

ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

Li-S Energy Limited – ASX Code: LIS

Friday 20 February 2026

Appendix 4D and Interim Financial Report

Li-S Energy Limited (ASX: LIS) (“LIS” or “the Company”) is pleased to provide its Appendix 4D and Interim Condensed Consolidated Financial Report for the Six Months Ended 31 December 2025.

This announcement has been authorised by the Board.

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LI-S ENERGY LIMITED

**APPENDIX 4D AND INTERIM CONDENSED
CONSOLIDATED FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2025**





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APPENDIX 4D

This information should be read in conjunction with the interim condensed consolidated financial report for the six months ended 31 December 2025.

Entity Details

Li-S Energy Limited, ABN: 12 634 839 857

Results for announcement to the market

Comparison to previous corresponding period	31 December 2025 \$	31 December 2024 \$	Change \$	Change %
Total revenues from ordinary activities	-	-	-	N/A
Profit / (loss) from ordinary activities before tax	(1,210,150)	(2,671,879)	1,461,729	55%
Profit / (loss) from ordinary activities after tax attributable to owners of Li-S Energy Limited	(1,210,150)	(2,671,879)	1,461,729	55%
Earnings/(loss) per share – cents (basic and diluted)	(0.19)	(0.42)	0.23	55%
Net tangible assets per share – cents ¹	3.78	4.77	(0.99)	(21%)

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

Dividends

The Board has resolved not to issue an interim dividend.

DIRECTORS' REPORT

For the six months ended 31 December 2025

The directors of Li-S Energy Limited and its subsidiary ("Li-S Energy", "LIS", the "Company", or the "Group") present their report together with the interim financial report of the company for the six months ended 31 December 2025.

DIRECTORS

The names of the Directors in office at any time during or since the end of the half-year, and up to the date of this report are set out below. Directors were in office for this period unless otherwise stated.

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

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

LIS continued its progress towards the commercialisation of its technology during the period. 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 electric aviation, defence, and drone systems;
2. **Sale of lithium metal foils and laminates**, including foils with nanomaterial coatings optimised for lithium sulfur and lithium metal battery chemistries;
3. **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 of cell manufacturing capacity targeting up to 1GWh per year of production (the Li-S Energy Phase 4 facility) with the intention that the manufactured cells are sold commercially to global target markets.

REVIEW OF OPERATIONS

The six months to 31 December 2025 has been an important execution and scale-up period for Li-S Energy, marked by major advances in manufacturing capability, international defence and aerospace collaborations, and the establishment of Australia's first lithium metal foil production capability.

Key events during the period included:

- **Power Cell Development**
At the Company's Annual General Meeting, Li-S Energy announced progress in the development of a next-generation power cell architecture designed to deliver improved power output while maintaining high energy density in its lithium sulfur cells. This development has the potential to broaden the applicability of the Company's technology across additional mission profiles including multi-rotor drones and advanced wearable systems.
- **Completion of Australia's First Lithium Foil Production Line**
During the period, Li-S Energy completed the installation and commissioning of the second stage of Australia's first lithium metal foil production line at its Geelong facility.
- **Australia's First Lithium Metal Foils Produced**
In a major milestone for Australia's battery manufacturing capability, Li-S Energy successfully produced Australia's first lithium metal foils. This achievement validates the Company's proprietary lithium metal processing capability and supports both internal battery production and external commercial opportunities.
- **\$7.8 million ARENA Grant**
Li-S Energy was awarded a \$7.8 million grant from the Australian Renewable Energy Agency (ARENA) to support the scale-up of advanced battery manufacturing and related technology development. The grant materially strengthens the Company's balance sheet and accelerates its commercialisation pathway.
- **Praetorian Aeronautics Collaboration**
The Company entered into a collaboration with Praetorian to explore the application of Li-S Energy's battery technologies in advanced security and defence systems, further expanding its portfolio of defence-focused partnerships.
- **MSubs Collaboration**
The Company entered into a collaboration with UK company MSubs Limited to explore and test its lithium sulfur cells to power large crewed and uncrewed underwater and maritime vessels, extending the reach of Li-S Energy's technology into new operational environments.
- **Appointment of U.S. Representative – Paladin Defense Services LLC**
Li-S Energy appointed Paladin Defense Services LLC as its U.S. representative to support engagement with U.S. defence, aerospace and government agencies. This appointment strengthens the Company's presence in the strategically important U.S. market.

PATHWAY TO COMMERCIAL MANUFACTURING SCALE

In November, Li-S Energy was awarded a grant of \$7.8m from ARENA. This matched funding enables the Company to complete a feasibility study and Front End Engineering Design (FEED) for its planned Phase 4 manufacturing facility. The funding also covers a number of Manufacturing Optimisation Developments, targeting efficiency and production rate enhancements for key manufacturing steps.

With Phase 4 expected to be built as a staged development targeting eventual annual production of up to 1GWh, the feasibility study and FEED will deliver "investment ready" and "shovel ready" project outcomes respectively. The Company is currently engaging a highly credible global engineering consulting firm with substantial battery gigafactory experience to deliver the initial feasibility study.



Figure: Li-S Energy's Five Phase Pathway to Scale

BATTERY PRODUCTION STRATEGY

The completion of the lithium metal foil production line represents a strategic expansion of Li-S Energy's manufacturing capability, complementing its existing Phase 3 and Phase 3S lithium sulfur cell production lines.

Key elements of the Company's production strategy now include:

- In-house production of lithium metal foils, which is the primary material used in the anode of Li-S Energy battery cells.
- Continued optimisation of lithium sulfur pouch cell manufacturing for partner testing and commercial readiness.
- Progressive scale-up of production volumes to support defence, aerospace and industrial partner programs.

Lithium Foil Production

The second stage of the Company's lithium foil production line was installed during the period.

It included a specialised lithium foil roller, laminator and coater which enables the Company to optimise the foil specification for its own lithium sulfur cell anodes, broaden the range of foil products it can offer to domestic and international customers, while also providing the equipment needed to optimise the scaled application of Li-S Energy proprietary Li-nanomesh onto lithium foil.

The Lithium Foil Production Line was supported by \$1.78m in matched funding under a Federal Government Industry Growth Program Grant.

The integration of lithium foil manufacturing with cell production provides Li-S Energy with a unique, vertically integrated capability that is rare among advanced battery developers globally. Key advantages include:

- **Cell optimisation** - The capability to design the thickness and surface quality of lithium foils precisely to optimise energy density, cycle life and rate performance of LIS cells.
- **Supply security** – de-risking foil supply from an increasingly volatile international supply chain and enhancing sovereign domestic manufacture of high energy density battery cells.
- **Cost reduction** – producing in-house foils reduces anode production material costs by up to 80%.
- **Revenue Opportunity** – we expect to derive revenue from the sale of lithium metal foils and laminates to external customers during 2026 and beyond.

Rapid Optimisation of Cell Design

The Phase 3 and 3S production lines, plus the on-site Battery Testing Centre have enabled the team to conduct continuous, rapid optimisation of cell design and testing, for both individual cells and full battery packs.

This rapid development and production cycle, from preparing cathode active materials and lithium foil through to completing high quality, consistent commercial sized multi-layer cells for testing is now routinely completed in less than 10 days.

This means the team can innovate quickly and accurately to build cells targeting partner requirements. This capability compares favourably to many other advanced battery technology companies that must contract out part, or all, of these processes to third party organisations, often taking months rather than days for each iteration and test cycle.

Battery Management System

The Li-S Energy Battery Management System (BMS) has continued to advance during the period, driven primarily by battery pack development for the Emerging Aviation Technology Partnership (EATP) project, where the team is building battery packs for a long endurance fixed-wing drone, with partners VTOL Aerospace and Halocell.

The BMS development is a vital pillar in the Company's commercialisation strategy, as it enables a more rapid and lower friction approach for partners to adopt Li-S Energy cells for their applications.

Integrating Battery Packs for Practical Applications

Battery pack design and development advanced considerably during the period across mechanical, electronic and BMS design optimisation. The primary driver for this progress has been the EATP Project, but other pack concept designs are being developed for other partners. Due to the novelty of key elements of the battery pack development the Company has applied for patent protection on certain unique aspects of the design.

PARTNER DEVELOPMENT STRATEGY

During the period, Li-S Energy materially expanded its partner engagement activities, particularly within the defence and aerospace sectors.

Appointment of Head of Strategic Partnerships & US Representatives

Recognising the Company's rapidly advancing technical capabilities and the lead times associated with partner acquisition, the Company appointed a Head of Strategic Partnerships during the period. This role now leads the ongoing acquisition of partners and prospective customers that align closely with the Company's target markets and commercialisation pathways.

The Company also appointed Paladin Defence Services as its US Representative to progress opportunities in the US defence and security sectors.

Representation on the Global Stage

The Company continued to accelerate its visibility and representation domestically and internationally during the period, including exhibiting its cells and battery packs at:

- **Defence & Security Equipment International (DSEI)** – London, September – Exhibited as part of the Australia stand, supported by Austrade, at the largest defence and security show in Europe.
- **AUSA** – Washington DC, October – Exhibited as part of the Australia stand, supported by Austrade, at the largest defence and security show in the Americas.
- **IndoPacific** – Sydney, November – Exhibited as part of the Victoria Pavillion, supported by InvestVictoria, at one of the largest allied maritime defence exhibitions in the Asia-Pacific Region, and Australia's flagship naval defence event.

These events were well attended by manufacturers of uncrewed air vehicles (UAVs) and uncrewed underwater vehicles (UUVs) as well as major international government agencies, enabling the Company to position LIS' battery technology and its competitive advantages to a broad range of potential partners and end customers.

New Collaboration Partners

- **MSubs** - The Company has extended its opportunity envelope to the underwater domain by collaborating with MSubs Limited. UK based MSubs supplies advanced crewed and large uncrewed underwater vehicles to clients including US Special Operations Command, US Navy and UK Ministry of Defence (UK MoD). As part of the collaboration LIS cells will be tested at extreme depths, targeting potential adoption in MSubs new CETUS Extra Large Uncrewed Underwater Vehicle (XLUUV) currently in sea trials with the UK MoD, plus other advanced UUV systems designed for applications in extreme ocean environments.
- **Praetorian Aeronautics** – An innovative counter drone technology company, Praetorian is advancing production of its Dagger interceptor drone systems, targeting 10,000 units per year. Its collaboration with Li-S Energy focuses on delivering a lighter battery propulsion system which also secures sovereign supply, a critical element for applications in this sector. If it scales as expected, Praetorian represents a significant commercial opportunity for the Company.

Progress on Regulatory Approvals to Ship Cells to International Partners

Li-S Energy's lithium-sulfur cells, given their ultra-high energy density, are regulated as dual-use goods under Australian defence export control requirements. As a novel cell chemistry, they also require additional approvals for transportation, particularly for air shipment under dangerous goods regulations.

During the period the Company acquired AUKUS membership, enabling cell export to the US and UK without an export permit. Initially, cells will be transported under provisional regulations while formal CASA and US Department of Transport approvals are processed.

The Company has also continued to progress its UN38.3 cell testing, which when completed will enable larger volumes of cells to be sent to international partners.

PRODUCT DEVELOPMENT STRATEGY

Product development activities during the half year focused on:

- Refinement of lithium sulfur cell designs for quality, consistency and improved operational robustness.
- Development of power-optimised cell variants to complement existing high-energy designs.
- Continued advancement of battery management systems and pack integration capabilities for defence, aerospace and subsea applications.

A key feature of the Company's cell development during the period has been the initial design, and testing of a "power cell". Enabled in part by the new high precision cathode coater and fine tuning of the lithium foil anode, the team has

developed a lithium sulfur cell that is capable of discharging at a rate of over 3C, according to initial test results. This is 15 times the typical power output of high energy density lithium sulfur cells.

Results are preliminary and a scaled testing program is now underway. However, the new power cell offers the potential to significantly broaden the Li-S Energy market opportunity into higher power applications such as multi-rotor drones and wearable systems.

BOARD AND EXECUTIVE CHANGES

In September the Company was pleased to welcome Andrew Davies as the new Li-S Energy Chief Financial Officer. Formerly with PPK Group Limited, Mr Davies acted as the Li-S Company Financial Controller for three years under its shared services agreement with PPK Group prior to this appointment.

In October, Dr Lee Finniear, CEO of Li-S Energy, was appointed to the Company Board as Managing Director.

In November at the Company's AGM, Ms Hedy Cray retired from the Li-S Energy Board, after more than four years of dedicated service. Hedy was an involved and professional Director and we thank her for her insights and substantial contribution to the leadership and governance of the Company during her tenure.

REVIEW OF FINANCIAL CONDITION

Financial Performance

The Group recorded a net loss after tax for the six months ended December 2025 of \$1,210,150 (2024 prior corresponding period: \$2,671,879 net loss after tax). The loss reflects the continued investment in the development, manufacturing scale up, and commercialisation activities of the Group but was significantly less than the prior corresponding period due to the receipt of significant government grants and tax allowances during the period.

The primary cost drivers were employee expenses of \$0.7 million (2024: \$0.7 million), depreciation and amortisation of \$1.0 million (2024: \$1.0 million), management fees paid to PPK Aust Pty Ltd for shared services support of \$0.4 million (2024: \$0.5 million), and administration expenses of \$0.9 million (2024: \$0.8 million). These costs were partly offset by finance income of \$0.4 million (2024: \$0.7 million), and government grants and research and development tax incentive income of \$2.3 million (2024: \$0.5 million).

Financial Position

The Group finished the period with total assets of \$36.5 million (June 2025: \$38.1 million), including cash and cash equivalents of \$14.4 million (June 2025: \$14.9 million), and a further \$3.0 million in current financial assets (June 2025: \$4.0 million). Total liabilities were \$2.4 million (June 2025: \$2.9 million), which includes current liabilities of \$1.7 million (June 2025: \$2.1 million), resulting in total net assets of \$34.1 million (June 2025: \$35.3 million).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS

There were no dividends declared or paid during the period.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group received the first \$1.9 million tranche of funding under its \$7.8 million grant from the Australian Renewable Energy Agency (ARENA) and appointed Hatch as engineering consultant to undertake the Phase 4 Front-End Loading (FEL-1) feasibility study for a proposed large-scale lithium-sulfur battery manufacturing facility.

FUTURE DEVELOPMENTS

2026 is an important year for the Company as our technology, pathway to scale and partnerships continue to mature.

We expect to commence shipping test and trial cells to international partners as soon as relevant transportation approvals are completed. The Company has international partners ready to test and trial cells on arrival.

Our high energy cell technology is expected to be complemented by advancing our power cell technology if performance continues as preliminary test results indicate. The power cell has the potential to broaden Li-S Energy target applications to include devices with higher power requirements, such as multi-rotor drones and wearable systems,

The Phase 4 Feasibility Study and Manufacturing Optimisation Studies are expected to progress significantly throughout 2026, with a view to establishing a credible and reliable blueprint to scale manufacturing capability to full commercial production. The ARENA funding for this work serves to enhance the visibility of the project within the Australian Federal Government and will provide an on-ramp to engage in discussions with the National Reconstruction Fund and other Federal and State agencies.

In parallel with the development of the Phase 4 studies, the Company will also continue to progress its capital plans and financing options to finance a likely staged development of cell manufacturing capacity targeting up to 1GWh per year of production. These important activities will enable the Company to engage with potential strategic and JV partners, government agencies and project finance providers to drive forward commercial manufacturing.

ROUNDING OF ACCOUNTS

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

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* for the six months ended 31 December 2025 is set out on page 9.

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



BEN SPINER
Chairman



LEE FINNIEAR
Managing Director & CEO

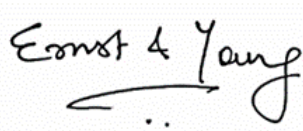
Brisbane, 20 February 2026

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

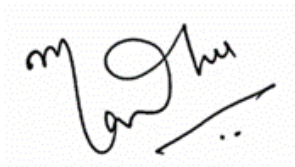
As lead auditor for the review of the half-year financial report of Li-S Energy Limited for the half-year ended 31 December 2025, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Madhu Nair
Partner
20 February 2026

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2025

		31 December 2025	31 December 2024
	Notes	\$	\$
Revenue from contracts with customers		-	-
Finance income		435,179	682,925
Government grants and other income		2,299,552	502,533
Employee benefits expenses		(713,403)	(682,878)
Professional fees		(654,498)	(552,990)
Management fees	11.2	(360,000)	(470,000)
Share based payments expense		(62,867)	(76,144)
Administration expenses		(892,660)	(846,264)
Research and development expense		(156,773)	(384,299)
Depreciation and amortisation expense		(1,036,001)	(971,349)
Finance costs		(35,404)	(44,292)
Unrealised gain/(loss) on investment at FVTPL		(33,275)	170,879
PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE		(1,210,150)	(2,671,879)
Income tax (expense)/benefit	4(a)	-	-
PROFIT / (LOSS) AFTER INCOME TAX EXPENSE		(1,210,150)	(2,671,879)
OTHER COMPREHENSIVE INCOME / (LOSS), NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS), NET OF TAX		(1,210,150)	(2,671,879)
Earnings/(loss) per share (in cents)			
Basic and Diluted	10	(0.19)	(0.42)

The accompanying notes form part of the interim condensed consolidated financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2025

	Notes	31 December 2025 \$	30 June 2025 \$
CURRENT ASSETS			
Cash and cash equivalents		14,398,746	14,855,487
Trade and other receivables		167,662	27,141
Financial assets	8	3,000,000	4,000,000
Other current assets		267,112	22,462
TOTAL CURRENT ASSETS		17,833,520	18,905,090
NON-CURRENT ASSETS			
Financial assets	8	1,524,145	1,557,420
Property, plant and equipment	6	6,537,881	5,430,480
Right-of-use assets		706,018	821,018
Other non-current assets		47,264	1,857,918
Intangible assets	7	9,263,104	8,976,721
Deferred tax assets		599,008	599,008
TOTAL NON-CURRENT ASSETS		18,677,420	19,242,565
TOTAL ASSETS		36,510,940	38,147,655
CURRENT LIABILITIES			
Trade and other payables		870,007	724,854
Lease liabilities		253,763	239,772
Provisions		200,826	221,197
Other Current Liabilities		412,325	923,198
TOTAL CURRENT LIABILITIES		1,736,921	2,109,021
NON-CURRENT LIABILITIES			
Lease liabilities		547,215	664,547
Provisions		80,000	80,000
TOTAL NON-CURRENT LIABILITIES		627,215	744,547
TOTAL LIABILITIES		2,364,136	2,853,568
NET ASSETS		34,146,804	35,294,087
EQUITY			
Contributed equity		56,502,519	56,502,519
Treasury shares		(1,729,589)	(1,729,589)
Reserves		2,948,525	2,885,658
Retained earnings (accumulated losses)		(23,574,651)	(22,364,501)
TOTAL EQUITY		34,146,804	35,294,087

The accompanying notes for part of the interim condensed consolidated financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2025

	Notes	31 December 2025 \$	31 December 2024 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,083,270)	(3,059,329)
Management fees paid to related party	11.2	(360,000)	(470,000)
Receipts from customers		-	1,320
Receipts from BAS refunds		326,201	341,952
Government grants received – operational activities		1,969,980	300,000
Interest received		394,297	677,939
Interest paid		(35,404)	(44,292)
Net cash from / (used in) operating activities		(788,196)	(2,252,410)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	6.1	(1,138,171)	(1,292,577)
Payments for intangible assets	7.1	(1,061,588)	(1,270,519)
Proceeds from government grants for capital acquisitions		1,645,767	669,870
Proceeds from disposal of investments		1,000,000	-
Net cash from / (used in) investing activities		446,008	(1,893,226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares acquired by the Employee Share Trust		-	(900,000)
Payment of lease liabilities		(114,553)	(107,691)
Net cash from / (used in) financing activities		(114,553)	(1,007,691)
Net increase / (decrease) in cash held		(456,741)	(5,153,327)
Cash at the beginning of the period		14,855,487	22,811,343
Cash at the end of the period		14,398,746	17,658,016

The accompanying notes form part of the interim condensed consolidated financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2025

Notes	Contributed Equity \$	Treasury Shares \$	Share Premium Reserve \$	Share Rights Reserve \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2025	56,502,519	(1,729,589)	1,347,650	1,538,008	(22,364,501)	35,294,087
Profit / (loss) for the period	-	-	-	-	(1,210,150)	(1,210,150)
Total comprehensive income / (loss) for the period	-	-	-	-	(1,210,150)	(1,210,150)
Issue of service or performance rights for Executives	-	-	-	62,867	-	62,867
Acquisition of treasury shares	-	-	-	-	-	-
Issue of treasury shares to settle exercised rights	-	-	-	-	-	-
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years	-	-	-	-	-	-
Balance as at 31 December 2025	56,502,519	(1,729,589)	1,347,650	1,600,875	(23,574,651)	34,146,804

for the six months ended 31 December 2024

Balance as at 1 July 2024	56,564,582	(964,800)	1,347,650	1,491,790	(15,950,848)	42,488,374
Profit / (loss) for the period	-	-	-	-	(2,671,879)	(2,671,879)
Total comprehensive income / (loss) for the period	-	-	-	-	(2,671,879)	(2,671,879)
Issue of service or performance rights for Executives	-	-	-	76,144	-	76,144
Acquisition of treasury shares	-	(900,000)	-	-	-	(900,000)
Issue of treasury shares to settle exercised rights	-	135,211	-	(135,211)	-	-
Tax effect of transaction costs on issue of ordinary shares to be deductible over five years	(31,032)	-	-	-	-	(31,032)
Balance as at 31 December 2024	56,533,550	(1,729,589)	1,347,650	1,432,723	(18,622,727)	38,961,607

The accompanying notes form part of the interim condensed consolidated financial report.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

for the six months ended 31 December 2025

1 CORPORATE INFORMATION

The interim condensed consolidated financial report ("interim financial report") of Li-S Energy Limited and its subsidiary ("Li-S Energy" or "LIS" or the "Company" or the "Group") for the six months ended 31 December 2025 were authorised for issue in accordance with a resolution of the Directors on 20 February 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 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Statement of Compliance

The interim financial statements for the six months ended 31 December 2025 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This financial report also complies with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

The interim financial report does not include all the information and disclosures required in the annual financial report, and should be read in conjunction with the annual report for the year ended 30 June 2025, and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

2.2 New and revised standards that are effective for the current period

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Company's annual financial report for the year ended 30 June 2025, except for the adoption of new standards effective as of 1 July 2025. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time for reporting periods beginning on or after 1 July 2025, but do not have an impact on the interim financial report of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's interim financial report 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

The judgements, estimates and assumptions applied in the interim financial report, including the key sources of estimation uncertainty were the same as those applied in the Company's annual financial report for the year ended 30 June 2025.

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

2.4 Going Concern

The interim financial report has 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 20 February 2026, being the date of approval of the interim financial report, the Directors believe it is appropriate to prepare the interim 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 \$14,398,746 of cash and cash equivalents, current financial assets held at fair value through profit or loss of \$1,000,000, a loan receivable of \$2,000,000 and no fixed debt;
- the Company maintains net assets of \$34,146,804, which includes net working capital of \$16,096,599; and
- the Company has project plans and budgets approved by the Directors, and its cash flow forecasts indicate it has sufficient cash to meet its objectives over the next year.

The Directors consider that there are reasonable grounds to believe the Group will be able to pay its debts as and when they are due. As a result, these financial statements are prepared on a going concern basis.

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 the six months ended 31 December 2025 was the development and commercialisation of the Li-S Energy Battery segment.

4 INCOME TAX EXPENSE

	Notes	31 December 2025 \$	31 December 2024 \$
(a) The prima facie tax payable (benefit) on the profit / (loss) before income tax is reconciled to the income tax expense as follows:			
Profit / (loss) before tax		(1,210,150)	(2,671,879)
Prima facie tax payable (benefit) at 25.0% (2025: 25.0%)		(302,537)	(667,970)
Losses for which no deferred tax asset was recognised		(302,537)	699,002
Transaction costs on issue of ordinary shares recognised in equity		-	(31,032)
Other		-	-
Income tax expense (benefit)		-	-
The applicable weighted average effective tax rate is as follows:		-	-
(b) The components of tax expense comprise:			
Current tax		-	-
Deferred tax		-	-
Income tax expense / (benefit)		-	-

5 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs during the period.

6 PROPERTY, PLANT AND EQUIPMENT – NON-CURRENT

	Notes	31 December 2025 \$	30 June 2025 \$
Leasehold improvements – at cost		138,058	138,058
Less: Accumulated depreciation and impairment		(78,058)	(60,438)
		60,000	77,620
Plant and Equipment - at cost		9,809,131	7,852,378
Less: Accumulated depreciation and impairment		(3,331,250)	(2,499,518)
		6,477,881	5,352,860
Total property, plant and equipment		6,537,881	5,430,480

Reconciliations	Leasehold Improvements \$	Plant & Equipment \$	Total \$
31 December 2025			
Opening balance	77,620	5,352,860	5,430,480
Additions ¹	-	3,119,780	3,119,780
Disposals	-	-	-
Government grants	-	(1,102,590)	(1,102,590)
Transfers	-	-	-
Depreciation and amortisation	(17,620)	(892,169)	(909,789)
Closing balance	60,000	6,477,881	6,537,881

30 June 2025			
Opening balance	101,644	6,142,351	6,243,995
Additions	11,105	1,976,146	1,987,251
Government grants	-	(1,143,496)	(1,143,496)
Depreciation and amortisation	(35,129)	(1,622,141)	(1,657,270)
Closing balance	77,620	5,352,860	5,430,480

¹ Included in additions for plant and equipment in the six months to 31 December 2025 are \$896,657 of employee costs (June 2025: \$1,214,759) capitalised in relation to the installation of the pilot plant production facilities in the Wairn Pond campus.

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

	Notes	31 December 2025 \$	31 December 2024 \$
Additions		3,119,780	1,250,533
Movement in equipment deposits (disclosed as other non-current assets)		(1,810,654)	388,427
Additions recorded but not yet cash settled		(170,955)	-
Government grants received but not yet capitalised		-	(346,383)
		1,138,171	1,292,577

7 INTANGIBLE ASSETS – NON-CURRENT

	Notes	31 December 2025 \$	30 June 2025 \$
Development costs		10,038,309	9,697,534
Less: Government grant for development costs		(775,205)	(720,813)
Less: Accumulated amortisation and impairment		-	-
Total intangible assets		9,263,104	8,976,721

Reconciliations	Lithium Metal Battery	Li- Nanomesh	Lithium Sulfur Battery	Total
31 December 2025	\$	\$	\$	\$
Opening balance	823,105	957,989	7,195,627	8,976,721
Additions	-	-	1,061,588	1,061,588
Disposals	-	-	-	-
Government grants	-	-	(775,205)	(775,205)
Transfers	-	-	-	-
Depreciation and amortisation	-	-	-	-
Closing balance	823,105	957,989	7,482,010	9,263,104
30 June 2025				
Opening balance	633,386	957,989	5,464,364	7,055,739
Additions	189,719	-	2,452,076	2,641,795
Disposals	-	-	-	-
Government grants	-	-	(720,813)	(720,813)
Depreciation and amortisation	-	-	-	-
Closing balance	823,105	957,989	7,195,627	8,976,721

The intangible asset is for the development of the Li-S Battery project undertaken in conjunction with Deakin University under the Research Framework Agreement. Included in total additions of \$1,061,588 are employee costs of \$712,601 (June 2025: \$1,096,049), which were capitalised in relation to the development work undertaken.

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

	Notes	31 December 2025 \$	31 December 2024 \$
Additions		1,061,588	1,145,024
Movement in trade and other payables		-	125,495
		1,061,588	1,270,519

8 FAIR VALUE MEASUREMENT

The carrying values of financial assets and liabilities held at amortised cost approximate their fair value.

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

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Group according to the hierarchy stipulated in 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).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 December 2025				
Assets				
Financial assets	-	-	2,524,145	2,524,145
	-	-	2,524,145	2,524,145
30 June 2025				
Assets				
Financial assets	-	-	3,557,420	3,557,420
	-	-	3,557,420	3,557,420

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.

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 assessment of U.S. unlisted equity securities has been based on the price set in the latest planned capital raise of Zeta Energy Corp, where the price is not quoted in an active market. The amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of \$0.6693 at 31 December 2025.

9 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	31 December 2025 \$	30 June 2025 \$
Plant and equipment ¹		406,121	575,726
Intangible assets – commitments to Deakin University ²	11.2	249,356	754,496
Intangible assets – Other ³		128,768	285,541
		784,245	1,615,763

¹ LIS has entered into certain contracts for plant and equipment that have performance milestones aligned with the commissioning and warranty periods of the equipment.

² LIS has outstanding commitments to Deakin University relating to projects contracted under the Research Framework Agreement. These projects range in durations of up to 3 years from the date of contract (see Note 11).

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.

10 EARNINGS / (LOSS) PER SHARE

	31 December 2025 \$	31 December 2024 \$
Profit / (loss) after tax	(1,210,150)	(2,671,879)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding used in calculating basic earnings per share ¹	630,741,074	634,881,920
Weighted average number of ordinary shares outstanding used in calculating diluted earnings per share ^{1, 2}	630,741,074	634,881,920
Basic earnings (loss) per share (cents)	(0.19)	(0.42)
Diluted earnings (loss) per share (cents)	(0.19)	(0.42)

¹ The weighted average number of ordinary shares outstanding used in calculating basic and diluted earnings per share for the current period includes the pro-rata adjustment for treasury shares held 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 as they are anti-dilutive.

11 RELATED PARTY TRANSACTIONS

11.1 Transactions with Parent Entity

Cessation of control on 31 October 2024

Until 31 October 2024, the immediate parent of the Company was PPK Aust. Pty Ltd, 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.

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

	Notes	31 December 2025 \$	31 December 2024 \$
INFLOWS			
Interest income received from PPK Group		100,822	100,822
OUTFLOWS			
Management fees paid to PPK Group		360,000	470,000
Other transactions with PPK Aust		21,214	18,030
Research and development payments to Deakin		273,680	678,594
Lease and outgoings payments to Deakin		266,969	279,077
Purchases from White Graphene Limited		28,250	1,621

During the six months ended 31 December 2025, LIS entered into or amended the following related party agreements:

Research Framework Agreement with Deakin

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 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. Refer to Note 9 for LIS' total commitment under REACH as at 31 December 2025.

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 31 December 2025, PPK Group had fully drawn down the \$2,000,000 loan facility. During the reporting period, the term of the loan agreement was further extended by another six months to October 2026. The security interest taken is against a specific investment held by PPK Group, with a fair value approximating \$2,860,000.

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	31 December 2025 \$	30 June 2025 \$
Related party balances receivable			
PPK Group Limited		2,000,000	2,000,000

11 RELATED PARTY TRANSACTIONS (continued)

11.3 Transactions with Directors and Key Management Personnel

On 22 December 2025, the Company granted 4,968,043 performance rights to certain executive officers and senior staff of the Company under the terms of the Long Term Incentive Plan ('LTIP'). The fair value was calculated at 12.56 cents on the grant date. The rights will be assessed against the vesting conditions shortly after 30 June 2028. The vesting of the performance rights granted is based on the achievement of specified internal and external vesting conditions.

12 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group received the first \$1.9 million tranche of funding under its \$7.8 million grant from the Australian Renewable Energy Agency (ARENA) and appointed Hatch as engineering consultant to undertake the Phase 4 Front-End Loading (FEL-1) feasibility study for a proposed large-scale lithium-sulfur battery manufacturing facility.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2025

1. In the opinion of the Directors of Li-S Energy Limited;
 - a) The interim financial report 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 31 December 2025 and of its performance for the half-year ended on that date; and
 - (ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*:



BEN SPINCER
Chairman



LEE FINNIEAR
Managing Director & CEO

Brisbane, 20 February 2026

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

Conclusion

We have reviewed the accompanying half-year financial report of Li-S Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2025, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2025 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**Shape the future
with confidence**

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

A handwritten signature in black ink that reads 'Ernst & Young'. The signature is stylized, with a long horizontal line under the 'Y' and a small 'EY' logo at the end.

Ernst & Young

A handwritten signature in black ink that reads 'Madhu Nair'. The signature is stylized, with a large 'M' and 'N' and a small 'EY' logo at the end.

Madhu Nair
Partner
Brisbane
20 February 2026