finniear in 2026 represents a 70% achievement of the target (FY25: 67%). The cash bonus recorded for Dr Rowlands in 2026 represents an 80% achievement of the target (FY25: 70%). The cash bonus recorded for Mr Davies represents a 75% achievement of the target, and equates to the full financial year (notwithstanding his commencement with the Company on 1 September 2025), recognising his continuing and ongoing role in the business across the full financial year before becoming a KMP.

Employment Contract Terms of Key Management Personnel

Key management personnel are employed under terms and conditions that are standard for agreements of this nature, including confidentiality, restraint on competition, retention of intellectual property provisions, and termination clauses.

	Duration of service agreement	Notice period by executive	Notice period by Company	Payments upon termination
MD & CEO	Ongoing	6 months	6 months	Board discretion
CTO	Ongoing	6 months	6 months	Board discretion
CFO	Ongoing	6 months	6 months	Board discretion

Relevant interests in the Company's shares by KMP (including shares held directly, or controlled by a related party of the KMP)

Non-Executive Directors

	Year	Ordinary Shares Opening Balance #	Acquired via exercise of rights #	Acquired on market #	Sold #	Transferred/ Other Mvmt #	Closing Balance #
B Spincer	**2026**	**200,000**	**–**	**–**	**–**	**–**	**200,000**
	2025	200,000	–	–	–	–	200,000
R Levison[1]	**2026**	**–**	**–**	**–**	**–**	**–**	**–**
	2025	2,540,549	–	–	–	(2,540,549)	–
H Cray[2]	**2026**	**673,808**	**–**	**–**	**–**	**(673,808)**	**–**
	2025	170,951	480,000	–	–	22,857	673,808
M Fenton[3]	**2026**	**–**	**–**	**–**	**–**	**–**	**–**
	2025	17,540	–	33,815	–	(51,355)	–
R Francis[4]	**2026**	**–**	**–**	**500,000**	**–**	**–**	**500,000**
	2025	–	–	–	–	–	–
Total NEDs	**2026**	**873,808**	**–**	**500,000**	**–**	**(673,808)**	**700,000**
	2025	2,929,040	480,000	33,815	–	(2,569,047)	873,808

1 Final holding on date retired as a Director (31 August 2024)
2 Final holding on date retired as a Director (18 November 2025)
3 Final holding on date retired as a Director (18 February 2025). Other movements relates to the receipt of 1,599 shares as a result of an in-specie distribution by PPK Group Limited on 31 October 2024, and the transfer from PPK Group Limited of 467,200 shares as part of the settlement of his FY24 short term incentive. As these shares were obtained during the same period Mr Fenton ceased to be a Director, these are effectively shown as a net-off in the other movements. The final holding on the date of retirement was 520,154 shares.
4 Appointed as a Director on 18 February 2025.

Executive Director and KMP

	Year	Ordinary Shares Opening Balance #	Acquired via exercise of rights #	Acquired on market #	Sold #	Transferred / Other Mvmt #	Closing Balance #
L Finniear *Managing Director & CEO*	**2026**	**200,000**	**–**	**–**	**–**	**–**	**200,000**
	2025	200,000	–	–	–	–	200,000
S Rowlands *Chief Technology Officer*	**2026**	**–**	**–**	**–**	**–**	**–**	**–**
	2025	–	–	–	–	–	–
G Molloy[1] *Chief Strategic Advisor*	**2026**	**15,680,336**	**–**	**–**	**(252,881)**	**–**	**15,427,455**
	2025	10,325,778	–	1,000	(1,000,000)	6,353,558	15,680,336
A Davies[2] *Chief Financial Officer*	**2026**	**–**	**–**	**–**	**–**	**32,964**	**32,964**
	2025	–	–	–	–	–	–
S Price[1] *Chief Financial Officer*	**2026**	**142,344**	**–**	**–**	**–**	**(142,344)**	**–**
	2025	40,500	–	34,600	–	67,244	142,344
Total Executive KMP	**2026**	**16,022,680**	**–**	**–**	**(252,881)**	**(109,380)**	**15,660,419**
	2025	10,566,278	–	35,600	(1,000,000)	6,420,802	16,022,680

1 Other movement relate to shares acquired as a result of an in-specie distribution of Li-S Energy shares by PPK Group Limited on 31 October 2024.
2 Other movement relates to balance of shares on date of commencement as KMP (1 September 2025).

As at the end of the financial year, the number of service rights and performance rights in LIS held by each KMP for the year ended 30 June 2026 is set out below:

	Service Rights							
	Opening Balance #	Granted as Remuneration #	Exercised #	Lapsed or forfeited #	Closing Balance #	Vested and exercisable #	Vested and unexercisable #	Unvested #
B Spincer	720,000	–	–	–	**720,000**	720,000	–	–
R Francis	–	–	–	–	**–**	–	–	–
H Cray	–	–	–	–	**–**	–	–	–
Total NEDs	**720,000**	**–**	**–**	**–**	**720,000**	**720,000**	**–**	**–**
Executives								
L Finniear	1,000,000	–	–	–	**1,000,000**	1,000,000	–	–
S Rowlands	200,000	–	–	–	**200,000**	200,000	–	–
Total Executives	**1,200,000**	**–**	**–**	**–**	**1,200,000**	**1,200,000**	**–**	**–**
Total KMP	**1,920,000**	**–**	**–**	**–**	**1,920,000**	**1,920,000**	**–**	**–**

	Performance Rights							
	Opening Balance #	Granted as Remuneration #	Exercised #	Lapsed or Forfeited #	Closing Balance #	Vested and exercisable #	Vested and unexercisable #	Unvested #
L Finniear	–	1,786,854	–	–	**1,786,854**	–	–	1,786,854
S Rowlands	1,788,670	957,243	–	–	**2,745,913**	–	–	2,745,913
A Davies	–	925,335	–	–	**925,335**	–	–	925,335
Total Executives	**1,788,670**	**3,669,432**	**–**	**–**	**5,458,102**	**–**	**–**	**5,458,102**

The relevant interest of each Director in shares and rights issued by the Company as at the date of this report are as follows:

	Ordinary shares #	Service & Performance Rights #	Total Securities #
B Spincer	200,000	720,000	**920,000**
R Francis	500,000	–	**500,000**
L Finniear	200,000	2,786,854	**2,986,854**
Total Directors	**900,000**	**3,506,854**	**4,406,854**

OTHER TRANSACTIONS WITH RELATED PARTIES OF THE COMPANY

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

(End of the Remuneration Report)

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit & Risk Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Ben Spincer	12	12	2	2
Rick Francis	12	12	3	3
Hedy Cray	5	5	1	1
L Finniear	9	9	–	–

CORPORATE GOVERNANCE STATEMENT

LIS's directors and management are committed to conducting business ethically and in accordance with high standards of corporate governance. A copy of LIS's 2026 Corporate Governance Statement can be found in the corporate governance section of LIS's website at http://www.lis.energy.

MATERIAL BUSINESS RISKS

Li-S Energy's future prospects are subject to a range of uncertainties typical of early-stage advanced battery companies. The Board oversees and manages risk through its risk management framework, which has been aligned with AS/NZS ISO 31000:2018. The Group's strategic risk register includes an accountable executive owner, documented controls and mitigation actions for each risk. It is reviewed by the Audit and Risk Committee periodically, with material changes escalated as they arise. Set out below are the material business risks that could reasonably be expected to affect the Company's achievement of its strategy and financial performance as at the date of this report.

- **Technology:** The Company's cells may not achieve the performance required by partners, or may be outcompeted by new and alternative battery technologies on cost, performance or time to market;
- **Intellectual property and cyber security:** Theft or leakage of proprietary know-how, failure of patents to protect critical IP, or a cyber incident could impact the Company's progress and commercial viability;
- **People:** The Company is reliant on specialised talent, which is difficult to substitute. Loss of key staff can delay progress;
- **Operations:** The Company's production, testing and development activities are concentrated at a single facility in Geelong. A major incident at that site could result in an extended interruption to production and development programs.
- **Funding and liquidity:** Ongoing R&D, prototyping and scale-up require capital. The timing of grants, access to capital, and revenue is uncertain, which may affect the Company's ability to remain adequately capitalised.
- **Customer and market risk:** Timing of conversion of partner collaborations to commercial offtake agreements is uncertain. Limited revenue generating opportunities may impact the Company's cashflow and ability to scale to Phase 4 and beyond;
- **Regulatory and geopolitical:** Dangerous goods transport certifications (including UN38.3), trade control approvals, and changes in government policy or geopolitics may slow the shipment of cells to partners or restrict funding and market access.

In accordance with the Recommendations, the Board has received and considered reports from management regarding the effectiveness of the Company's management of its material business risks, and received assurance from the people performing each of the Chief Executive Officer and Chief Financial Officer functions regarding the consolidated financial statements and the effective operation of risk management systems and internal controls in relation to financial reporting risks.

AUDIT AND RISK COMMITTEE

The details of the composition, role and Charter of the LIS's Audit and Risk Committee are available on the Company's website at https://www.lis.energy.

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

Rick Francis	Non-Executive Director (appointed Chairperson 18 November 2025)
Ben Spincer	Non-Executive Chair (appointed Member 18 November 2025)
Hedy Cray	Non-Executive Director, Chairperson (retired 18 November 2025)

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

PROCEEDINGS ON BEHALF OF COMPANY

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

DIRECTORS' INDEMNIFICATION

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

Each of the Directors and Company Secretaries of LIS have entered into a deed whereby the Company has provided certain contractual rights of access to books and records of LIS to those Directors and Company Secretaries. The company has insured all its Directors and Executive Officers. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances.

AUDITOR'S INDEMNIFICATION

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

NON-AUDIT SERVICES

No non-audit services were provided by the Company's auditor, Ernst & Young, during the current financial year or the prior financial year. Accordingly, no amounts were paid or payable for non-audit services. The Directors are satisfied that the independence requirements of the *Corporations Act 2001* have been maintained throughout the financial year.

ROUNDING OF ACCOUNTS

The amounts contained in the directors' report have been rounded to the nearest thousand dollars ($'000) (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2026/183. The Company is an entity to which this legislative instrument applies. In prior years the Company rounded amounts to the nearest dollar; comparative figures have been re-presented on the same ($'000) basis to conform with the current year's presentation.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2026 and a copy of this declaration forms part of this Directors' Report.

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

Ben Spincer
Chairman

Lee Finniear
Managing Director & CEO

Brisbane,
21 August 2026

Auditor's Independence Declaration

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

As lead auditor for the audit of the financial report of Li-S Energy Limited for the financial year ended 30 June 2026, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

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

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

This declaration is in respect of Li-S Energy Limited and the entities it controlled during the financial year.

Ernst & Young

Madhu Nair
Partner
21 August 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2026

	Notes	30 June 2026 $'000	30 June 2025 $'000
Revenue from contracts with customers		**1**	–
Finance income		**837**	1,247
Government grant income	20	**3,938**	909
Other income		**86**	1
Employee benefits expenses		**(957)**	(762)
Directors' fees		**(233)**	(243)
Professional fees		**(1,317)**	(955)
Management fees	29.2	**(660)**	(950)
Share based payments expense	7.1	**(330)**	(181)
Administration expenses		**(2,191)**	(2,433)
Depreciation and amortisation expense	14.1	**(2,109)**	(1,910)
Finance costs		**(67)**	(84)
Unrealised loss on investment at FVTPL	11	**(1,255)**	(1,053)
LOSS BEFORE INCOME TAX EXPENSE		**(4,257)**	(6,414)
Income tax expense	5(a)	**(599)**	–
LOSS AFTER INCOME TAX EXPENSE		**(4,856)**	(6,414)
OTHER COMPREHENSIVE INCOME, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE LOSS, NET OF TAX		**(4,856)**	(6,414)

Loss per share (in cents)			
Basic	28	**(0.77)**	(1.01)
Diluted	28	**(0.77)**	(1.01)

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 30 June 2026

	Notes	30 June 2026 $'000	30 June 2025 $'000
CURRENT ASSETS			
Cash and cash equivalents	9	**14,980**	14,855
Trade and other receivables	10	**2,822**	27
Financial assets	11	**650**	4,000
Other current assets	12	**144**	23
TOTAL CURRENT ASSETS		**18,596**	18,905
NON-CURRENT ASSETS			
Financial assets	11	**302**	1,557
Property, plant and equipment	13	**5,670**	5,430
Right-of-use assets	14	**587**	821
Other non-current assets	15	**47**	1,859
Intangible assets	16	**9,131**	8,977
Deferred tax assets	5(c)	**–**	599
TOTAL NON-CURRENT ASSETS		**15,737**	19,243
TOTAL ASSETS		**34,333**	38,148
CURRENT LIABILITIES			
Trade and other payables	17	**803**	725
Lease liabilities	18	**271**	240
Provisions	19	**282**	221
Deferred income	20	**1,715**	923
TOTAL CURRENT LIABILITIES		**3,071**	2,109
NON-CURRENT LIABILITIES			
Lease liabilities	18	**414**	665
Provisions	19	**80**	80
TOTAL NON-CURRENT LIABILITIES		**494**	745
TOTAL LIABILITIES		**3,565**	2,854
NET ASSETS		**30,768**	35,294
EQUITY			
Contributed equity	21	**56,503**	56,503
Treasury shares	22	**(1,730)**	(1,730)
Reserves	23	**3,216**	2,886
Accumulated losses		**(27,221)**	(22,365)
TOTAL EQUITY		**30,768**	35,294

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2026

	Notes	30 June 2026 $'000	30 June 2025 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**87**	1
Receipts from tax refunds		**433**	529
Government grants received		**2,204**	708
Payments to suppliers and employees		**(5,207)**	(4,694)
Payments of management fees to related party	29.2	**(660)**	(950)
Interest received		**813**	1,220
Interest paid		**(67)**	(84)
Net cash from / (used in) operating activities	4.1	**(2,397)**	(3,270)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets	16.1	**(2,303)**	(2,767)
Payments for property, plant and equipment	13.1	**(2,472)**	(3,386)
Proceeds from government grants for capital acquisitions		**4,187**	2,588
Proceeds from disposal of investments		**1,350**	–
Proceeds from loan repayments from related party		**2,000**	–
Net cash from / (used in) investing activities		**2,762**	(3,565)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for treasury shares acquired		**–**	(900)
Payment of lease liabilities		**(240)**	(221)
Net cash from / (used in) financing activities		**(240)**	(1,121)
Net increase / (decrease) in cash held		**125**	(7,956)
Cash at the beginning of the period		**14,855**	22,811
Cash at the end of the period		**14,980**	14,855

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2026

	Notes	Contributed Equity $'000	Treasury Shares $'000	Share Premium Reserve (Note 23.2) $'000	Share Rights Reserve (Note 23.1) $'000	Accumulated Losses $'000	Total Equity $'000
Balance as at 1 July 2025		**56,503**	**(1,730)**	**1,348**	**1,538**	**(22,365)**	**35,294**
Loss for the period		–	–	–	–	(4,856)	(4,856)
Other comprehensive loss for the period		–	–	–	–	–	–
Total comprehensive loss for the period		–	–	–	–	(4,856)	(4,856)
Issue of performance rights for Executives		–	–	–	330	–	330
Balance as at 30 June 2026		**56,503**	**(1,730)**	**1,348**	**1,868**	**(27,221)**	**30,768**

for the year ended 30 June 2025

	Notes	Contributed Equity $'000	Treasury Shares $'000	Share Premium Reserve (Note 23.2) $'000	Share Rights Reserve (Note 23.1) $'000	Accumulated Losses $'000	Total Equity $'000
Balance as at 1 July 2024		56,565	(965)	1,348	1,492	(15,951)	42,489
Loss for the period		–	–	–	–	(6,414)	(6,414)
Other comprehensive loss for the period		–	–	–	–	–	–
Total comprehensive loss for the period		–	–	–	–	(6,414)	(6,414)
Issue of service or performance rights for Executives		–	–	–	181	–	181
Acquisition of treasury shares		–	(900)	–	–	–	(900)
Issue of treasury shares to employees and Directors		–	135	–	(135)	–	–
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years	21.1	(62)	–	–	–	–	(62)
Balance as at 30 June 2025		56,503	(1,730)	1,348	1,538	(22,365)	35,294

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2026

1 Corporate information

The consolidated financial statements of Li-S Energy Limited ("Li-S Energy" or "LIS" or the "Company" or the "Group") for the year ended 30 June 2026 were authorised for issue in accordance with a resolution of the Directors on 21 August 2026 as required by the *Corporations Act 2001*.

Li-S Energy is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX Code: LIS). Li-S Energy is registered in Queensland and has its head office at Level 13, 120 Edward Street, Brisbane, Queensland, 4000.

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

2 Summary of material accounting policy information

2.1 Basis of Preparation and Statement of Compliance

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

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

The financial statements provide comparative information in respect of the previous period. The accounting policies have been consistently applied unless otherwise stated.

The financial statements are presented in Australian dollars. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2026/183 and, in accordance with that instrument, all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated. In prior years amounts were rounded to the nearest dollar ($). Comparative amounts have been re-presented to the nearest thousand dollars to conform with the current year's presentation. This change in rounding affects presentation only and has no impact on the recognition or measurement of any item in the financial statements.

2.2 New and revised standards and amendments effective for the current reporting period

The Group has adopted all new and revised Australian Accounting Standards and amendments that are mandatory for the financial year beginning 1 July 2025. The following pronouncements became applicable during the current reporting period:

- *AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability*
- *AASB 2026-1 Amendments to Australian Accounting Standards – Disclosures about Uncertainties in the Financial Statements*

AASB 2023-5 amends AASB 121 The Effects of Changes in Foreign Exchange Rates by clarifying when a currency is exchangeable into another currency, how an entity determines an exchange rate when a currency is not exchangeable, and the related disclosure requirements.

AASB 2026-1 introduces additional illustrative examples accompanying *AASB 136 Impairment of Assets* and *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* regarding the disclosure of uncertainties in the financial statements.

The adoption of these pronouncements did not have a material impact on the amounts recognised or disclosures presented in the Group's financial statements.

2.3 Standards and amendments issued but not yet effective

The following new and revised standards and amendments have been issued but are not yet effective for the financial year ended 30 June 2026:

- *AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments, effective for annual reporting periods beginning on or after 1 January 2026*
- *AASB 18 Presentation and Disclosure in Financial Statements, effective for annual reporting periods beginning on or after 1 January 2027*
- *AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, effective for annual reporting periods beginning on or after 1 January 2028.*

AASB 18 will replace AASB 101 Presentation of Financial Statements and introduce new requirements relating to the classification of income and expenses in the statement of profit or loss, mandatory subtotals, management-defined performance measures, and the aggregation and disaggregation of financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Group assesses the impact of new and revised standards and amendments that are not yet effective on an ongoing basis.

2 Summary of material accounting policy information (continued)

2.4 Foreign currency translation

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

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

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

2.5 Revenue recognition and other income

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

- Identify the contract with a customer;
- Identify the performance obligation;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognise revenue when/as performance obligations are satisfied.

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

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

Interest income

Interest income is recognised as it accrues using the effective interest rate method. The effective interest rate method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

2.6 Government grants

Income from government grants, including the research and development tax incentive (R&DTI) is recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. When funds are received in advance of these conditions being met, they are recognised as other liabilities on the balance sheet. When the grant relates to an expense item, it is recognised in the profit and loss as other income on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the related asset.

2.7 Share-based payments

The Company operates equity-settled share right-based incentive plans for its directors and employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where directors and employees are rewarded using share right-based payments, the cost of directors' and employees' services is determined by the fair value at the date when the grant is made using an appropriate valuation model and revalued when modified.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance and non-vesting conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions (see Note 7.2).

All share-based remuneration is ultimately recognised in employee benefits expense with a corresponding credit to share rights reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on best available estimate of the number of share rights expected to vest.

2 Summary of material accounting policy information (continued)

Non-market vesting conditions are included in assumptions about the number of share rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share rights ultimately exercised are different to that estimated on vesting.

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

2.8 Finance costs

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

2.9 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Investments with original maturities over three months are classified as financial assets in the statements of financial position. Cash and cash equivalents are presented in the consolidated statement of cash flows, net of outstanding bank overdrafts.

2.10 Trade receivables

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies a simplified approach to calculating ECLs. The Company recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. At every reporting date, the historical credit loss experience is reviewed and updated, if appropriate, and changes in the forward-looking estimates are analysed. For this financial year, the Company did not have any expected lifetime credit losses.

2.11 Property, plant and equipment

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

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

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

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

Class of Fixed Asset	Depreciation Rate Straight Line
Leasehold Improvements	Over the term of the lease
Plant & Equipment	10% – 50%

2 Summary of material accounting policy information (continued)

2.12 Intangible assets

Research and Development

Research costs are recognised as an expense as incurred. Costs incurred on development (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria such as a) selling, administrative and other general overhead expenditure, unless this expenditure can be directly attributed to preparing the asset for use; b) identified inefficiencies and initial operating losses incurred before the asset achieves planned performance; and c) expenditure on training staff to operate the asset, are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset. Refer to Note 2.21 for further detail on the impairment testing undertaken.

2.13 Financial instruments

2.13.1 Financial assets

Initial recognition and measurement

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

Financial assets are classified according to the characteristics of their contractual cash flow and the Company's business model for managing them. Except for those trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do contain a significant financing component for which the Company has applied the practical expedient are measured at the transaction price as disclosed in Note 2.10.

Fair value

Estimated discounted cash flows or current or recent quoted prices for identical securities in markets that are not active were used to measure fair value, except for fair values of financial assets that were traded in active markets that are based on quoted market prices.

Hierarchy

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

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

The Company's investment in Zeta Energy Corp and Australian unlisted units in investment trusts are measured at fair value through profit and loss and are measured as a Level 3 financial instrument.

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

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

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

2 Summary of material accounting policy information (continued)

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

Financial assets fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, impairment losses or reversals are recognised in the statement of profit and loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition the cumulative fair value change recognised in OCI is recycled to profit or loss.

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

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

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value though OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

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

Financial assets at FVTPL

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

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

Derecognition

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

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

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

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

2 Summary of material accounting policy information (continued)

2.13.2 Financial liabilities

Initial measurement and recognition

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

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

The Company's financial liabilities include trade and other payables.

Subsequent measurement

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

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

Financial liabilities at FVTPL

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

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

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition

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

2.13.3 Offsetting of financial instruments

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

2.14 Trade and other payables

These amounts represent unpaid liabilities for goods received and services provided to the Company prior to the end of the financial year. The amounts are unsecured and are normally settled within 30 to 60 days, except for imported items for which 90 or 120 day payment terms are normally available.

2.15 Employee benefit provisions

Salary, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled are recognised in other liabilities or provision for employee benefits in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

2 Summary of material accounting policy information (continued)

Long service leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measure as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and period of service. Expected future payments are discounted using high quality corporate bond rates at the end of the reporting period with terms to maturity that match as close as possible, the estimated future cash outflows.

Retirement benefit obligations

The Group contributes to defined contribution superannuation funds for employees. All funds are accumulation plans where the Group contributed various percentages of employee gross incomes, the majority of which were as determined by the superannuation guarantee legislation. Benefits provided are based on accumulated contributions and earnings for each employee. There is no legally enforceable obligation on the Group to contribute to the superannuation plans other than requirements under the superannuation guarantee legislation. Contributions are recognised as expenses as they become payable.

2.16 Income Tax

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Dividends

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

2.18 Leases

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

2 Summary of material accounting policy information (continued)

Company as a lessee

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

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the costs reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate to be used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term. Refer to Note 18 for payments made in relation to short-term or low-value leases during the financial year.

Company as a lessor

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Variable lease payments are recognised as revenue in the period in which they are earned.

2.19 Equity

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

2 Summary of material accounting policy information (continued)

2.20 Provisions, contingent liabilities and contingent assets

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

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

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

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

2.21 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Significant Management Judgements

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

Capitalisation and impairment of intangibles – development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on Management's judgement, after making inquiries from engineers, scientists and other qualified professionals that technological and economic feasibility is confirmed.

The Group's capitalised development costs are not yet available for use and are therefore required to be tested for impairment annually. The Group has one cash generating unit ("CGU") being the battery technology development business as a whole, on the basis that the individual development programs do not generate cash inflows that are largely independent of one another. The intangible assets in Note 16 are tested as part of that CGU, together with the property, plant and equipment utilised in the development program. In determining the recoverable amount of assets, Management has utilised the fair value less the costs of disposal approach, using a discounted cash flow (DCF) methodology, which requires Management to estimate future cash flows expected to arise from the CGU and then applying a discount rate to calculate the present value. The measurement is a Level 3 fair value measurement under *AASB 13 Fair Value Measurement*, as it uses significant unobservable inputs.

Fair value has been estimated using a DCF covering a forecast period of 7 years to estimate the future cash flows expected to arise from the CGU, then applying a post-tax weighted average cost of capital discount rate of 17.6% to calculate the present value. This has been determined as the period over which management expects the technology to reach and sustain commercial production, with a terminal value thereafter based on a long term growth rate of 3.0%. Cash flows beyond the Board approved budget are based on management's commercialisation plan, and incorporating the maturation of the technology. Based on the work performed, the estimated recoverable amount of the CGU at 30 June 2026 exceeds the carrying amount of the CGU, and no impairment loss has been recognised in the current or the prior financial year. The recoverable amount of the CGU would equal its carrying amount if the post-tax discount rate were increased to 25.4%, with all other assumptions held constant.

Determining the recoverable amount of the CGU requires significant judgement because the Company is not yet generating commercial revenue, so recoverable amount is derived from forecast cash flows from the future commercialisation of the battery technology rather than from an established trading history. The assumptions to which recoverable amount is most sensitive are the timing and scale of forecast commercial revenue, the achievement of the cell performance, production yield and cost assumptions underpinning those forecasts, along with the discount rate applied. A change in any of those assumptions within a reasonably possible range could result in a materially different recoverable amount.

This conclusion is corroborated by the Company's market capitalisation at 30 June 2026 of approximately $80.0 million, being 640,200,230 shares at the closing price of $0.125, compared with net assets of $30.8 million, which represents 38% of market capitalisation (2025: 50%).

2 Summary of material accounting policy information (continued)

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable profit will be available against which they can be utilised. Significant management judgement is required in assessing that probability, in particular the likely timing and level of future taxable profits and the availability of tax planning strategies. Further details on taxes are disclosed in Note 5.

Where an entity has a history of recent losses, *AASB 112 Income Taxes* requires convincing other evidence that sufficient taxable profit will be available before a deferred tax asset is recognised. Management concluded at 30 June 2026 that this threshold was no longer met and the deferred tax asset recognised in prior periods has been derecognised.

Estimates and assumptions

Fair value measurement of financial assets at fair value through profit or loss

When the fair values of financial assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is estimated using the discounted cash flow (DCF) model or current or recent quoted prices for identical securities in markets that are not active. The inputs to these methods are taken from observable markets where possible, but where this is not feasible, a degree of judgement and estimate is required in establishing fair values.

In the current financial year, certain financial assets were valued by reference to recent quoted prices in the latest capital raise. Further details on financial assets and its fair values are disclosed in Note 11 and Note 25, respectively.

2.22 Goods and Services Tax (GST)

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

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

2.23 Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

On 21 August 2026, being the date of approval of the financial report, the Directors believe it is appropriate to prepare the financial report on a going concern basis. The Directors have identified and considered:

- during the whole period, and at all times subsequent, the Company has been able to meet its obligations as and when they fall due;
- the Company has $15.0 million of cash and cash equivalents, a current financial asset at fair value through profit or loss of $650,000, and no fixed debt;
- the Company maintains net assets of $30,768,000, which includes net current assets of $15,525,000;
- the Company has project plans and budgets approved by the Directors and its cash flow forecasts indicate it has sufficient cash to meet the planned and committed expenditure over the next 12 months from the date of approval of the financial report.

The Directors have formed a view that, based on the factors described above, the Company will continue as a going concern.

3 Segment information

The Company applies AASB 8 Operating Segments whereby segment information is presented using a "management approach", segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers.

Operating segments have been determined based on reports reviewed by the Directors. The Directors and the Senior Management are the chief operating decision makers of the Company. The only operating segment for 30 June 2026 is the development and commercialisation of the Li-S Energy Battery segment.

Notes to the Consolidated Financial Statements
continued

4 Cash flow information

4.1 Reconciliation of cash flows from operating activities

	Notes	30 June 2026 $'000	30 June 2025 $'000
Loss after income tax		**(4,856)**	(6,414)
Non-cash flows in operating profit:			
Unrealised loss on financial assets at fair value through profit or loss	11	**1,255**	1,053
Share based payments expense	7.1	**330**	181
Depreciation and amortisation expense	14.1	**2,109**	1,910
Income tax expense	5(b)	**599**	–
Net changes in working capital:			
(Increase) / decrease in trade and other receivables		**(2,795)**	150
(Increase) / decrease in prepayments		**(121)**	19
Increase / (decrease) in trade and other payables		**78**	(108)
Increase / (decrease) in other current liabilities		**943**	(114)
Increase / (decrease) in provisions		**61**	53
Net cash (used in) provided by operating activities		**(2,397)**	(3,270)

4.2 Non-cash financing and investing activities

During the period, the Group had no non-cash adjustments other than new leases, as disclosed in Notes 14 and 18.

5 Income tax expense

(a) The prima facie tax income benefit on the loss before income tax is reconciled to the income tax expense as follows:

Loss before income tax	**(4,257)**	(6,414)
Prima facie income tax benefit at 25.0% (2025: 25.0%)	**(1,064)**	(1,603)
Losses for which no deferred tax asset was recognised	**793**	2,067
(Non-assessable income) / non-deductible expenses	**365**	–
Transaction costs on issue of ordinary shares recognised in equity	**–**	(62)
Derecognition of deferred tax asset related to tax losses carried forward	**599**	–
Other	**(94)**	(402)
Income tax expense	**599**	–
The applicable weighted average effective tax rate is as follows:	**(14%)**	–

(b) The components of tax expense comprise:

Current tax	**–**	–
Deferred tax	**599**	–
Income tax expense	**599**	–

5 Income tax expense (continued)

(c) Deferred tax assets

	Notes	30 June 2026 $'000	30 June 2025 $'000
The balance comprises temporary differences attributable to:			
Tax losses and tax offsets		**6,584**	7,484
Lease liabilities		**191**	246
Investments		**552**	238
Black hole expenditure deductible in future years		**–**	128
Other expenses deductible in future years		**235**	201
Share based payments		**501**	418
Total deferred tax assets		**8,063**	8,715
Set-off of deferred tax liabilities pursuant to set-off provisions	5(d)	**(1,890)**	(1,553)
Deferred tax assets not recognised	5(f)	**(6,173)**	(6,563)
Net deferred tax assets	5(e)	**–**	599

(d) Deferred tax liabilities

The balance comprises temporary differences attributable to:			
Property, plant and equipment		**7**	(3)
Right of use assets		**(147)**	(205)
Intangibles		**(1,750)**	(1,345)
Investments		**–**	–
Total deferred tax liabilities		**(1,890)**	(1,553)
Set-off of deferred tax liabilities pursuant to set-off provisions	5(c)	**1,890**	1,553
Net deferred tax liabilities		**–**	–

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. While the deferred tax assets and liabilities above are disclosed gross for completeness, the Company is entitled to offset the net positive and negative timing differences as they all occurred within the same tax jurisdiction.

(e) Recognised in the Statement of Financial Position

Recognised deferred tax assets

Tax losses		**411**	921
Temporary differences resulting in deferred tax assets		**1,479**	1,231
Temporary differences resulting in deferred tax liabilities		**(1,890)**	(1,553)
Total	5(c)	**–**	599

5 Income tax expense (continued)

(f) Not recognised in the Statement of Financial Position

Unrecognised deferred tax assets:

	Notes	30 June 2026 $'000	30 June 2025 $'000
Tax losses and tax offsets		6,173	6,563
Total	5(c)	6,173	6,563

The benefit of carried forward tax losses of $26,337,000 (2025: $23,166,000) will only be available in future periods if:

a. Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
b. continued compliance with the requirements of relevant legislation to carry the losses forward, including the continuity of ownership and business continuity tests; and
c. the conditions for deductibility imposed by tax legislation continue to be complied with.

6 Auditor's remuneration

Remuneration of the auditor of the Company for:		
– fees for auditing the statutory financial report of the company	90	83
– fees for other services		
– Tax compliance and other tax related matters	–	–
Total fees to Ernst & Young (Australia)	90	83

7 Share-based payments

7.1 Summary of share-based payments

The table below outlines the share based payments made by the Group under the various share-based payment plans during the period:

Share-based payments issued under rights plans		
Service rights for directors	–	–
Service and performance rights issued in previous year	–	1
Performance rights issued in the current year	330	180
Total share-based payments expense	330	181

7 Share-based payments (continued)

The table below reconciles the movements in rights on issue under the various share-based payment plans during the period:

Reconciliations	NED Equity Plan # of rights	Executive Rights Plan # of rights	Long term Incentive Plan # of rights	Total # of rights
30 June 2026				
Opening balance	**1,606,795**	**1,200,000**	**3,360,640**	**6,167,435**
New rights granted	**–**	**–**	**4,968,043**	**4,968,043**
Rights forfeited	**–**	**–**	**(264,856)**	**(264,856)**
Rights exercised	**–**	**–**	**–**	**–**
Closing balance	**1,606,795**	**1,200,000**	**8,063,827**	**10,870,622**
Average exercise price ($/share)	**N/A**	**N/A**	**N/A**	**N/A**
30 June 2025				
Opening balance	2,086,795	1,200,000	1,441,595	4,728,390
New rights granted	–	–	1,979,889	1,979,889
Rights forfeited	–	–	–	–
Rights exercised	(480,000)	–	(60,844)	(540,844)
Closing balance	1,606,795	1,200,000	3,360,640	6,167,435
Average exercise price	N/A	N/A	N/A	N/A

7.2 Share-based payment details

The Company operates three share based payment plans, the Non-Executive Director Equity Plan, the Executive Rights Plan, and the Long Term Incentive Plan ("LTIP"). Details of the plans are outlined below. Nil share rights have been exercised during the period (2025: 540,844) (see Note 7.1 for reconciliation of movement by plan).

Long term incentive plan

The Long Term Incentive Plan, along with the grant of 1,786,854 Performance Rights to the Managing Director and Chief Executive Officer, was approved by shareholders at the Annual General Meeting held on 18 November 2025. In FY26 the Company granted 4,968,043 performance rights (FY26 Performance Rights) to specific executive officers and senior staff of the Company under the terms of the LTIP, of which 3,669,432 were issued to key management personnel ("KMP"). FY26 was the first year the CEO and the CFO were included in the LTIP. The fair value of these performance rights was calculated on the grant date and is recognised over the period during which the related services are rendered. The vesting of the performance rights granted is based on the achievement of specified internal and external vesting conditions. The fair value of the performance rights granted to KMP has been calculated by an independent valuer using the Black-Scholes option pricing model for the retention tranche and a Monte Carlo simulation methodology, which utilises the binomial option pricing model, for the share price tranche. The valuation is based on numerous inputs, including the following:

7 Share-based payments (continued)

Grant Award date	FY23 22-Mar-23	FY24 16-Nov-23	FY25 #1 17-Oct-24	FY25 #2 18-Dec-24	FY26 #1 22-Dec-25	FY26 #2 22-Dec-25
Vesting date	30-Jun-25	30-Jun-26	30-Jun-27	30-Jun-27	30-Jun-28	30-Jun-28
Expiry Date	22-Mar-38	16-Nov-38	17-Oct-39	18-Dec-39	22-Dec-40	22-Dec-40
Number of performance rights granted at grant date	557,953	963,036	1,067,712	912,177	2,484,021	2,484,022
Share price at grant date	$0.2400	$0.2100	$0.1150	$0.1500	$0.1500	$0.1500
Average fair value at grant date	$0.2125	$0.1604	$0.0828	$0.1225	$0.1500	$0.1012
Exercise price	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Expected life	2.27 years	2.62 years	2.70 years	2.53 years	2.52 years	2.52 years
Volatility	75.00%	70.00%	60.00%	80.00%	68.00%	68.00%
Risk free interest rate	3.002%	4.19%	3.82%	3.83%	4.13%	4.13%
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Outperformance hurdle - rTSR	25.00%	25.00%	25.00%	25.00%	N/A	N/A
Outperformance hurdle - aTSR	50.00%	200.00%	200.00%	200.00%	N/A	200.00%

The measurements used for the FY26 Performance Rights granted are as follows:

Nature	Fair value at grant date	# of Rights granted
Tranche #1 – Retention	$0.1500	2,484,021
Tranche #2 – aTSR	$0.1012	2,484,022

The absolute TSR (aTSR) metric requires the Company to achieve a share price uplift of at least 300% over the Measurement Period by reference to the VWAP used to calculate the initial grant of FY26 rights.

A summary of the material terms of the FY26 LTIP is as follows:

Plan Structure	The LTIP is managed by a Trust, which was adopted in March 2023. The Board has appointed an external Trustee to administer the Trust.
Term	Each Right has a Term of 15 years and, if not exercised within that Term will lapse.
Eligibility	Participation is expected to be open to certain senior executives and management of the Company only. The number of performance rights granted are expected to reflect market standard percentages of fixed pay. Directors, other than any managing director are not eligible to participate in the LTIP.
Performance Rights	Each vested Right can be exercised for one share in Li-S Energy Limited.
Measurement Period	The Measurement Period for the FY26 Performance Rights is a period of 3 years from 1 July 2025 to 30 June 2028.
Vesting Conditions	The nature and weighting of the vesting conditions are broadly consistent for each Participant but are tailored for the role that each Participant performs. The Board will use their judgement to assess whether the vesting conditions have been met.
Gates	No Gates have been attached to these Tranches of Rights.
Vesting and Vesting Date	Rights will typically vest following the completion of the Measurement Period based on an assessment of the Vesting Conditions, however Rights may vest before the end of the Measurement Period in some limited circumstances.
Exercise Restrictions	No Exercise Restrictions have been attached to these Tranches of Rights.

7 Share-based payments (continued)

Disposal Restrictions	Rights may not be disposed of at any time but they may be exercised following vesting. No additional Restrictions have been attached to the Shares that may be acquired when vested Rights are exercised. Thus, the Disposal Restrictions that apply to the Shares will arise from the Company's Securities Trading Policy and the insider trading provisions of the Corporations Act.
Exercise and Exercise Price	The Exercise Price is nil (no amount needs to be paid by the Participant in order to exercise the Rights). Vested Rights may be exercised at any time after the Vesting Date and before the end of their Term. In order to exercise vested Rights, a Participant must validly submit an Exercise Notice. On exercise of Vested Rights, the Board will issue a Settlement Notice and ensure that there are a sufficient number of Shares available to satisfy the exercised Rights. The Board will not ordinarily settle the exercised Performance Rights in cash.
Termination of Employment	If a Participant's employment with the Company ceased during FY26, the retention component of the FY26 Rights would have been forfeited, and the aTSR component forfeited in the proportion that the remainder of the FY26 bears to the full FY26. Remaining unvested Rights will be retained by the Participant, subject to the Malus and Clawback provisions, with a view to testing for possible vesting having regard to performance during the Measurement Period up to the date of cessation of employment. The Board will be convened where required to consider any such off-cycle assessment of vesting conditions. Vested Rights held following a termination of employment may now continue to be held by the Participant unless the Board determines otherwise.
Malus and Clawback	Rights may be forfeited at any time, including during and subsequent to a Participant's employment with the Company, should the Malus and Clawback provisions come into play.
No Hedging	Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares. This is a Corporations Act requirement.
Change of Control	If a de-listing is imminent, vesting will automatically occur at the level derived from application of the following formula: Number of Performance Rights in Tranche to Vest = Unvested Performance Rights in Tranche X % of First Year of Measurement Period Elapsed Additional vesting will occur to the extent, if any, determined by the Board and any remaining unvested Rights will lapse; and Restricted Shares will cease to be subject to Specified Disposal Restrictions, and any CHESS holding locks will be removed if applicable, unless otherwise determined by the Board. In other cases of a change of control the Rights will remain on foot, subject to possible modification of Vesting Conditions, for testing for vesting at the end of the Measurement Period.

Notes to the Consolidated Financial Statements

continued

8 Dividends

	Notes	30 June 2026 $'000	30 June 2025 $'000
(a) Dividends paid			
2026 No interim dividend was declared or paid (2025: nil)		–	–
(b) Dividends declared after balance date			
The directors have not declared a final dividend for the 2026 financial year (2025: nil)	2.17	–	–
(c) Franked dividends			
Franking credits available for subsequent financial years based on a tax rate of 25.0% (2025: 25%)		–	–

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

a. franking credits that will arise from the payment of the current tax liability;
b. franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
c. franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
d. franking credits that may be prevented from being distributed in subsequent financial years.

9 Cash and cash equivalents

	Notes	30 June 2026 $'000	30 June 2025 $'000
Cash at bank and on hand	2.9	**14,980**	14,855
		14,980	14,855

10 Trade and other receivables

	Notes	30 June 2026 $'000	30 June 2025 $'000
GST receivable	2.22	**114**	–
R&D Tax incentive receivable	2.6	**2,697**	–
Other receivables	2.10	**11**	27
		2,822	27

11 Financial assets

		30 June 2026 $'000	30 June 2025 $'000
Current assets			
Financial assets at FVTPL – Australian unlisted units in investment trusts		**650**	2,000
Loan receivable measured at amortised cost		–	2,000
		650	4,000
Non-Current assets			
Financial assets at FVTPL – Investment in Zeta Energy Corp.		**302**	1,557
Total financial assets		**952**	5,557

11 Financial assets (continued)

LIS continues to hold 1,729,000 Class B common shares in Zeta Energy, which were valued at USD$0.12 per share at 30 June 2026 (2025: USD$0.59). The number of shares and their value has been confirmed by Zeta Energy. The fair value of these equity shares has been determined with reference to the latest capital raise price and at the prevailing USD exchange rate on 30 June 2026 of $0.6869 (2025: $0.6550). Accordingly, the fair value movement aggregating to $1,255,000 had been recognised as a loss on investment at FVTPL in 2026 (2025: fair value loss of $1,053,000).

On 19 April 2023, the Company entered into a loan agreement with PPK Group Limited (PPK Group) to loan up to $2,000,000, on a fully secured basis, for a period of up to 24 months and at an interest rate of 10.0%. During the reporting period, the term of the loan agreement was extended to October 2026. At 30 June 2026, PPK Group had fully repaid the $2,000,000 loan facility. Refer to Note 29 for additional information.

12 Other current assets

	Notes	30 June 2026 $'000	30 June 2025 $'000
Prepaid expenses		144	23
		144	23

13 Property, plant and equipment – non-current

Leasehold improvements – at cost	138	138
Less: Accumulated amortisation	(96)	(60)
Total leasehold improvements	42	78
Plant and Equipment – at cost	9,946	7,852
Less: Accumulated depreciation	(4,318)	(2,500)
	5,628	5,352
Total property, plant and equipment	5,670	5,430

Reconciliations	Leasehold Improvements $'000	Plant & Equipment $'000	Total $'000
30 June 2026			
Opening balance	78	5,352	5,430
Additions[1]	–	4,283	4,283
Government grants – capital	–	(2,189)	(2,189)
Depreciation and amortisation	(36)	(1,818)	(1,854)
Closing balance	42	5,628	5,670
30 June 2025			
Opening balance	102	6,142	6,244
Additions[1]	11	1,976	1,987
Government grants – capital	–	(1,144)	(1,144)
Depreciation and amortisation	(35)	(1,622)	(1,657)
Closing balance	78	5,352	5,430

1 Included in additions for plant and equipment in the year to 30 June 2026 are $1,331,000 (2025: $1,215,000) of employee costs capitalised in relation to the installation of the pilot plant production facilities at the Waurn Pond campus.

13 Property, plant and equipment – non-current (continued)

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

	Notes	30 June 2026 $'000	30 June 2025 $'000
Additions		**4,283**	1,987
Equipment deposits	15	**(1,811)**	1,399
		2,472	3,386

14 Right-of-use assets – non-current

Right-of-use assets – Property – at cost		**1,383**	1,362
Less: Accumulated amortisation		**(796)**	(541)
		587	821
Opening balance		**821**	1,085
Additions/lease reassessments		**21**	(12)
Depreciation and amortisation		**(255)**	(252)
Closing balance		**587**	821

14.1 Reconciliation of depreciation and amortisation to the statement of profit or loss:

Property, plant and equipment	13	**1,854**	1,657
Right-of-use assets	14	**255**	252
		2,109	1,910

15 Other non-current assets

Equipment deposits[1]	13.1	**–**	1,811
Other		**47**	48
		47	1,859

1 Equipment deposits relate to upfront payments for equipment that has been ordered but where equipment has not been delivered, and title has not yet transferred. In the current year, the equipment has been delivered and the deposits have been transferred to Plant & Equipment (Note 13.1).

16 Intangible assets – non-current

	Notes	30 June 2026 $'000	30 June 2025 $'000
Development costs		**13,085**	10,782
Less: Government grants for development costs		**(3,954)**	(1,805)
Less: Accumulated amortisation and impairment		**–**	–
Total intangible assets		**9,131**	8,977
Movement reconciliation			
Opening balance		**8,977**	7,056
Additions		**2,303**	2,642
Disposals		**–**	–
Government grants		**(2,149)**	(721)
Depreciation and amortisation		**–**	–
Closing balance		**9,131**	8,977

Included in the total additions of $2,303,000 are employee costs of $1,660,000 (2025: $1,096,000), which were capitalised in relation to the development work undertaken.

The intangible assets are not yet available for use and no amortisation has been recognised. Refer to Note 2.21 for the annual impairment testing of these assets, the basis on which recoverable amount has been determined and the key assumptions applied.

16.1 Reconciliation of the additions for intangibles to the statement of cash flows:

Additions	**2,303**	2,642
Movement in trade payables	**–**	125
	2,303	2,767

17 Trade and other payables – current

Trade payables – unsecured	**212**	59
Sundry payables and accruals – unsecured	**591**	666
	803	725

18 Lease liabilities

Current	**271**	240
Non-current	**414**	665
	685	905

18 Lease liabilities (continued)

18.1 Maturity analysis of contracted undiscounted cashflows

	Notes	30 June 2026 $'000	30 June 2025 $'000
Not later than 1 year		**319**	311
Later than 1 year and not later than 3 years		**289**	450
Later than 3 years		**187**	266
Total undiscounted lease payments		**795**	1,027
Less: Present value adjustment		**(110)**	(122)
Present value of future lease payments		**685**	905

The leases recognised are at commercial rates, and vary in term from 12 months to 3 years plus options. Refer to Note 2.18 for the accounting policy applied by the Group.

18.2 Total amounts recognised in the profit or loss under AASB 16:

Amortisation of right of use assets	**255**	252
Interest expense on lease liabilities	**67**	84
Expenses related to short-term leases	**59**	39
	381	375

19 Provisions

Current			
Annual leave	2.15	**266**	221
Long service leave		**16**	–
Total current		**282**	221
Non-Current			
Make good on property leases	2.20	**80**	80
Total Non-Current		**80**	80

20 Deferred income

Deferred government grant income[1]	**1,710**	923
Customer prepayments	**5**	–
Total Deferred Income	**1,715**	923

1 LIS receives funding in accordance with the agreed milestones in the relevant grant agreements. The timing of receipt of these funds is variable across the grant programs. Where funds are received before the associated costs have been incurred, they are recognised as deferred government grant income. Once the costs are incurred, the associated grant proceeds are applied in accordance with AASB 120 *Accounting for government grants and disclosure of government assistance*.

In the current financial year, the Company recognised government grant income of $3,938,000 (2025: $909,000) in the statement of profit or loss. There are no unfulfilled conditions or contingencies attached to these grants that have been recognised.

21 Contributed equity

21.1 Issued capital

	Notes	30 June 2026 $'000	30 June 2025 $'000
640,200,230 (30 June 2025: 640,200,230) ordinary shares fully paid		**56,503**	56,503
Movement in ordinary share capital			
Balance at the beginning of the financial period		**56,503**	56,565
Unwind of tax effect of transaction costs on issue of share capital in prior years, deductible over five years		**–**	(62)
		56,503	56,503

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

21.2 Share movements

	30 June 2026 No. of Shares	30 June 2025 No. of Shares
Number of ordinary shares on issue	**640,200,230**	640,200,230
Movement in ordinary shares on issue		
Balance at the beginning of the financial period	**640,200,230**	640,200,230
New shares issued	**–**	–
	640,200,230	640,200,230

22 Treasury shares

	2026 No. of shares	2026 $'000	2025 No. of shares	2025 $'000
Opening balance	**9,459,156**	**1,730**	4,000,000	965
Shares purchased by the Employee Share Trust	**–**	**–**	6,000,000	900
Shares allocated for rights exercised and allocated from the Employee Share Trust	**–**	**–**	(540,844)	(135)
Closing balance	**9,459,156**	**1,730**	9,459,156	1,730

The shares acquired by the employee share trust during the previous year were recorded as a reduction in equity attributable to members of the parent.

23 Reserves

	Notes	30 June 2026 $'000	30 June 2025 $'000
Share rights reserve	23.1	**1,868**	1,538
Share premium reserve	23.2	**1,348**	1,348
		3,216	2,886

23 Reserves (continued)

23.1 Share rights reserve movement reconciliation

	Notes	30 June 2026 $'000	30 June 2025 $'000
Opening balance		**1,538**	1,492
Rights expense attributable to Non-Executive Directors		**–**	–
Rights expense attributable to Executives		**330**	181
Exercise of service rights by Non-Executive Directors		**–**	(120)
Exercise of performance rights under the executive rights plan		**–**	(15)
Closing balance		**1,868**	1,538

The share rights reserve is used to recognise the value of equity settled share-based payments granted as Service Rights to Non-Executive Directors under the NED Equity Plan and to eligible employees under the Executive Rights Plan and LTIP as part of their remuneration (see Note 7).

23.2 Share premium reserve

The share premium reserve reflects the premium on issue of LIS shares in exchange for the initial investment in Zeta Energy Corp.

23.3 Capital Risk Management

The Company considers its capital to comprise its ordinary share capital, reserves and retained earnings. The Company's primary objective is to maximise shareholder value. In order to achieve this objective, the Company seeks to maintain sufficient funding to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or incurring debt, the Company considers not only its short-term position but also its long-term operational and strategic objectives.

24 Financial instruments

The accounting classifications of each category of financial instruments are defined in Note 2 Summary of Material Accounting Policy Information. The carrying amounts are set out below.

Financial Assets			
Cash and cash equivalents	9	**14,980**	14,855
Financial assets			
FVTPL - Australian unlisted units in investment trusts	11	**650**	2,000
Loan receivable measured at amortised cost	11	**–**	2,000
FVTPL - Investment in Zeta Energy Corp.	11	**302**	1,557
Debt instruments at amortised cost			
Trade and other receivables	10	**11**	27
Total financial assets		**15,943**	20,439
Financial Liabilities			
Interest-bearing loans and borrowings			
Lease liabilities – current	18	**271**	240
Lease liabilities – non-current	18	**414**	665
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings			
Trade and other payables	17	**803**	725
Total financial liabilities		**1,488**	1,630

24 Financial instruments (continued)

Financial Risk Management

The Directors have overall responsibility for the establishment and oversight of the financial risk management framework. The Company's activities expose it to a range of financial risks including market risk, credit risk and liquidity risk. The Company's risk management policies and objectives are designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material. The Directors receive monthly reports, which it reviews and regularly discuss the effectiveness of the processes put in place and the appropriateness of the objectives and policies to support the delivery of the Company's financial targets while protecting future financial security. The Company does not use derivatives.

24.1 Market risk

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a security will fluctuate due to changes in interest rates. Exposure to interest risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties and other entities.

Loans to related parties and other entities entered into during the period were at fixed rates. The Company's primary exposure to interest rate risk was on its cash holdings. A sensitivity analysis shows that a 1.0% movement in interest rates would result in a change in profit before tax of approximately +/– $149,000.

(ii) Equity price risk

Equity securities price risk is the risk that changes in market prices will affect the fair value of future cash flows of the Company's investments. The Company is exposed to equity price risk through the movement in the valuation of its investment in Zeta Energy Corp.

The equity price risk is determined by market forces and are outside the control of the Company. The risk of loss is limited to the capital invested. A sensitivity analysis shows that a 10.0% movement in equity value of the financial assets would cause a movement in the investment of approximately $30,000 (2025: $156,000).

(iii) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial item will fluctuate as a result of movements in foreign exchange rates. The Company's exposure to foreign exchange relates to both its investment in Zeta Energy Corp. a company domiciled in USA, and its procurement of equipment denominated in United States Dollars (USD). The Company manages the foreign exchange risk by monitoring the potential benefits of the strategic and economic benefits of this investment and, the ability to divest the investment should the need arise. A sensitivity analysis shows that a 1.0% movement in exchange rates would cause a movement in the investment value in Australian dollars of approximately $3,000 (2025: $16,000).

24.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables), investing activities (investments in Australian Unlisted Unit Trusts and loans receivable), and financing activities (cash held with banks). The Company's maximum exposure to credit risk arising from financial assets of the Company (comprising cash, trade receivables, and loan receivables) is the carrying amount as disclosed in the Statement of Financial Position and the associated notes.

The Company's credit risk on cash at bank is limited as the counter parties are Tier 1 Australian banks with favourable credit ratings assigned by international credit rating agencies. The credit risk on the Company's trade and other receivables is also limited, as the balance consists of a research and development tax incentive refund and GST receivable from the Australian Taxation Office. Additionally, the loan receivable from PPK Group was fully repaid during the period and the Company held no loan receivables at 30 June 2026.

24.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's objective to mitigate liquidity risk is by continuously monitoring forecast cash flows and ensuring that adequate facilities or financing options are maintained. At balance date, the Company has cash of $14,980,000, and current liabilities of $3,071,000. The payables of $803,000 share a contractual maturity of up to 120 days.

24 Financial instruments (continued)

Financial liabilities maturity analysis

The below table provides a contractual maturity profile of the Company's financial liabilities at balance date. The amounts disclosed in the table are gross contractual undiscounted cash flows (principal and interest) required to settle the respective liabilities, and as such may not reconcile directly to the balance sheet. The interest rate is based on the rate applicable at the end of the financial period. Refer to Note 18 for maturity profile of lease liabilities.

30 June 2026	Average Interest Rate %	Less than 6 months $'000	6-12 months $'000	1-3 years $'000	3+ years $'000	Total $'000
Financial Liabilities						
Trade and other payables	–	803	–	–	–	803
Total financial liabilities	–	803	–	–	–	803

30 June 2025	Average Interest Rate %	Less than 6 months $'000	6-12 months $'000	1-3 years $'000	3+ years $'000	Total $'000
Financial Liabilities						
Trade and other payables	–	725	–	–	–	725
Total financial liabilities	–	725	–	–	–	725

25 Fair value measurement

The carrying values of financial assets and liabilities held at amortised cost, listed in Note 24 above, approximate their fair value.

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

Hierarchy

The following tables classify financial instruments at fair value recognised in the statement of financial position of the Group according to the hierarchy stipulated in AASB 13 as follows:

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

30 June 2026	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets	–	–	952	952
	–	–	952	952

30 June 2025	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets	–	–	3,557	3,557
	–	–	3,557	3,557

For assets and liabilities that are recognised on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels during the period.

25 Fair value measurement (continued)

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

The level 3 fair value measurement of financial assets at fair value has been determined as follows:

- US unlisted equity securities: Based on the latest capital raise of Zeta Energy Corp in April 2026, where the price is not quoted in an active market.
- Australian unlisted units in investment funds: discounted cash flow method.

Reconciliation of fair value measurement of non-listed equity investments classified as financial assets designated at fair value through profit or loss (Level 3):

	Zeta Energy Corp $'000	Australian Unlisted Units $'000	Total $'000
Opening balance as at 1 July 2025	1,557	2,000	3,557
Disposals	–	(1,350)	(1,350)
Revaluations	(1,255)	–	(1,255)
Closing balance as at 30 June 2026	302	650	952

26 Parent entity and subsidiaries

The following detailed information relates to the parent entity, Li-S Energy Limited. The information presented below has been prepared using consistent accounting policies as presented in Note 2.

	30 June 2026 $'000	30 June 2025 $'000
Assets		
Current assets	18,596	18,905
Non-current assets	17,467	20,973
Total assets	36,063	39,878
Liabilities		
Current liabilities	3,071	2,109
Non-current liabilities	494	745
Total liabilities	3,565	2,854
Net assets	32,498	37,024
Equity		
Contributed equity	56,503	56,503
Reserves	3,216	2,886
Retained earnings	(27,221)	(22,365)
Total equity	32,498	37,024
Loss for the year	(4,856)	(6,414)
Other comprehensive income for the year	–	–
Total comprehensive loss for the year	(4,856)	(6,414)

26 Parent entity and subsidiaries (continued)

Subsidiaries of the parent entity:

Entity name	Principal Activity	Country of Incorporation	30 June 2026 %	30 June 2025 %
LIS Plans Pty Ltd[1]	Trustee company	Australia	N/A	100
Li-S Energy Limited Employee Share Trust[2]	Trust	N/A	N/A	N/A

1 LIS Plans Pty Ltd was deregistered during the year ended 30 June 2026.
2 During FY26, the trustee was replaced by an independent external trustee. The Group continues to control the trust and therefore consolidates it.

27 Contingent assets, contingent liabilities and commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Notes	30 June 2026 $'000	30 June 2025 $'000
Plant and equipment[1]		44	576
Intangible assets – commitments to Deakin University[2]		–	754
Intangible assets – Other[3]		–	286
		44	1,616

1 LIS has entered into contracts for plant and equipment that is to be delivered after the reporting date.
2 LIS completed its existing external research projects contracted under Deakin's Recycling and Clean Energy Commercialisation Hub ('REACH') during the period. These projects ranged in durations of up to 3 years (see Note 29). The internal work program related to REACH is still ongoing.
3 Other commitments relate to non-Deakin University contractual commitments under various research collaboration and consulting agreements.

There are no contingent assets or contingent liabilities.

28 Earnings/(loss) per share

	30 June 2026 $'000	30 June 2025 $'000
Loss after tax	(4,856)	(6,414)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding used in calculating basic earnings per share[1]	630,741,074	632,828,514
Weighted average number of ordinary shares outstanding used in calculating diluted earnings per share[1,2]	630,741,074	632,828,514
Basic loss per share (cents)	(0.77)	(1.01)
Diluted loss per share (cents)	(0.77)	(1.01)

1 The weighted average number of ordinary shares outstanding used in calculating basic and diluted earnings per share for the current period was pro rata adjusted for the treasury shares held and acquired during the period less those shares transferred by the trust on exercise of rights during the period.
2 The weighted average number of ordinary shares outstanding used in calculating diluted earnings per share for the current and comparative periods have not been adjusted for the Service Rights or Performance Rights issued under the various Rights Plans (see Note 7) as they are anti-dilutive.

29 Related party transactions

29.1 Transactions with Directors and Key Management Personnel

Remuneration and retirement benefits

The table below outlines the KMP of the Company for the year ended 30 June 2026 and up to the date of this report:

Name	Position	Term as KMP
Directors		
Ben Spincer	Non-Executive Chair	Full financial year
Hedy Cray	Non-Executive Director	Retired 18 November 2025
Rick Francis	Non-Executive Director	Full financial year
Lee Finniear	Managing Director and Chief Executive Officer	Full financial year as CEO, appointed Managing Director 8 October 2025
Other KMP		
Steve Rowlands	Chief Technology Officer	Full financial year
Glenn Molloy	Chief Strategic Advisor	Full financial year
Sarah Price	Chief Financial Officer	Resigned 1 September 2025
Andrew Davies	Chief Financial Officer	Appointed 1 September 2025

The aggregate compensation made to the KMP of the Company is as follows:

	Notes	30 June 2026 $'000	30 June 2025 $'000
Short-term benefits		**1,469**	1,011
Share-based payments	2.7	**248**	102
Post-employment benefits		**107**	72
		1,824	1,185

Detailed remuneration disclosures are provided in the remuneration report included in the Directors' Report. The aggregate compensation includes a one-off payment of $100,000 for consulting services provided in relation to assistance with government grant applications. These services were outside the scope of Mr Spincer's duties as the Non-Executive Chair and were provided on arm's length commercial terms and approved by the other Directors in his absence. Furthermore, PPK Aust. Pty Limited (PPK Aust) is paid a fee for providing management services including the provision of finance, legal, risk, IT, cyber and administration services, pursuant to the management services agreement (MSA), under which $660,000 (2025: $950,000) was charged during the period. Refer to Note 29.2 for details of the MSA. A portion of the compensation of key management personnel is capitalised as part of the cost of intangible assets and property, plant and equipment where it relates directly to the development of those assets, and is therefore not recognised within employee benefits expense in the consolidated statement of profit or loss and other comprehensive income.

Other transactions of Directors and Director-related entities

Until 31 October 2024, the immediate parent of the Company was PPK Aust, a wholly owned subsidiary of PPK Group Limited, the ultimate parent entity until that date. PPK Group's control of LIS ceased following distribution of approximately 25.95 million shares to its shareholders via an in-specie dividend, combined with additional off-market share transactions. There were no other transactions with Directors and their related entities during the period. As a consequence, the Company no longer has a parent entity or an ultimate controlling party. PPK Group Limited and its subsidiaries, and Deakin University have continued to be treated as related parties during the reporting period by virtue of their shareholdings in the Company. On 5 November 2025, PPK Group reduced its shareholding in White Graphene Limited (WGL) and its wholly owned subsidiary BNNT Technology Pty Ltd (BNNTTL) and subsequently ceased to control WGL. WGL and its subsidiaries were no longer considered related parties from that date.

29 Related party transactions (continued)

29.2 A summary of the related party transactions with other entities during the period is as follows:

	Notes	30 June 2026 $'000	30 June 2025 $'000
INFLOWS			
Loan principal received from PPK Group		2,000	–
Interest income received from PPK Group		200	200
OUTFLOWS			
Management fees paid to PPK Aust		660	950
Transactions with PPK Aust		42	43
Purchase of LIS shares from BNNT Technology Pty Ltd ('BNNTTL')		–	900
Research and development payments to Deakin University		523	1,416
Lease and outgoings payments to Deakin University		515	519
Transactions with White Graphene Limited ('WGL') and its wholly owned subsidiary BNNTTL[1]		28	6

1 WGL ceased to be reported as a related party from 5 November 2025, the date in which PPK Group Limited ceased to control WGL.

During the financial year, LIS had the following related party agreements in place:

Supply and Distribution Agreement with WGL (and its wholly owned subsidiary BNNTTL)

On 26 June 2026, a worldwide exclusive supply and distribution agreement pursuant to which LIS is appointed as distributor for WGL and BNNT products, within the battery industry, with certain exclusive distribution rights in respect of lithium sulfur and lithium metal batteries. The initial term of the agreement is 5 years, with a 5 year option triggered by a minimum purchase volume being met during the initial term.

This agreement supersedes the supply and distribution agreements entered into with BNNTTL on 9 July 2021.

Purchases from WGL and BNNTTL

LIS has been purchasing small quantities of boron nitride nanosheets (BNNS) and boron nitride nanotubes (BNNT) from WGL and its subsidiaries on an ad hoc basis, for the purpose of understanding their performance in LIS batteries. The total value of purchases up to 5 November 2025 was $28,000 (FY25: $6,000).

Loan agreement with PPK Group

On 19 April 2023, the Company entered into a loan agreement with PPK Group to loan up to $2,000,000, on a fully secured basis, for a period of up to 24 months and at a fixed interest rate of 10.0% per annum. At 30 June 2024, PPK Group had fully drawn down the $2,000,000 loan facility. During the reporting period, the term of the loan agreement was extended by 6 months to October 2026. At 30 June 2026, PPK Group had fully repaid the $2,000,000 loan facility and the accompanying security was released. Refer to Note 11 for additional information.

Management Services Agreement with PPK Aust

On 9 July 2021, a management services agreement pursuant to which PPK Aust will provide administrative functions such as accounting support, record keeping, legal, company secretarial support, IT/systems support, etc.

PPK Aust will also provide staff to act in key officer roles including the public officer, chief financial officer and company secretary. The key material terms of the management services agreement are as follows:

- PPK Aust is paid a fee for providing the management services, which the scope of services to be provided and the fee is reviewed and agreed between the parties every 3 months;
- the agreement was for an initial term of 3 years but has been renewed by PPK Aust for a further 3 year term;
  - PPK Aust may terminate the agreement on 30 days' notice if it is not satisfied with the Annual Plan of LIS; and
  - LIS may terminate the agreement at will on 6 months' notice.
- LIS indemnifies PPK Aust for any loss that arises from the performance by PPK Aust of its obligations under the agreement.

29 Related party transactions (continued)

Research Framework Agreement with Deakin

LIS joined Deakin's Recycling and Clean Energy Commercialisation Hub ('REACH') in 2024. REACH was established after being awarded a $50 million grant from the Australian Government's inaugural Trailblazer Universities Program to address Australia's national manufacturing priorities.

During the period, LIS varied its Research Framework Agreement ('RFA') with Deakin to realign the research and development program scope between work outsourced to Deakin versus the work program undertaken by LIS team members. The primary outsourced program concluded on 30 June 2026, with LIS' internal work program ongoing. The key material terms of the RFA are consistent with the previous RFA entered with regards to intellectual property ('IP') ownership, being that LIS will own all project IP.

During the period, the Group received $1.0 million in funding (2025: $1.2 million) under the grant program which has been recognised as a reduction of the carrying amount of the Property, Plant and Equipment or Intangible Assets for which the grant is related. Refer to Note 27 for LIS' remaining commitment under REACH as at 30 June 2026.

Lease Agreements with Deakin

The Company has in place four separate lease agreements with Deakin University, representing four separate spaces at their Waurn Ponds campus in Victoria. The leases have been negotiated at market rates, with lease expiries (including options) ranging from December 2027 to September 2031.

29.3 Related party balances owing to its shareholders at the reporting date

The Company had the following related party balances receivable from, or payable to, its related parties at the reporting date:

	Notes	30 June 2026 $'000	30 June 2025 $'000
Related party balances receivable			
PPK Group Limited		–	2,000
Deakin University		–	–

All leases accounted for in Note 18 are with Deakin University. See Notes 18 and 29 for additional related party information.

30 Events subsequent to the end of the reporting period

There have been no matter or circumstance that has arisen since the end of the financial period which is not otherwise dealt with in this report or in the financial statements that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Consolidated Entity Disclosure Statement

as at 30 June 2026

	Entity type	Body Corporate Country of Incorporation	Country of tax residence	Body corporate % of share capital held
Parent entity				
Li-S Energy Limited	Body corporate	Australia	Australia	N/A
Subsidiaries				
Li-S Energy Limited Employee Share Trust[1]	Trust	N/A	Australia	N/A

1 The Employee Share Trust is managed by an external trustee, but is controlled by the Company and is consolidated in the consolidated financial statements.

Basis of preparation

The consolidated entity disclosure statement has been prepared in accordance with subsection 295(3A)(a) of the *Corporations Act 2001*. The entities listed in the statement are Li-S Energy Limited and all the entities it controls, as defined by AASB 10 *Consolidated Financial Statements*. The percentage of share capital disclosed for bodies corporate included in the statement represent the economic interest consolidated in the consolidated financial statements, either directly or indirectly.

Directors' Declaration

for the year ended 30 June 2026

1. In the opinion of the Directors of Li-S Energy Limited;
   a. The financial statements and notes of Li-S Energy Limited are in accordance with the *Corporations Act 2001*, including:
      (i) Giving a true and fair view of its financial position as at 30 June 2026 and of its performance for the financial year ended on that date; and
      (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   b. There are reasonable grounds to believe that Li-S Energy Limited will be able to pay its debts as and when they become due and payable.
   c. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1;
   d. the consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act 2001* is true and correct; and
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2026.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*:

Ben Spincer
Chairman

Lee Finniear
Managing Director and Chief Executive Officer

Brisbane,
21 August 2026

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with confidence

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Li-S Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2026, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2026 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the 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 audits of the financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Capitalisation and carrying amount of intangible assets:

Why significant	How our audit addressed the key audit matter
At 30 June 2026, the carrying amount of the intangible assets totalled $9,131,000. As disclosed in Note 16 the Group capitalises costs related to the development of battery products. The development of new products is fundamental to the Group's business activities and involves judgement to determine if the costs incurred qualify for recognition in terms of the requirements AASB 138 *Intangible Assets*. The capitalisation of battery development costs was identified as a key audit matter due to the significant judgements made by executive management, which include: ► Determining whether the costs incurred relate to research activities, which should be expensed or development costs which are eligible for capitalisation. ► Assessing whether any assets have become available for use during the reporting period, including the related commencement of amortisation and assessment of useful lives. ► Assessing the anticipated future economic benefits supporting the recoverability of development costs as intangible assets and subsequent impairment testing of the carrying value of intangible assets.	We performed the following audit procedures in respect of the development costs capitalised: ► Assessed the Group's accounting policy for the capitalisation of battery development costs for compliance with Australian Accounting Standards requirements. ► Held inquiries with executive management and development project team members, to understand development activities undertaken and the feasibility of completion of those activities. ► On a sample basis we: ► Assessed capitalised labour costs additions to approved payroll records and employee time records and/or third-party supplier invoices; and ► Assessed the costs met the capitalisation criteria per the requirements of AASB 138 *Intangible Assets*. ► Reviewed management position papers, latest progress reports and held inquiries with executive management on whether any assets have become available for intended use during the reporting period for amortisation commencement. We also evaluated the appropriateness of the estimated useful life. ► Evaluated the Company's impairment analysis for its capitalised development costs not yet available for intended use including assessing whether the recoverable amount of the assets exceeded their carrying amounts. ► Assessed the adequacy and appropriateness of the disclosure included in the Notes to the financial statements.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2026 annual report, 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, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001;* and

for such internal control as the directors determine is necessary to enable the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

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

- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated to 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 these 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 communication.

Report on the audit of 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 2026.

In our opinion, the Remuneration Report of Li-S Energy Limited for the year ended 30 June 2026, 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.

Ernst & Young

Madhu Nair
Partner
Brisbane
21 August 2026

Shareholder Information

as at 11 August 2026

Fully paid ordinary shares:

(a) Total shares issued: 640,200,230

(b) Percentage held by 20 largest shareholders: 69.42%

(c) Total number of LIS shareholders: 10,290

(d) Shareholders with less than marketable parcel of shares: 6,481

(e) There is not a current on market buy-back

(f) Voting rights: Every shareholder present personally or by proxy or attorney etc, shall, on a show of hands, have one vote and on a poll shall have one vote for every share held. No voting rights attach to options.

(g) Distribution schedule of fully paid ordinary shares:

Holdings Ranges	Total holders	Units	% Units
1 - 1,000	3,886	1,696,398	0.26%
1,001 - 5,000	3,324	8,954,470	1.40%
5,001 - 10,000	1,050	7,969,255	1.24%
10,001 - 100,000	1,649	54,974,424	8.59%
100,001 Over	381	566,605,683	88.50%
Total	**10,290**	**640,200,230**	**100.00%**

(h) Top 20 Holders of Ordinary Fully Paid Shares:

Rank	Name	Shares	%
1	PPK Aust Pty Limited	248,134,530	38.76%
2	Deakin University	85,833,333	13.41%
3	YJK Pty Ltd <YJK Family A/C>	11,434,388	1.79%
4	IP44 Pty Ltd	10,000,000	1.56%
5	Evolution Trustees Limited <LI-S Energy Ltd Emp A/C>	9,459,156	1.48%
6	Baozhi Yu	9,362,113	1.46%
7	Wavet Fund No 2 Pty Ltd <Wavet Super Fund No 2 A/C>	8,765,561	1.37%
8	Tao Tao	8,400,000	1.31%
9	Ironfury Pty Ltd <The David Dunn Family A/C>	8,187,096	1.28%
10	Finclear Services Pty Ltd <Superhero Securities A/C>	6,721,623	1.05%
11	Mr David Reginald Howe	5,861,000	0.92%
12	Finexia Wealth Pty Ltd <Client Nominee A/C>	5,100,832	0.80%
13	JP Morgan Nominees Australia Pty Limited	5,020,293	0.78%
14	Equipment Company of Australia Pty Limited	3,759,413	0.59%
15	Howarth Commercial Pty Ltd	3,649,378	0.57%
16	All-States Finance Pty Ltd	3,500,000	0.55%
17	Citicorp Nominees Pty Limited	3,031,537	0.47%
18	Minoan Corporation Limited	2,975,714	0.46%
19	Onmell Pty Ltd <ONM BPSF A/C>	2,724,174	0.43%
20	Lollywatch Pty Ltd <PST Super A/C>	2,492,300	0.39%
	Total Top 20 Holders of Ordinary Fully Paid Shares	**444,412,441**	**69.42%**
	Total Remaining Holders Balance	**195,787,789**	**30.58%**

Shareholder Information

continued

(i) Substantial Holders

Substantial Holder	Number of Shares Held	% of Issued Capital
PPK Aust Pty Limited	248,134,530	38.76%
Deakin University	85,833,333	13.41%

(j) Unquoted Securities:

Security	Total Holders	Number	Terms
Service Rights	3	1,606,795	Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Service Rights vested in three equal tranches on 30 April 2022, 2023, and 2024.
Service Rights	2	1,200,000	Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. These Service Rights have all vested as at the date of this report.
Performance Rights	7	8,063,827	Each Performance Right is an entitlement, upon vesting and exercise, to an ordinary fully paid share in the Company. The Performance Rights are assessed at the relevant vesting dates against the vesting conditions.

(k) Restricted Securities: Nil

Corporate Directory

Li-S Energy Limited ABN 12 634 839 857

A public company incorporated in Queensland and listed on the Australian Securities Exchange (ASX Code: LIS)

Directors

Ben Spincer	Non-Executive Chair
Rick Francis	Non-Executive Director
Lee Finniear	Managing Director & CEO

Company Secretaries

Will Shiel
Liam Fairhall

Registered Office and Principal Place of Business

Li-S Energy Limited

Level 13, 120 Edward Street
Brisbane QLD 4000 Australia

Telephone: +61 7 3054 4555
Email: info@lis.energy
Website: www.lis.energy

Share Register

Automic Pty Ltd

Level 5, 126 Phillip Street
Sydney NSW 2000 Australia

Telephone (within Australia): 1300 288 664
Telephone (international): +61 2 9698 5414
Email: hello@automic.com.au

Solicitors

Mills Oakley

Level 23, 66 Eagle Street
Brisbane QLD 4000 Australia

Bankers

National Australia Bank Limited

Level 17, 259 Queen Street
Brisbane QLD 4000 Australia

Auditors

Ernst & Young

Level 51, 111 Eagle Street
Brisbane QLD 4000 Australia

Li-S Energy

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