



Lithium Power International Limited Rights Plan

Explanatory Booklet FY23 Share Appreciation Rights (SARs)

Contents

	Page
1 ISSUER DETAILS	1
2 DISCLAIMER – NO FINANCIAL OR TAX ADVICE GIVEN HEREIN	1
3 BACKGROUND	1
4 THE FINANCIAL INSTRUMENT – SHARE APPRECIATION RIGHT OR “SAR”	2
5 PARTICIPATION INVITATION AND APPLICATION	2
6 WORKED EXAMPLE	2
6.1 ILLUSTRATION ONLY	2
6.2 EXAMPLE ASSUMPTIONS.....	3
6.3 EXAMPLE SHARE APPRECIATION RIGHTS/SARS GRANT CALCULATION.....	ERROR! BOOKMARK NOT DEFINED.
6.4 EXAMPLE EXERCISE OF SARS.....	3
7 DISPOSAL RESTRICTIONS ON RIGHTS AND SHARES (RESTRICTED SHARES)	4
8 TERMINATION OF EMPLOYMENT	4
9 FRAUD, GROSS MISCONDUCT ETC.	4
10 PREVENTING INAPPROPRIATE BENEFITS	4
11 CHANGE IN CONTROL, DEMERGER OR DELISTING	4
12 AMENDMENT OF THE PLAN	5
13 ASSUMED AUSTRALIAN TAXATION IMPLICATIONS	5
14 ADMINISTRATION AND COSTS	6
15 COOLING OFF ARRANGEMENTS	6
16 COMPLAINTS HANDLING/DISPUTE RESOLUTION PROCEDURES	6
17 TYPICAL QUESTIONS AND RESPONSES	6

Lithium Power International Limited Rights Plan

1 Issuer Details

Lithium Power International Limited is listed on the Australian Securities Exchange and the applicable contact details are:

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Capitalised terms in this document have the meaning given in the Plan Rules.

2 Disclaimer – No Financial or Tax Advice Given Herein

The information in this Explanatory Booklet does not take into account your personal or financial circumstances. Before applying to participate in the Plan, you should read the Rules and Explanatory Booklet and be satisfied that any participation in the Plan by you is appropriate in view of your circumstances.

This Explanatory Booklet has been prepared by Lithium Power International Limited (LPI, the Company) and is designed to assist you in deciding whether participation in the Plan is appropriate for you. The information in this Explanatory Booklet does not take into account your personal objectives, financial situation and needs.

Any advice given by the Company in connection with this booklet or the Invitation is general advice only. Importantly the Invitation and this Explanatory Booklet are not financial product advice, and you should be aware that your participation in the Plan may have taxation and other financial consequences for you. You should obtain professional advice from a person licensed by the Australian Securities & Investments Commission to provide financial products advice in relation to your participation in the Plan before submitting an Application.

3 Background

LPI has adopted an executive remuneration strategy under which executive remuneration will be composed of Fixed Pay and Variable Remuneration.

This Explanatory Booklet relates to your Variable Remuneration opportunity which has been designed to align the interests of Participants with Shareholder interests over the long term and to provide Participants with the opportunity to acquire Shares through equity-based remuneration.

Participants should be aware that there may be tax consequences flowing from participation in this Plan. While this document contains no financial or tax advice, the typically expected taxing points for Australian Participants are addressed in the latter part of this document.

4 The Financial Instrument – Share Appreciation Right or “SAR”

This Explanatory Booklet relates to participation in the Lithium Power International Limited Rights Plan (the Plan). The Plan involves a financial instrument called an indeterminate restricted right (referred to hereafter as a Right), which is a form of derivative, and entitles the bearer, when validly exercised, to the net value of a Share less the Exercise Price, which may be settled in the form of cash or a Share (which may include a Restricted Share, which is an ordinary Share which is subject to disposal restrictions), at the sole discretion of the Board.

The Board intends for the SARs to be settled via the issue of Shares.

The FY23 Invitation relates to a type of Right which involves a “notional” Exercise Price that does not have to be paid by the Participant (it is instead accounted for in the Exercised Rights Value calculation) and is often referred to as a Share Appreciation Right or “SAR”. It functions almost identically to a traditional Option, with the exceptions that the Exercise Price is “notional” and the Exercised Rights Value may be settled in cash. The class of Right that the FY23 SARs Invitation relates to under the Rules is a “Restricted Right”.

5 Participation Invitation and Application

Company intends to invite selected Eligible Persons to apply for Rights under the Plan as may be appropriate from time to time. The Board will decide:

- those Eligible Persons to receive an Invitation,
- the numbers of Rights that each Eligible Person will be invited to apply for, and
- the terms and conditions of the Invitations.

If you have been selected to be invited to apply for SARs in FY23, then you will have received an Invitation which covers the foregoing aspects, and includes an Application to apply for the specified number of SARs, which must be validly submitted by the specified date, otherwise the Invitation lapses.

While the Company intends to consider making Invitations annually, the receipt of an Invitation or Invitations by an employee does not confer on that employee any entitlement to ongoing employment or to receive any further Invitations.

6 Worked Example

6.1 Illustration Only

Following is a worked example which is used to explain the intended operation of the Plan in relation to the FY23 SARs Invitation.

6.2 Example Assumptions

For purposes of this example the following is assumed:

- the Board will determine the number of SARs granted and the Exercise Price of the SARs – in this example, a grant of 1,000,000 SARs is assumed at an Exercise Price of \$0.40;
- the SARs are not subject to any Vesting Conditions, and are fully vested on the Grant Date, but are subject to Exercise Restrictions in two equal tranches as follows:
 - **Tranche 1 Restricted SARs** may not be exercised until 12 months following the date of grant, and then only when Shares may be traded under the Company's Share Trading Policy.
 - **Tranche 2 Restricted SARs** may not be exercised until 24 months following the date of grant, and then only when Shares may be traded under the Company's Share Trading Policy,
- when the SARs are exercised, the Share Price is \$0.60,
- the Plan Rules contain terms and conditions that could interrupt the normal process applicable to SARs, such as in the case of a change of control event arising. It is assumed that such events do not occur during the relevant period.

6.3 Example Exercise of SARs

Tranche 1 of the SARs became exercisable at 31st August 2023 and Tranche 2 became exercisable at 31 August 2024. The Participant waited to exercise both Tranche 1 and Tranche 2 of the SARs in September 2024. The Participant completed and submitted an Exercise Notice in respect of 1,000,000 SARs at this time.

The Share Price was \$0.60 at the time of exercise (and the Exercise Price was \$0.40).

The Exercise Notice was processed and the Exercised Rights Value was calculated as follows:

- Exercised Rights Value = Number of Rights exercised * (Share Price – Exercise Price)
- Exercised Rights Value = 1,000,000 * (0.6 – 0.4)
- Exercised Rights Value = \$200,000

It is important to note that the Participant did not have to pay the Exercise Price as it was accounted for in the calculation of the Exercised Rights Value.

The Board determined to provide the Exercised Rights Value in Shares, via a new issue to the Participant. The number of Shares was calculated as follows:

- Number of Shares Acquired = Exercised Rights Value ÷ Share Price
- Number of Shares Acquired = \$200,000 ÷ \$0.60
- Number of Shares Acquired = 333,334.

Thus, the Participant in this example was provided with 333,334 Shares. The final, realised value of the Shares, however, will depend on the Share Price at the time the Shares are sold (i.e. Share Price gains flow as a benefit to Participants). In this example it is assumed that the Participant decides to sell all of the shares immediately after receipt (for simplicity); the sale value is therefore \$200,000.

END OF EXAMPLE ILLUSTRATION

7 Disposal Restrictions on Rights and Shares (Restricted Shares)

Rights, including SARs, are at all times subject to disposal restrictions and may not be dealt with.

If at the time the Shares are acquired by a Participant they are restricted from dealing/disposal under the terms specified in the Invitation, the Company's trading policy or legal provisions (e.g. insider trading provisions of the Corporations Act) then the Shares will be Restricted Shares which means that they cannot be sold until dealing in such securities by the Participant is no longer subject to such restrictions. The Company may impose a holding lock on Restricted Shares (via the issuer sponsored subregister or via CHES holding locks if held by a Participant) to ensure that the Participant does not sell them earlier than allowed under the Plan, unless otherwise determined by the Board.

This is unlikely to occur under the terms of the FY23 SARs Invitation since the SARs may not be exercised at a time when dealing in securities is prohibited under the trading policy. However, this could arise if undisclosed price sensitive information arose between the date of exercise and the date of receipt of Shares.

The intention of this approach is to align the taxing point, and taxable value of the benefits, with the point at which you may sell Shares to cover your tax liability.

8 Termination of Employment

Restricted Rights such as the SARs that are the subject of the FY23 Invitation are fully vested at grant, therefore a termination of employment does not impact the vesting.

50% of SARs subject to Exercise Restrictions on the date of termination of employment will cease to be subject to Exercise Restrictions, unless otherwise determined by the Board. The Board may determine to remove disposal restrictions for all Restricted Shares, if it deems it appropriate to do so.

9 Fraud, Gross Misconduct etc.

In the event that the Board forms the opinion that a Participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company then the Participant will forfeit all unvested Rights, if any are held.

10 Preventing Inappropriate Benefits

Under the Rules, if a Participant engages in any activities that, in the opinion of the Board, may cause harm to the Company or its stakeholders, all unvested Rights held by the Participant, if any, will lapse and be forfeited, unless otherwise determined by the Board.

11 Change in Control, Demerger or Delisting

The Rules contain terms that relate to the treatment of Rights and Restricted Shares in the case of a Change in Control, demerger, delisting and return of capital to shareholders.

For SARs that are Restricted Rights such as those that are the subject of the FY23 SARs Invitation, in the case of a Change of Control, Delisting or Demerger, any remaining Exercise Restrictions on SARs held will be removed on a date determined by the Board.

12 Amendment of the Plan

The Board may at any time by written instrument, or by resolution, amend all or any of the provisions of the Rules. No amendment to the Rules may reduce a Participant's existing rights in respect of any Invitation that had commenced prior to the date of the amendment, other than with the Participant's consent or where the amendment is introduced primarily:

- for the purpose of complying with or conforming to present or future State, Territory or Commonwealth legal requirements governing, regulating or effecting the maintenance or operation of the Plan or like plans,
- to correct any manifest error or mistake,
- to address possible adverse tax implications for Participants generally or the Company arising from:
 - a ruling of any relevant taxation authority,
 - a change to tax legislation (including an official announcement by any relevant taxation or government authority), or
 - a change in interpretation of tax legislation by a court of competent jurisdiction or by any relevant taxation authority, or
 - to enable the Company to comply with the Corporations Act or the Listing Rules.

13 Assumed Australian Taxation Implications

Taxation laws are complex and may change from time to time. Therefore, Participants should seek advice from their professional taxation advisors on the taxation implications of becoming a Participant in the Plan.

As a guide the following are the expected taxation implications for Australian Participants at the time of preparing this document.

- a) If you receive a cash payment in relation to exercised SARs, then it will be taxed as income in the year it is received. PAYG tax will be deducted at the time of payment and the amount will be included on your PAYG payment summary statement.
- b) Vested SARs should not be taxable as income at any time, except in the case of a termination of employment, see d) below.
- c) Shares received during employment with the Company that arise from exercise of SARs will be taxed as income, following the exercise of SARs, based on the Share Price at the time the Shares cease to be subject to disposal restrictions i.e. when they cease to be Restricted Shares and you may first sell the Shares. If a Participant sells Shares within 30 days of that day then he/she will be taxed on the sale proceeds instead of the value at the date he/she first became able to sell the Shares.
- d) Restricted Shares or Shares received after termination of employment that arise from the exercise of SARs will trigger a tax liability in the year the Participant terminated employment, based on the date of termination. This may require amendment of a previously lodged tax return. The value that will be taxed will be determined as at the date of termination of employment, which may be calculated under the regulation for determining the taxable value of options. This cannot be determined until exercise has occurred since the unexercised SARs could be settled in cash which would be subject to normal payroll tax etc. If SARs are taxable and backdated to the date of termination of employment, a Shortfall Interest Charge may be applied in relation to the tax payable. In addition, when a participant sells the Shares there will likely be a capital gain or loss

which will also need to be brought to account for taxation purposes. The value taxed at the date of termination of employment becomes the cost base for CGT purposes.

14 Administration and Costs

This Plan will be administered by the Company, or the Board may appoint an Administrator to administer the Plan on its behalf. The Company will meet all the costs of operating the Plan for Eligible Persons.

15 Cooling Off Arrangements

There are no cooling-off arrangements applicable to the SARs.

16 Complaints Handling/Dispute Resolution Procedures

There are no formal procedures to deal with complaints or disputes concerning your participation in the Plan but any enquiries or concerns should be raised with the Company Secretary.

17 Typical Questions and Responses

Following are questions that may have arisen as you read this Guide

Questions	Responses
Can I apply for additional SARs?	No. The Board decides how many SARs each employee is invited to apply for.
If I do not take up the invitation to apply for SARs will the Company compensate me in another form such as additional salary?	No.
Can I keep Shares acquired under the Plan?	Yes but Australian Participants should be aware that a tax liability will arise when the Shares are no longer the subject of dealing/disposal restrictions. Thus, if you keep the Shares you could be exposed to loss should the Share Price subsequently fall. This is a personal decision on which you should seek independent professional advice.
Can I get the SARs awarded in Cash instead of shares?	You cannot elect the form of payment, this is a matter for the Board to determine, and the Board intends that the SARs will be settled in the form of Shares.
Do I have to Pay the Exercise Price?	No, it is notational and accounted for in the way the Exercised Rights Value is calculated.
How much do I have to pay for the Shares?	You do not have to pay anything to acquire SARs, as they form part of your remuneration package.