LITHIUM AUSTRALIA NL

ACN 126 129 413

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

CORPORATE DIRECTORY

Directors

Adrian Griffin	Managing Director
George Bauk	Non-Executive Chairman
Kristie Young	Non-Executive Director (Appointed 21 December 2020)
Phil Thick	Non-Executive Director (Appointed 1 May 2021)

Executive Management

Stuart Tarrant	Chief Financial Officer (Appointed 1 June 2021)
Barry Woodhouse	Chief Financial Officer (Resigned 1 June 2021)

Company Secretary

Barry Woodhouse

Registered Office and Principal Place of Business

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West Perth WA 6005

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E: info@lithium-au.com

Bank

National Australia Bank
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Perth WA 6000

Auditors

Hall Chadwick WA Audit Pty Ltd
283 Rokeby Road
Subiaco WA 6008

Share Registry

Advanced Share Registry
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Nedlands WA 6009

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Website

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Stock Exchange Listing

Lithium Australia NL securities are listed on Australian Securities Exchange (ASX Codes: LIT and LITCF)

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CHAIRMAN'S LETTER

Dear shareholders

The past financial year has seen a more intense international focus on improving the carbon footprint of society. As part of that, electric vehicle production and purchases during the period reached record highs and leading companies globally are promoting carbon-neutral targets front and centre.

By way of its various business units, Lithium Australia NL ('the Company') continues its contribution to finding environmental solutions through the delivery of carbon-neutral alternatives.

The Company has retained significant upside to exploration projects by structuring free-carries at project level, not only by taking equity in the managing companies but by potentially allowing access to lithium deposits in the future. Whilst the Company continued to farm out these exploration assets, we continue to identify exploration opportunities for future critical battery metals.

At Envirostream Australia Pty Ltd ('Envirostream'), preparations for the national Battery Stewardship Scheme ('BSS') – due to commence in January 2022 – have taken centre stage. The aim of the BSS is to commoditise spent batteries, thereby covering the costs of their collection and processing and increasing the volumes available for recycling. As the only Australian business equipped take full advantage of the BSS, Envirostream has worked diligently to ensure that it secures as many end-of-life batteries as possible, that more of its facilities are permitted for scale-up, and that its storage protocols are truly industry-leading, given that fire resulting from incorrect storage of spent batteries remains the largest risk to the industry. We await commencement of the BSS to reap the rewards of all the hard work, time and money invested.

Wholly owned-company VSPC Ltd (VSPC') is a developer of advanced battery materials, primarily cathode powders. One of its core deliverables in the period was a positive preliminary feasibility study for the annual production of 10,000 tonnes of lithium ferro phosphate ('LFP') battery cathode material. LFP-type lithium-ion batteries ('LIBs') outperform their nickel- and cobalt-based counterparts not only in terms of cost but also chemical and thermal stability – they are cheaper, safer and offer a longer service life. That is why many large battery manufacturers, including Tesla and BYD, are adopting this LIB chemistry. With practically all LFP powders currently produced in China, VSPC's proposed LFP plant would position it as a very significant entrant into a developed market seeking LFP battery chemicals outside of China. Fortuitously, VSPC is not bound by legacy LFP patents, as are other manufacturers, and so is able to produce very high-quality material at low cost. During the year, VSPC also created a new generation of cathode materials, lithium manganese ferro phosphate (LMFP), which is now being tested by battery manufacturers globally. VSPC will continue to research and develop advanced battery materials for future energy needs.

Meanwhile, the Company is advancing its goal of an ethical and sustainable supply of energy metals for the battery industry. Diverting toxic battery chemicals from landfill, increasing the availability of safe, low-cost cathode powders for the electrification of vehicles, and improving the environmental footprint of lithium miners through our proprietary LieNA® process is a positive combination, confirming that our aim is the right one. We have also strengthened our environmental, social and governance systems this year and will continue to do so over time as the Company moves into the next phase of development.

As Chairman, I am optimistic about the coming year. We developed our technologies to enhance energy and resource security and, with the battery market poised for radical transformation and significant growth, now is the time to commercialise them and facilitate those changes.

As always, our partners, stakeholders and employees have been vital to the Company's success and I wish to acknowledge all of them, including ANSTO and the Australian state and federal governments.

There have been some changes to the board this year and I thank my fellow non-executive directors, past and present, for their contributions. Our Managing Director Adrian Griffin continues to define the trajectory of the global battery industry. His unwavering commitment to staying ahead of the market and maintaining the Company's role as part of the global solution to the challenges facing the planet is highly valued; as Chairman, I would like to thank him on behalf of the entire board.

George Bauk
Non-Executive Chairman

DIRECTORS’ REPORT

The Directors present their report on Lithium Australia NL (‘LIT’ or the “Company”) and its controlled entities (the “Consolidated Group”) for the year ended 30 June 2021 (the “year”).

Board of Directors

The names and details of the Consolidated Group’s directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Adrian Griffin	Managing Director	
George Bauk	Non-Executive Chairman	
Kristie Young	Non-Executive Director	Appointed 21 December 2020
Phil Thick	Non-Executive Director	Appointed 1 May 2021
Bryan Dixon	Non-Executive Director	Retired 27 January 2021

Information on Directors

Adrian Griffin (Managing Director)

Qualifications

BSc.(Honours),GSA,MAusIMM

Experience

Mr Griffin has extensive experience in the resources sector accumulated over 40 years. He has held directorships in a number of private and listed resource companies and has been responsible for operating large integrated mining and processing facilities including the Bulong nickel-cobalt operation in the late 1990s. Mr Griffin has substantial experience in the mining industry in South Africa and in particular was founder and technical director of Ferrum Crescent Ltd, a developer of iron ore in that country. Mr Griffin is currently a director of Parkway Minerals NL, and Reedy Lagoon Corporation Limited.

Other directorships in listed entities held in the past three years

Non-Executive Chairman – Parkway Minerals NL
Non-Executive Director – Reedy Lagoon Corporation Ltd
Non-Executive Director – Northern Minerals Ltd (retired 25 November 2020)

George Bauk (Non-Executive Chairman)

Qualifications

BBus, MBA, FCPA, GAICD

Experience

Mr Bauk is an experienced company director with over 15 years’ experience as a listed company director in Australia with the resources industry in both production and exploration with assets in Western Australia, Australia and internationally. He is an experienced executive, with 30 years’ experience in the resources industry. Mr Bauk holds a Bachelor of Business (Accounting and Finance) from Edith Cowan University, is a Fellow of the CPA and has an MBA from the University of New England. Mr Bauk has held global operational and corporate roles with WMC Resources and Western Metals. Mr Bauk has a strong background in strategic management, business planning, building teams, finance and capital/debt raising, and experience with a variety of commodities in particular rare earths, gold and industrial minerals. During his time as Managing Director of Northern Minerals Ltd, he led its rapid development from a greenfields heavy rare earth explorer to one of a few global producers of high value dysprosium outside of China. Mr Bauk is a passionate member of the WA resources industry having previously held a number of senior governing positions with the Chamber of Minerals and Energy including Vice President.

Other directorships in listed entities held in the past three years

Non-Executive Chairman – BlackEarth Minerals NL
Non-Executive Chairman – Gascoyne Resources Limited
Executive Director – PVW Resources Limited
Executive Chairman – Valour Resources Limited
Managing Director & CEO – Northern Minerals Limited (retired 05 June 2020)

Information on Directors (continued)

Kristie Young (Non-Executive Director)

BEng (Hons) Mining, Post Grad Dip (Education), GAICD

Experience

Ms Young has a unique background with more than 20 years’ experience across technical engineering, project evaluation, strategy, business development, growth, marketing, commercial, client management, governance and human resources. Ms Young has most recently held senior growth and business development executive roles with leading professional services firms, PwC and EY. Ms Young is Non-Executive Chair of ChemX Materials Ltd, Non-Executive Director of Tesoro Resources Ltd (ASX:TSO), and sits on the boards of Wesley College WA and the Energy Club of WA. Ms Young holds a Bachelor of Engineering (Mining) Hons from the University of Queensland, a Post Graduate Diploma of Education (Mathematics & IT) from the University of Western Australia, is a Graduate of the Australian Institute of Company Directors and holds a CertIV HR from the Australian HR Institute.

Other directorships in listed entities held in the past three years

Non-Executive Director – Primero Group Limited (company was purchased by NRW and delisted on 24 February 2021)
Non-Executive Director – Tesoro Resources Limited

Phil Thick (Non-Executive Director)

Qualifications

BE (Hons), FAICD, FIEAust

Experience

Phil Thick has over 30 years’ senior executive experience in oil and gas, mining and chemical processing in large multinational companies, smaller ASX listed companies and privately owned companies. In addition, Phil has extensive experience on many boards in Non-Executive Director roles and has chaired many of those boards for extended periods. Phil had a 20 year career with Shell in Australia and overseas and for the last 3 years was Downstream Director on the Board of Shell Australia. This was followed by 5 years as a director and CEO of Coogee Chemicals and then 4 years as CEO of New Standard Energy. For the past 4 and a half years Phil headed up Tianqi Lithium Australia, a subsidiary of Tianqi Lithium Corp out of China, one of the world’s largest lithium companies. Tianqi owns 51% of the Greenbushes mine in Western Australia, the world’s best hard-rock lithium resource, and Phil was charged with building the world’s largest lithium hydroxide plant in Kwinana south of Perth, an investment of nearly A$1billion. Phil also chairs the boards of the Chamber of Arts and Culture WA and Perth Symphony Orchestra.

Other directorships in listed entities held in the past three years

None

Company Secretary

Barry Woodhouse

Qualifications

BCom, BLaws, CPA, FGIA FCG (CS,CGP)

Experience

Mr Woodhouse is a CPA and a Fellow of Governance Institute of Australia and has over 30 years’ experience in the junior mineral exploration, mineral production, mining services and manufacturing sectors in both private and public companies in Australian and foreign jurisdictions. Mr Woodhouse has held roles including CFO, Company Secretary, Director and Chairman.

Principal activities

The principal activities of the Consolidated Group during the financial year align to the aim of developing an ethical and sustainable supply of energy metals to the battery industry. Activities primarily include mineral exploration and process development. Mineral exploration focusses on future critical battery metals and process development seeks to provide critical chemicals necessary for the lithium-ion battery industry.

There were no significant changes in the nature of the Consolidated Group's principal activities during the financial year.

Results of operations

The operating loss after income tax of the Consolidated Group for the year ended 30 June 2021 was $20,836,213 (2020: loss of $8,662,373). The operating loss for the year ended 30 June 2021 included legal claims against the group of $5,043,069 relating to a fire at the premises of Envirostream Australia Pty Ltd, a 90% subsidiary of the Consolidated Group. If settlement occurs for these claims, it is expected that insurances are sufficient to meet the liabilities. Please refer to note 34 for further details.

No dividend has been paid during or is recommended for the financial period ended 30 June 2021 (2020: Nil).

Financial position

The Consolidated Group's working capital surplus, being current assets less current liabilities was $4,864,341 at 30 June 2021 (2020: working capital surplus $2,568,004).

In the Directors' opinion, there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

REVIEW OF OPERATIONS 2020-21

Overview

Lithium Australia NL ('Lithium Australia' or 'the Company') aims to ensure an ethical and sustainable supply of energy metals to the battery industry by creating a circular battery economy that enhances energy and resource security. This begins with the exploration of battery metals and ends with the recycling of spent batteries.

Whilst the Company continued to farm out some of its exploration assets during the year, focus remains on identifying and exploring future critical battery metals. Importantly the Company retains free carried interest in the projects it has farmed out as well as direct project equity in each of those projects. This strategy maintains a nexus from the exploration and potential resource base, through to downstream battery materials.

Reprocessing spent lithium-ion batteries ('LIBs') to create new ones is intrinsic to the ethical and sustainable supply of energy metals, and the Company operates Australia's only fully integrated, mixed-battery (including LIBs) recycling business.

Having rationalised its portfolio of lithium projects/alliances, Lithium Australia continues its research into, and the development of, proprietary extraction processes for the conversion of all lithium silicates (including mine waste) and of unused fines from spodumene processing to lithium chemicals, which will be used to produce advanced battery cathode materials for the battery industry globally.

The Company's progress has been recognised by the Australian federal government through the awarding of substantial research grants designed to progress the nation's advanced battery capabilities.

By uniting resources and innovation, the Company seeks to vertically integrate lithium extraction, processing and recycling.

The Company's integrated business divisions are represented below.

Strategic free-carried interests designed to maintain upside while reducing costs and providing access to lithium feedstock.

Advancing LieNA® technology for low-energy extraction of lithium from spodumene with no requirement for roasting.

Battery recycling and the re-birthing of battery components to enhance sustainability.

Production of next-generation cathode powders for the global battery market.

Processing technologies used within each of the Company's divisions are designed to be compatible with each other, resulting in the minimum number of process steps required to progress from mine site to LIBs. Ultimately, use of these compatible technologies leads to production economies and other advantages for consumers. The compatible processing chemistries extend beyond battery manufacture to recovery of critical metals from spent batteries, thereby closing the energy-metals loop and restarting the cycle.

The principal attributes of each of the business units, and their achievements during the year, are outlined below.

REVIEW OF OPERATIONS 2020-21 (continued)

CORPORATE

Changes in leadership and management

Lithium Australia

During the year, the following changes occurred to the Company's board of directors.

- Ms Kristie Young was appointed as a non-executive director on 22 December 2020.
- Mr Bryan Dixon retired as a non-executive director on 27 January 2021.
- Mr Phil Thick was appointed as a non-executive director on 3 May 2021.

The Company board now has three independent non-executive directors in addition to the managing director.

Ms Young holds a Bachelor of Engineering (Mining) Hons from the University of Queensland, a Postgraduate Diploma of Education (Mathematics and IT) from the University of Western Australia, is a graduate of the Australian Institute of Company Directors and holds a Cert IV HR from the Australian HR Institute. She has more than 20 years of experience in the engineering, project evaluation, strategy, business development, growth, marketing, commercial, client management, governance and human resources fields. Most recently, Ms Young held senior growth and business development executive roles with leading professional services firms PwC and Ernst & Young.

Mr Thick has more than 30 years' senior executive experience in oil and gas, mining, and chemical processing in large multinational companies, as well as smaller ASX-listed and privately-owned companies. In addition, he has extensive experience on many boards in non-executive director roles and as chair. Mr Thick had a 20-year career with Shell in Australia and overseas and for the last three was downstream director on the board of Shell Australia. This was followed by five years as a director and CEO of Coogee Chemicals and then four as chief executive officer of New Standard Energy. For the past four and a half years, he headed up Tianqi Lithium Australia, a subsidiary of Tianqi Lithium Corp out of China, one of the world's largest lithium companies. Tianqi, in a joint venture with IGO, owns 51% of the Greenbushes mine in Western Australia, the world's largest source of hard-rock lithium. Tianqi charged Mr Thick with building the world's largest lithium hydroxide plant in Kwinana, south of Perth, an investment of nearly A$1 billion.

Mr Stuart Tarrant was appointed chief financial officer on 3 May 2021. A senior finance professional with more than 20 years' experience, most gained in rapidly growing or changing environments, Mr Tarrant has worked in a range of industries, including mineral extraction, mineral exploration, financial institutions, and agribusiness. His most recent role before joining the Company was as chief financial officer at Danakali Limited (ASX: DNK). During his time with Danakali, Mr Tarrant successfully secured US$200 million of project senior debt and negotiated material operating contracts. Prior to that, he held senior roles with BHP, Leighton Contractors and Great Southern Limited.

VSPC Ltd

At VSPC Ltd ('VSPC', a wholly-owned subsidiary of the Company), Ms Merrill Gray joined the board as executive director on 29 June 2021, with the aim of increasing the capacity and capability of the VSPC management team.

Ms Gray brings with her 30 years of experience in the mining and energy sectors, including production, project development, corporate management, and capital-raising. That experience includes 15 years as chief executive officer/managing director of ASX-listed public and private high-tech energy companies, in brown and green hydrogen, renewables (embedded bioenergy co-generation) and the circular economy (waste-to-energy). Ms Gray is leading VSPC's definitive feasibility study and global expansion plans.

REVIEW OF OPERATIONS 2020-21 (continued)

Funding

During the year, the Company continued to fund its core activities. Fundraising totaled $16,375,000 (net of costs), through a combination of the following.

- Private placements to institutions and sophisticated and professional investors.
- Funds raised through a Controlled Placement Agreement ('CPA').
- Drawdown under the convertible note, in agreement with Lind Global Macro Fund.
- LITCF shareholders fully paying up their LITCF partly paid shares placements.
- Option holders converting options.

On 12 August 2020, the Company announced completion of a $4 million, heavily oversubscribed placement to institutions and sophisticated and professional investors. This was followed on 9 September 2020 by a $4.5 million raising via a share purchase plan. Having raised more funds than expected, the Company paid down its pre-existing convertible note (refer to ASX announcement of 17 September 2020).

Then, on 21 January 2021, the Company announced that, via the CPA, it had raised $2.4 million. (For more details regarding the CPA, see refer to announcements of 31 July 2017, 13 February 2018 and 5 August 2021.)

In addition to the abovementioned fundraising, the Company recognised $0.4 million in government grant income and $1.25 million in R&D tax rebates during the year.

Impact of COVID-19

During the year, issues surrounding COVID-19 continued to affect the Company. The most significant impact resulted from lockdown protocols set by state government, coupled with restrictions on travel, both locally and internationally. All Company employees continue to adhere to best practice in hygiene and social distancing in accordance with government requirements.

The Company's head office is in Perth, Western Australia, a state in which the impact of COVID-19 has not been as great relative to other business locations. For the most part, Perth-based employees balanced office-based duties with working from home.

However, Envirostream Australia Pty Ltd ('Envirostream'), the Company's mixed-battery recycling facility in Melbourne, Victoria experienced various levels of lockdown during the year. As that business is included in the list of electricity, gas, water and waste services considered important infrastructure, and is also classified as an essential service, most of its operating activities continued.

Environmental, Social and Governance ('ESG') systems

Lithium Australia's products and business are based on sustainability. The Company strives to reduce its environmental footprint as it drives the development of a sustainable battery industry through disruptive, circular-economy technologies, transparency and resource efficiency. Lithium Australia advanced its ESG systems during the year to bolster protection from adverse impacts and promote favourable outcomes.

The safety of the Company's employees, contractors and partners is considered of the upmost importance, and it is pleasing to note that there were no lost time injuries during the year.

REVIEW OF OPERATIONS 2020-21 (continued)

Raw materials

Overview

During the year, the Company continued to farm out certain of its exploration assets to reduce the overall investment exposure to these exploration assets whilst allowing the company to look for alternate exploration opportunities related to future critical battery metals. By structuring free-carries at project level as part of the farm out and taking equity in the managing companies as part settlement, the Company retains upside in those assets and potentially preserves access to lithium deposits that may provide feed for future Company mineral processing and chemical production activities.

Lithium Australia's raw materials division has achieved the following during the year.

- Farm-out of majority equity positions in its Wundowie, Lake Johnson and Bynoe projects realised through the listing of Charger Metals NL (ASX: CHR, 'Charger') subsequent to the year end. Pursuant to the sale and joint venture agreement, the Company retains a 30% free carry in most projects and a 19.6% interest in Charger.
- Farm-out of a majority equity position in the Greenbushes South project, realised through an 80% acquisition by Galan Resources Ltd (ASX: GLN).
- Non-renewal of its Sadisdorf licence (Germany).
- Retention of an interest in Lepidolite Hill and ongoing work on the Ravensthorpe rehabilitation programme.
- Identification of future critical battery metals to focus exploration opportunities.

Charger initial public offering

The Company granted an option to Charger over certain of its projects in WA and the Northern Territory (see ASX release dated 9 December 2020).

Charger, which successfully listed on 7 July 2021 (the Company retains a 19.6% equity position), has exercised its option to acquire the following listed exploration projects from the Company for a consideration of $100,000 and 9.6 million escrowed shares.

- The Coates project, located in the highly prospective Western Yilgarn nickel/copper/platinum group elements belt, approximately 20 kilometres ('km') from the Julimar discovery of Chalice Mining Limited (ASX: CHN, 'Chalice', formerly Chalice Gold Ltd) in WA, in a similar geological environment.
- The Lake Johnston project, near Southern Cross in WA, which lies approximately 70 km east of the world-class Earl Grey/Mt Holland lithium deposit now being developed by Wesfarmers Ltd and SQM, has outcropping lithium (spodumene) pegmatites and is prospective for lithium, gold and nickel.
- The Bynoe project, located near Darwin in the Northern Territory (proximal to the Finnis lithium project of Core Lithium Limited (ASX: CXO), which is at a very advanced stage of development, with a DFS already completed) and prospective for lithium and gold.

Part acquisition of Greenbushes South project

On 14 January 2021, Galan Lithium Ltd ('Galan', ASX: GLN) acquired 80% of the Company's Greenbushes South lithium project. Located 200 km south of Perth, Western Australia and with an area of 353 km^2, the project commences around 3 km south of the current Greenbushes open-pit lithium mining operation and covers the southern strike projection of the geological structure hosting that mine.

Lithium Australia's agreement includes an unincorporated joint venture between Galan (80%) and the Company (20%) via the issue of 1,221,000 fully paid ordinary shares in the capital of Galan, with Galan to pay the Company's joint-venture expenditure share until completion of a PFS.

Sadisdorf

As announced on 18 January 2021, Lithium Australia did not renew the licence for its Sadisdorf lithium-tin project in Germany, which was 100% Company owned. At the end of the previous year (that is, 30 June 2020), the Mineral Resource (according to the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* ('*JORC Code 2012*')) was as per the table below.

REVIEW OF OPERATIONS 2020-21 (continued)

Table: Inferred Mineral Resource estimate for Sadisdorf as of 30 June 2020.

Classification	Domain	Tonnes (Mt)	Li (%)	Li_2O (%)
Inferred	Inner greisen	17	0.22	0.47
Inferred	Outer greisen	8	0.20	0.43
Inferred	Total	25	0.21	0.45
Note: this Mineral Resource was estimated within constraining wireframe domains defined above (with a nominal 0.15% lithium cut-off). The Mineral Resource is reported from all blocks within those wireframe solids. Differences may occur due to rounding.				

Competent Person's Statement – Lithium Mineral Resources, Australia (as of 30 June 2020)

The information in this report that relates to Australian Exploration Results, together with any related assessments and interpretations, is based on information compiled by Mr David Crook on behalf of the Company. Mr Crook is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the styles of mineralisation under consideration, and to the activity they have undertaken, to qualify as Competent Persons, as defined in the *JORC Code (2012)*. Mr Crook consents to the inclusion in the report of the information in the form and context in which it appears. The Company is not aware of any new information or data that materially affects the information contained herein.

Competent Persons' Statement – Lithium Mineral Resources, Sadisdorf (as of 30 June 2020)

The information in this report that relates to *in situ* lithium Mineral Resources for Sadisdorf is based on and fairly represents information compiled by Mr Thomas Branch under the direction and supervision of Dr Andrew Scogings in accordance with the requirements of the *JORC Code 2012*. Dr Scogings was a full-time employee of CSA Global Pty Ltd at the time of the Resource estimation and takes overall responsibility for the Mineral Resource estimate and associated report. Dr Scogings, who is a member of the Australian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the *JORC Code 2012*. Dr Scogings consents to the inclusion of such information in this announcement in the form and context in which it appears. The Company confirms that it is not aware of any new information or data that materially affects the information included in this report and, in the case of the Sadisdorf Mineral Resource estimate, the Company confirms that all material assumptions and technical parameters underpinning the estimates in its 7 December 2017 and 1 June 2018 announcements continue to apply and have not materially changed.

REVIEW OF OPERATIONS 2020-21 (continued)

Recycling

Envirostream

Overview

The Company owns 90% of Envirostream, Australia's only facility of this kind.

Envirostream shreds and recycles all types of batteries, including end-of-life ('EOL') LIBs, at its Melbourne plant.

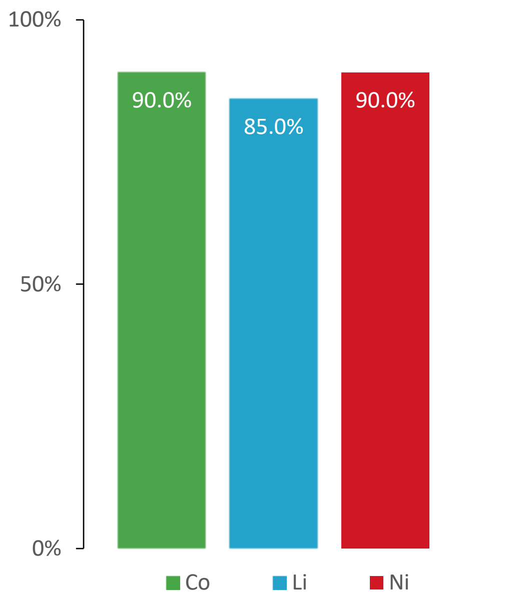
Its proprietary process for recycling EOL LIBs involves recovering the energy metals they contain as a mixed metal dust ('MMD'), which is then exported for further refining. Importantly, Envirostream achieves higher yields from spent LIBs than any of its global competitors, with more than 90% of battery mass recycled.

Presently, only about 10% of EOL LIBs in Australia are made available for recycling rather than being consigned to landfill. This situation will change in January 2022 with the implementation of a national battery stewardship scheme ('BSS'), which will provide a strong incentive for consumers to recycle spent batteries.

As Envirostream advances its EOL-LIBs-to-MMD recovery business, as demonstrated in the right hand graphic, whilst refining its process development for battery recycling, both will progress an integrated plan to collect, sort and shred EOL LIBs, recover the MMD and refine it locally.

Together, Lithium Australia and Envirostream plan to close the loop on the energy-metals cycle in Australia.

Figure: End-Of-Life Lithium-ion battery to MMD recovery at Envirostream



Overall process recoveries
(Co = cobalt, Li = lithium, Ni = nickel).

Impact of the BSS

On 7 September 2020, the Company announced that the ACCC had authorised the Battery Stewardship Council to establish and operate a national BSS for managing spent batteries, the intent being to commoditise them by placing a levy on new batteries at the point of sale , thereby supplementing the cost of subsequent collection and recycling. As mentioned, Envirostream anticipates that implementation of the BSS will greatly increase the volume of spent batteries available to recycle, as well as significantly increasing margins on its collection and recycling operations.

As Australia's only mixed-battery recycler, Envirostream will benefit from increased volumes as the country becomes more environmentally aware through the diversion of spent batteries from landfill under the auspices of the BSS. Envirostream is preparing for the anticipated increase in volumes of all types of spent batteries and thus operational growth. That growth will include the development of additional battery-recycling sites within Australia and, potentially, expansion of operations offshore.

Impact of COVID-19

Although Envirostream's operations were impacted by COVID-19 lockdowns in the City of Melbourne during the year, the following positive outcomes were achieved.

- Spent batteries collected totalled 603 tonnes ('t') – 428 t during the second half of the year.
- Processing of EOL LIBs totalled 215 t – 99 t during the second half of the year.
- Sales of $1.012 million were achieved (a 52% increase on FY2020), $0.569 million during the second half of the year.
- Authorisation by the ACCC of the Battery Stewardship Council's plan to establish and operate the national BSS for managing spent batteries catalysed plans to increase the scope of activities.

REVIEW OF OPERATIONS 2020-21 (continued)

- Electric vehicle ('EV') battery recycling agreements were signed with two suppliers.
- Funding of $201,399 was received from Sustainability Victoria ('SV') under its E-Waste Infrastructure Grant Round 2.
- Commissioning of a copper, aluminium and plastic separation circuit facilitated the first sales of recycled copper and aluminium.
- The initial fertiliser micronutrient field trial programme was completed and a further programme, which is ongoing, commenced.

Preparedness for increased production

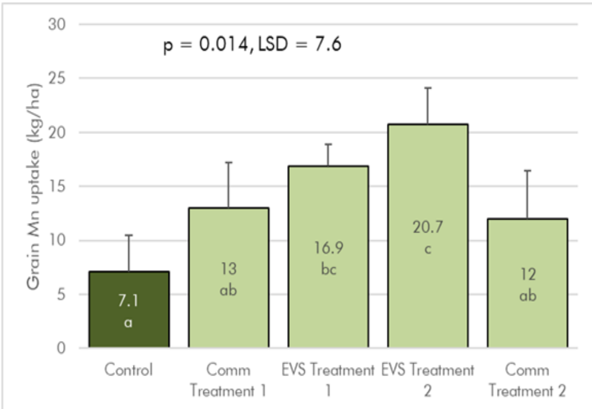
During the year, Envirostream continued to focus on readying its operations for significant growth in the collection of spent batteries once the BSS begins. On 11 September 2020, Envirostream applied for an Environmental Protection Authority Victoria ('EPA Victoria') work permit for one of its Melbourne premises to operate at a rate above 500 t per annum ('tpa') of specified waste. Presently, Envirostream operates below this and minimises stock levels of dangerous goods at its premises. The EPA Victoria application is ongoing and it is expected that it will be granted during the 2022 financial year.

Micronutrient field trial programmes

Fertiliser additives also factor into Envirostream's growth plans, with zinc and manganese from recycled alkaline batteries being trialled as micronutrients in blended fertilisers. On 18 February 2021, the Company announced completion of a micronutrient wheat-seeding trial in Western Australia ('WA'). In that trial, Envirostream's micronutrients were agglomerated with mono-ammonium phosphate (MAP) fertiliser and analysed against other applications.

Analysis of the harvested grain showed a statistically significant trend ($p < 0.05$) for manganese uptake over both the control (no fertiliser) and commercially available treatments used during the trial. This trend is shown in the graph below, with the Envirostream (EVS in the chart) Treatment 2 recording the best manganese uptake to grain.

Envirostream's micronutrient wheat-seeding trial.



EVS treatments – manganese uptake, based on grain analysis.

This excellent result demonstrates that wheat cultivation can benefit from the manganese present in fertiliser blends containing manganese recovered from spent alkaline batteries by Envirostream.

On 1 June 2021, the Company announced the expansion of the field trial programme to four sites in WA and one in South Australia, thereby permitting performance assessments of the recycled battery material across varying broadacre soil types.

Intellectual property ('IP')

On 11 September 2020, the Company announced the filing of provisional Australian Provisional Patent Application 2020902848, entitled 'Process for recovering values from batteries'. This application relates to processes for recovering electrode materials from EOL LIBs, such as those comprising cathode and/or anode materials (MMD, for example).

The Company also filed a provisional patent application entitled 'Process for recovering metal values from process liquors' with the reference Australian Provisional Patent Application 2020902849. This relates to processes for the selective recovery of mixed-metal sulphates, such as a mixed cobalt-nickel sulphate, from metal sulphate process liquors, including those produced during the recycling of EOL LIBs.

REVIEW OF OPERATIONS 2020-21 (continued)

Safety, the environment and permitting

Envirostream continues to work on multiple industry-wide improvements, to ensure that its battery collection, storage and processing are conducted in a manner that mitigates the fire risks associated with these activities.

One of the most high-risk activities is incorrect storage of spent batteries, especially EOL LIBs. While Envirostream cannot control the nature or packaging of materials supplied by third parties, it can mitigate safety risks, including the risk of fire, and has implemented the following strategies to do so.

- Obtaining advice from Fire Rescue Victoria on risks and mitigation strategies.
- Installing early-warning heat and gas detection systems at the recycling facility, with the site and alarms monitored 24/7.
- Storing mixed battery types in plastic rather than steel containers, with EOL LIBs processed as a priority to minimise inventories of dangerous goods.
- Adhering to information on the management and storage of combustible recyclable and waste material published by EPA Victoria, to guide the storage of different battery types at its premises.
- Implementing process equipment modifications that include extra water-cooling points, as well as procedural changes to safe operating practices and additional operator training.

As mentioned above, on 30 October 2020 SV confirmed its support for Envirostream's Electrolyte Management in Rechargeable Battery Recycling project under Round 2 of its E-Waste Infrastructure Grants and allocated $201,399 of funding for that project, subject to the EPA Victoria work permit being granted.

With battery stewardship in Australia set to commence soon, Envirostream is prepared: its electrolyte management project will allow it to safely increase production capacity at its recycling facility as its battery retrieval network expands nationwide to cope with the increasing quantities of properly discarded EOL LIBs that the BSS will deliver.

Batteries

The Company's batteries division incorporates its wholly owned subsidiary VSPC and its 50%-owned subsidiary Soluna Australia Pty Ltd ('Soluna Au').

VSPC

Overview

A developer of advanced, world-leading battery materials, including lithium ferro phosphate ('LFP') and lithium manganese ferro phosphate ('LMFP') cathode powders, VSPC's assets include the following.

- An R&D facility (pilot plant) in Brisbane, Queensland.
- An integrated, laboratory-scale battery production and testing facility.
- IP that includes three families of patents.
- Agreements to produce/commercialise cathode materials in China.

VSPC has spent nearly 20 years developing its proprietary battery materials nanotechnology – a unique process for producing LIB cathode powders that is the subject of international patents. The process is broadly applicable to most LIB chemistries, since VSPC's intellectual property covers *how* the powders are made, not of *what*. Moreover, the technology can harness lithium phosphate as a cathode powder precursor, potentially reducing the number of process steps required to progress from recovered lithium chemicals to the production of cathode materials and, ultimately, new LIBs.

Cathode powders produced by VSPC are being tested by battery manufacturers in several countries, including China and Japan.

LFP and LMFP

VSPC's processes are ideally suited to producing LFP cathode powders. This is significant, since LFP batteries are regaining popularity due to their many superior attributes – they outperform nickel-based cathode materials in terms of thermal and chemical stability; they are cheaper and safer and offer a longer service life. Currently, LFP is experiencing strong demand and growth relative to nickel-based cathode alternatives.

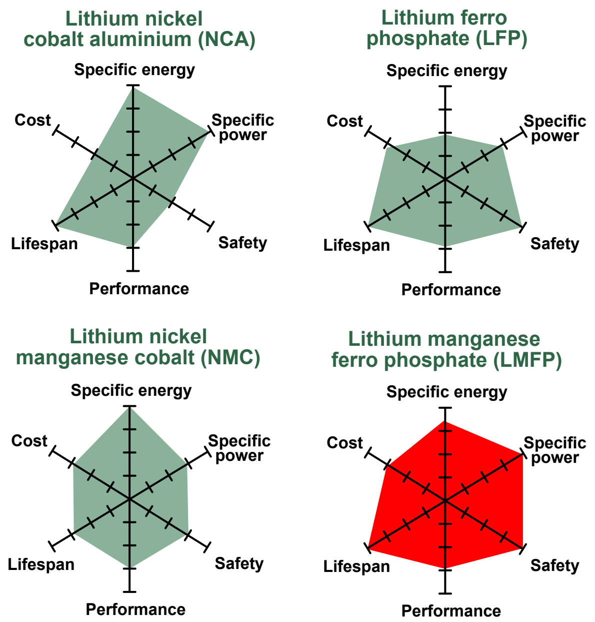
REVIEW OF OPERATIONS 2020-21 (continued)

In terms of resource utilisation too, LFP is advantageous, in that it uses 20% less lithium than nickel-based cathode alternatives per kWh (kilowatt hour) of storage capacity and is manufactured using common iron and phosphate raw materials, with no dependence on critical materials that may be in short supply and experiencing volatile pricing.

Although LFP battery cells have a lower specific energy density compared to nickel-based alternatives, in recent years leading LFP cell-makers have achieved energy densities above 200 Wh/kg (watt-hour per kilogram), thereby closing the energy-density gap between LFP and nickel-based battery chemistries (250 Wh/kg).

LMFP battery cells share all the benefits of LFP cells but, significantly, deliver an increase in energy density of up to 25% when compared with LFP (see figure at right).

Relative properties of battery types



[Source: Boston Consulting Group.]

Progress

VSPC's progress is well demonstrated by the following.

- Completion of a positive preliminary feasibility study ('PFS') for the annual production of 10,000 t of LFP battery cathode materials.
- A federal government Advanced Manufacturing Growth Centre ('AMGC') grant to investigate the use of lower-cost materials – including recycled battery products – in the manufacture of new LIBs.
- A federal government Cooperative Research Centres Projects ('CRC-P') grant to develop an "advanced nano-engineered battery for fast-charging catenary-free trams" – new-generation battery-powered, catenary-free trams that negate the need for unsightly, potentially hazardous overhead power lines.

PFS results

The PFS for the annual production of 10,000 t of LFP battery cathode materials, announced on 14 April 2021, indicated the following.

100% of the Project (equity/pre-debt basis)	
Annual LFP production (stages 1 and 2)[1,2]	10,000 tpa
Plant investment (stages 1 and 2)[1] over three years	US$113 M
Annual sales of LFP[1,2]	US$140 M
Average annual earnings before interest, taxes, depreciation and amortisation (EBITDA)[1,2]	US$66 M
Average annual undiscounted free cashflows[1,2]	US$56 M
Economic period of assessment[1,2]	10 years
Net present value (NPV) – tpa 8% real[1,2]	**US$253 M**
Payback period	**5 years**
Internal rate of return (IRR)[1,2]	**33%**

[1] *Stage 2 contemplated further expansion from 5,000 tpa to 10,000 tpa 2 years later.*
[2] *Post plant commissioning.*

The focus has now shifted to completion of a definitive feasibility study ('DFS') for LFP production.

REVIEW OF OPERATIONS 2020-21 (continued)

VSPC's achievements during the year include the following.

- Completion of a positive PFS for production of LFP cathode powder and commencement of a DFS for same.
- Production of high-quality LFP battery material.
- AMGC activities that demonstrated reduced manufacturing costs for LFP.
- Development of LMFP high-performance cathode powders.
- Acceptance of the patent for the manufacture of LFP cathode powder.

AMGC grant

The federal government's AMGC grant, as announced on 23 January 2020, provides co-funding for investigation into the use of lower-cost materials – including recycled battery products – in the manufacture of new LIBs.

During the year, core activities related to the AMGC grant were as follows.

On 3 August 2020, the Company announced that:

- VSPC's optimised process for the creation of LFP cathode material reduces chemical costs by up to 20%;
- the manufacture of iron reagents from base raw materials further reduces chemical costs by up to 10%, and
- lithium phosphate ('LP') raw materials produced via VSPC's optimised process returned excellent electrochemical results, confirming the flexibility of the process for a range of lithium feed materials.

On 17 August 2020, the Company announced that:

- VSPC had produced high-performance battery cells using lithium recovered from mine waste and EOL LIBs;
- low-cost lithium recovered as LP via proprietary Company technology (refer to figure below) was used for battery-cell production;
- testing results were better than the capacity specifications of commercial battery-cell manufacturers.

LFP cathode material sourced from LieNA®-produced LP.

On 16 December 2020, the Company announced that:

- VSPC had successfully produced high-purity, battery-grade iron oxalate from various iron sources, suggesting that a net reduction of up to 10% in the cost of LFP chemical inputs can be achieved.
- The electrochemical performance of the LFP produced from VSPC's battery-grade iron oxalate is equivalent to commercial iron oxalate.
- Planning for pilot-plant-scale manufacture of LFP using lithium phosphate and testing of that LFP in commercial format LIBs had commenced.

REVIEW OF OPERATIONS 2020-21 (continued)

LMFP production

On 3 December 2020, the Company announced successful production of LMFP battery cells for testing. These cells, by virtue of their higher voltage, provide greater energy density than standard LFP cells.

The discharge curves below are for cells manufactured from VSPC-produced LFP (refer to figure at left below) and VSPC-produced LMFP (refer to figure at right below). The higher voltage delivery of the LMFP cells results in an increase in energy density of up to 25% when compared with the LFP cells. Globally, major LFP cell manufacturers are striving to achieve similar increases in energy density by introducing manganese as a component of their cathode powders.

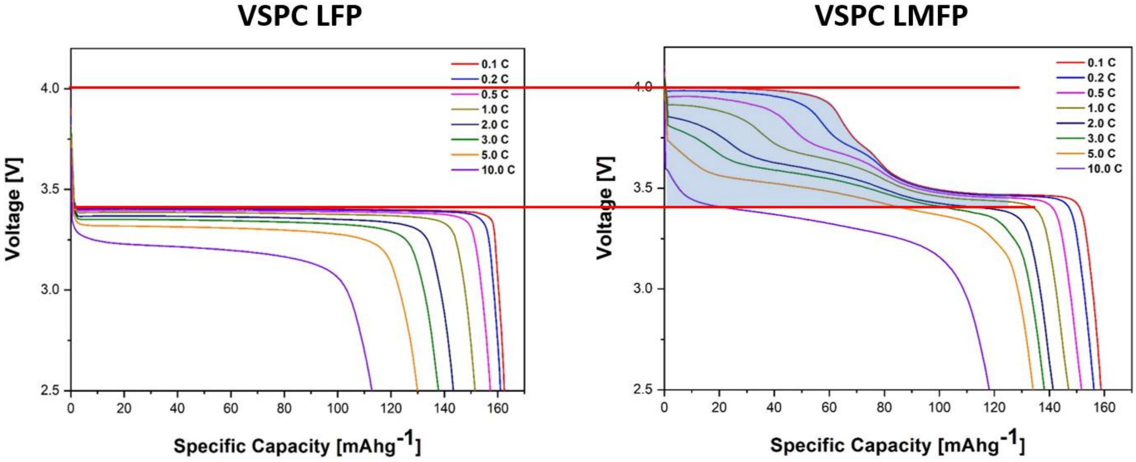


Figure: Relative discharge curves of LFP and LMFP

LMFP batteries have the potential to provide consumers with an ideal combination of safety, cost and energy density. On 13 May 2021, the Company announced that LMFP produced by VSPC will be made available for testing by battery manufacturers.

VSPC's IP

On 20 January 2021, the Company announced approval by the European Patent Office of VSPC's process patent. That process produces nano-structured metal-oxide products simply and efficiently. Nano-structured oxides are advanced materials vital to many applications, including fuel cells, supercapacitors, catalysts and battery materials.

On 10 March 2021, the Company announced that the Australian patent applied for by VSPC for its proprietary cathode material manufacturing process had been granted, with protection covering 20 years. Within the application, VSPC's method of synthesising lithium metal phosphates was confirmed to be novel and inventive.

VSPC's pilot plant in Brisbane, Queensland.

Soluna Au

Overview

Lithium Australia has a 50% ownership interest in Soluna Au, which offers a range of safe, performance-based battery energy storage systems ('BESS') for renewable energy, along with technical support and customer service, within Australia and New Zealand. Soluna Au operates in a very competitive market and the Company continues to review its performance, as results are not meeting expectations.

REVIEW OF OPERATIONS 2020-21 (continued)

Progress

Soluna Au's achievements for the year include the following.

- First sales and installations of its BESS.
- Installation of 34 residential BESS.
- Annual sales of $237,000, with $100,000 of that delivered in the second half of 2021.
- Receiving CEC (Clean Energy Council) approval for its three-phase BESS and 10K Pack HV.
- Securing of a distribution partnership with Legend Corporate Services Ltd.

Lithium chemicals

Overview

Lithium Australia has developed a suite of extraction and refining technologies for the recovery of lithium chemicals from various materials, including lithium micas, spodumene and EOL LIBs. These processes have a common thread, the recovery of lithium as LP, for use as a direct-feed chemical in the production of LFP cathode powders without the need to produce an intermediate chemical such as lithium hydroxide or carbonate (although production of the latter two remains an option).

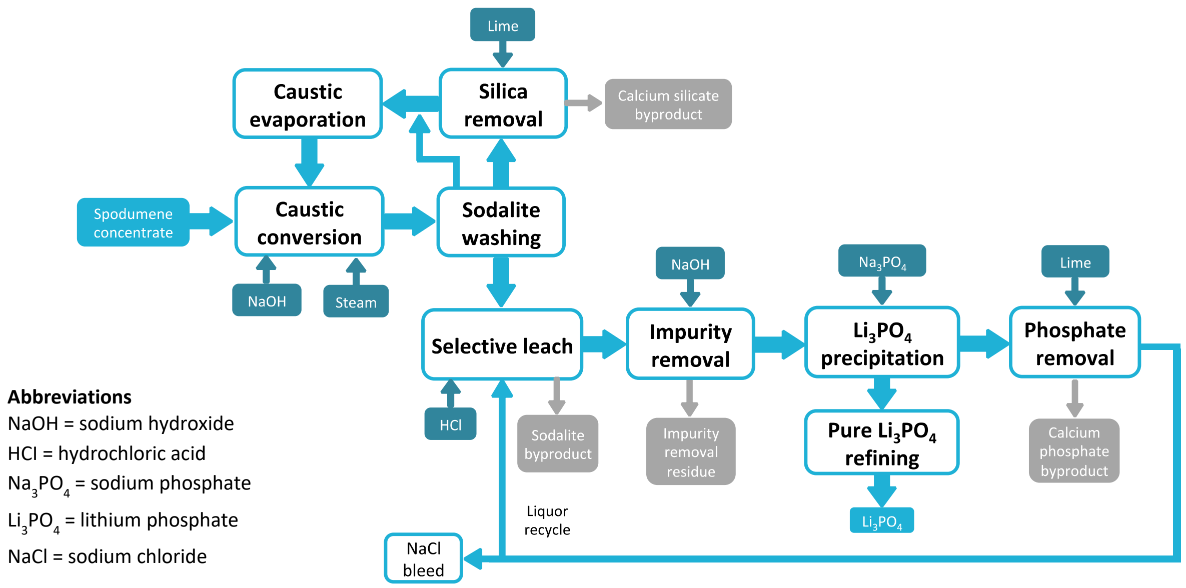
Processes

LieNA®

The Company's proprietary LieNA® process is designed for low-energy processing of all lithium minerals. The aim is to provide the battery industry with critical chemicals produced in an ethical and sustainable manner, an approach with the potential to not only improve the viability of existing mining operations by extending resource life but also enhance energy security in jurisdictions in which the usual sources of critical battery minerals are either scarce or non-existent.

Conventional mineral processing of spodumene (the primary lithium mineral concentrated from hard-rock operations) involves comminution, separation of heavy media and flotation. Although this type of physical processing is relatively simple, spodumene recovery is low, ranging from 50% to 75% at the mineral concentrator. To address that low rate of recovery, the Company – in collaboration with the Australian Nuclear Science and Technology Organisation ('ANSTO') in Sydney, New South Wales – has developed LieNA®, a process that targets lower-grade, fine spodumene feed and in so doing has the potential to significantly increase the lithium recovery of spodumene mineral-concentrate producers.

LieNA® process flowsheet



REVIEW OF OPERATIONS 2020-21 (continued)

Boosting process recovery is one of the greatest challenges for lithium producers. If the recovery of spodumene to concentrate was improved from the existing level of around 60% to, say, 90% using LieNA®, then mine life could be extended by 50% with little extra operating cost. Clearly, this would enhance resource utilisation and reduce environmental impacts.

CRC-P grant

LieNA® was recognised by the federal government through the awarding, in February 2020, of a significant CRC-P grant for the construction and operation of a pilot plant to process spodumene fines recovered from exploration drilling by Essential Metals Ltd (formerly Pioneer Resources Ltd) in WA.

Pathway to commercialisation

During the year, the Company continued to explore the commercialisation of LieNA® with numerous lithium concentrate producers. On 28 April 2021, the Company's first LieNA® commercialisation and licence agreement was executed with German resources and investment company Deutsche Rohstoff AG ('DRAG') and announced the following day.

The agreement provides for the issue of an exclusive LieNA® licence in Europe, subject to DRAG:

- subscribing for 3,125,000 fully paid ordinary shares in the capital of the Company for A$250,000 at commencement;
- subscribing for A$400,000 of fully paid ordinary shares in the capital of the Company priced at 125% of the 30-day VWAP for those shares on the earlier of the date DRAG commences the Initial Pilot Test Run and the date that is 30 days after both the Company and ANSTO advises DRAG that construction of the Pilot Plant has been completed;
- payment to the Company of A$400,000 on delivery of a positive, European-based prefeasibility study, and
- paying a 2% gross royalty on product generated through application of the LieNA® process in Europe.

Pilot plant

Construction and operation of the LieNA® pilot plant is a key step on the pathway to commercialisation of the process. While COVID-19 is creating some delays, as announced on 5 March 2021, construction of the pilot plant is under way, with delivery of the 60-litre batch autoclave expected in 2022.

Meanwhile, beneficiation of a 650-kilogram concentrate parcel from a composite sample has been completed. Prepared from drill cuttings (bulk field sample) obtained from a spodumene prospect in the Goldfields of WA, the concentrate will provide feed material for the pilot-plant programme. Spodumene-conversion optimisation testwork on concentrate produced during flotation testwork on the bulk field sample was further advanced by an assessment of varying reagent and operating conditions.

IP status

During the year, the Company announced several advancements in relation to LieNA®-related IP.

As of 30 June 2021, progress of the patent applications is as follows.

- PCT/AU2017/050808 for first-generation LieNA® technology: Australia – granted; the US, China, Europe, Brazil and Canada – in progress.
- PCT/AU2019/050773 for second-generation LieNA® technology: Australia, the US, China, Europe, Brazil and Canada – in progress.

SiLeach®

SiLeach® is designed to recover lithium from micas. A fluorine-assisted acid digest, it recovers the lithium as LP. The process, which has application in the recovery of lithium from tailings generated through the mining of tin, tantalum, tungsten and lithium, as well as certain types of clay deposits, has been successfully pilot-tested.

REVIEW OF OPERATIONS 2020-21 (continued)

IP status

- United States Patent and Trademark Office granted first-generation SiLeach® patent application US 16/076,643 (filed August 2018) granted 3 February 2021.
- First-generation SiLeach® patent application PCT/AU2017/050104 was granted by IP Australia 3 June 2021.
- PCT/AU2017/050104 for first-generation SiLeach® technology: Australia and the US – granted; China, Europe, Brazil and Canada – in progress.
- PCT/AU2019/050541 for second-generation SiLeach® technology: Australia, the US, China, Europe, Brazil and Canada – in progress.

In summary

- Stage 1 of the LieNA® CRC-P has been completed.
- The LP recovery patent application was deemed to be novel, to involve an inventive step and to be applicable to industry.
- Approval was received for US patent application for SiLeach® lithium extraction from micas.
- Preparations are underway to pilot-test the LieNA® spodumene conversion process at ANSTO.

SUSTAINABILITY DEVELOPMENT

Sustainability Statement

Lithium Australia strives to operate at the highest levels of Environmental, Social & Governance ('ESG') performance and commits to continuously improving the framework the Company measures itself by. This year, we have taken more of a commitment towards advancing sustainable approaches.

The focus of Lithium Australia remains that of ensuring an ethical and sustainable supply of energy metals to the battery industry. The Company's ESG Framework will adhere to the highest international standards, ensuring that outcomes are delivered in the most sustainable manner.

Sustainability at Lithium Australia

Strategic direction

Lithium Australia's activities primarily include mineral exploration and process development. Mineral exploration focusses on future critical battery metals and process development seeks to provide critical chemicals necessary for the lithium-ion battery industry. This is in response to strong, global demand for battery energy storage in line with the global push for a net-zero future. Process development was included with mineral exploration to enhance outcomes through sustainable battery recycling and resource optimisation, in line with growing ESG interests to maximise usage of finite resources, supporting a more circular economy.

The foundation of Lithium Australia's products and business is built on sustainability. We strive to reduce our environmental footprint and drive the development of a sustainable battery industry through disruptive circular economy technologies, ethical transparency and resource efficiency.

ESG Roadmap

The Company recognises that ESG measurement and performance will require commitment over a number of years and has developed a three-year roadmap to guide strategic direction. The ESG roadmap will ensure development of Company projects takes place in a responsible and balanced manner, with appropriate resource and focus allocated to material topics.

FY21	FY22	FY23
▪ ESG project team formed ▪ Peer and industry sustainability review ▪ Key stakeholders mapped ▪ Material topics identified ▪ Sustainability positioning articulated ▪ ESG roadmap ▪ Carbon footprint project kicked off	▪ Use GRI and WEF frameworks to set scope & capture data baselines across all material topics ▪ Review of all current LIT policies ▪ Complete carbon footprint project ▪ Publish climate risk strategy and TCFD roadmap ▪ Publish inaugural sustainability report	▪ Stakeholder engagement and materiality reassessment ▪ Assess Modern Slavery risk requirements ▪ Assess inclusion of ESG targets in executive remuneration ▪ Supply chain engagement ▪ Second sustainability report, aligned to either the World Economic Forum or Global Reporting Initiative frameworks

Key Sustainability Topics

In 2021, a materiality process was initiated to ensure that the content of our reporting meet the information needs of our stakeholders and reflects our most significant impacts. During the materiality process, the Company determined the key ESG topics with reference to expectations of ourselves, the industry in which we operate and that of our stakeholders. These topics, which are summarised below under the simple pillars or E, S and G, define the biggest opportunities for favourable future outcomes.

SUSTAINABILITY DEVELOPMENT (Continued)

Environmental	Social	Governance
▪ Water, wastewater & stormwater ▪ Resource recovery, circularity ▪ Waste & landfill ▪ Materials & reprocessing ▪ Greenhouse gas emissions ▪ Waste management ▪ Pollution (Air & Noise) ▪ Energy consumption ▪ Sustainable products	▪ Workplace Health & Safety ▪ Community engagement & education ▪ Employee inclusion & diversity	▪ Critical risk management ▪ Corporate governance ▪ Supply chain standards & transparency ▪ Legal, regulatory ▪ Business model resilience

During the 2022 year, systems supporting these topics will be reviewed and updated, as necessary. Much of the systems exists, as demonstrated by the various sustainability policies, codes and standards currently in place including the Whistleblower Policy, Risk Management Policy, Diversity Policy and Code of Conduct.

UN Sustainable Development Goals

Our business and sustainability activities are aligned and contribute to the United Nations' Sustainable Development Goals ('SDGs'). The SDGs are a key inspiration for the future prosperity of our stakeholders. We are currently focussed on making significant impact on two SDGS, 7 and 12, and will subsequently grow our impacts to more of the 17 goals as our projects further develop.

Lithium Australia Activity	SDG	SDG Heading	Specific Indicator or Target
Increasing availability of battery metals to meet future demand	7 AFFORDABLE AND CLEAN ENERGY	Affordable and clean energy	7.1 - By 2030, ensure universal access to affordable, reliable and modern energy services
Reducing disposal of spent batteries to landfill	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Responsible consumption and production	12.5 - By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Stakeholders and Materiality

Close collaboration with stakeholders is essential for our business and we are committed to early, active and continuous engagement. We rely on strong and open dialogue with our stakeholders to access resources, obtain and maintain our regulatory and social licence to operate, as well as deliver mutual benefit to our communities.

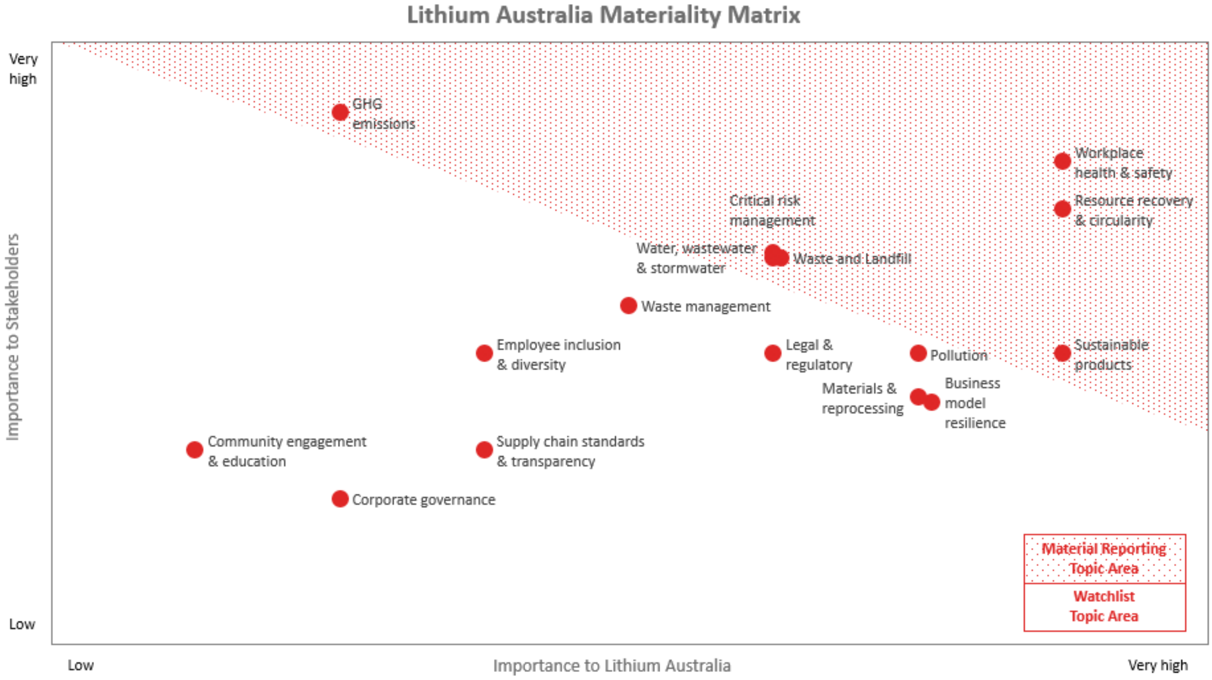
The Global Reporting Initiative ('GRI') framework defines stakeholders as those people or organisations who are directly or indirectly affected by, or have an interest in, our business. We prioritise stakeholders based on their ability to impact our business and our ability to impact their lives or activities. Significant identified stakeholders are summarised below.

Employees	Board of directors	Peers & competitors	Shareholders and investors	Industry	Local communities
Creditors, insurers and grant providers	Brokers, advisers and institutions	Customers and offtakers	Government departments	Industry groups and influencers	Suppliers and partners

To understand perceptions of our sustainability performance and key issues, we reviewed stakeholder viewpoints and perceptions of the significant impacts and issues for Lithium Australia across the Environment, Social and Governance issues.

SUSTAINABILITY DEVELOPMENT (Continued)

The resulting list of topics was reviewed internally and prioritised as outlined in the materiality matrix below. More detailed information on the prioritised topics is disclosed further in this Sustainability Development section.



Environmental

Through driving circularity in our business model, we will reduce battery waste, promote storage and batteries over conventional energy sources and play an active role in fighting climate change.

Exploration activities are subject to the various state and federal statutes relating to mining and environmental protection. Adequate systems are in place for the management of its environmental obligations. The aim remains to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation.

Due to its operating status, Envirostream currently experiences the highest exposure to Environmental risks within the Group. These risks are managed through the Risk Management & Monitoring Program ('RMMP') which was developed to ensure adherence to requirements of Environment Protection Authority Victoria ('EPA') and specifically the General Environmental Duty ('GED'), introduced from 1 July 2021.

Resource recovery, circularity

As increasing resource scarcity and regulations drive the need for greater materials efficiency and lower energy consumption and emissions, the chemicals industry stands to benefit from developing products that enhance customer efficiency. Companies that develop cost-effective solutions to address customers' needs for improved efficiency can therefore benefit from increased revenues and market share, stronger competitive positioning, and enhanced brand value.

Lithium Australia's approach to optimising this current concern is demonstrated by Envirostream, which recycles end of life ('EOL') batteries and LieNA® which offers low-energy processing of all lithium minerals by extending resource life to improve the viability of existing mining operations and enhancing energy security.

SUSTAINABILITY DEVELOPMENT (Continued)

Water, wastewater & stormwater

The RMMP, includes reference to the management of the process water treatment circuit operation. Water supplied from the mains water system is applied to the process when shredding and separating battery components. When this water is contacted with the shredded battery stream it is deemed process water and requires management and treatment. It is not suitable for any purpose other than being recycled back into the process for re-use.

To maintain a quality/contaminant balance, the process water is treated in the process water treatment plant to remove various compounds as solids for separation and disposal. By treating the process water and recycling back to the shredding and separation circuits, freshwater consumption from the mains system can be minimised.

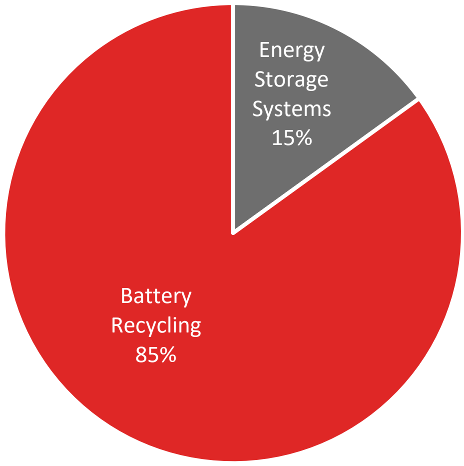
Sustainable products

Currently 100% of all Lithium Australia sales is generated through sustainable products commercialised through Envirostream and Soluna Au.

Envirostream recycles end of life ('EOL') batteries and obtains revenue through service fees to customers, the sale of storage boxes to ensure the safe carriage of batteries and sale of processed materials. More than 90% of the spent battery mass is recycled and the sale of processed materials includes scrap material and most importantly the same of mixed metal dust which is processed further by offtakers to be reprocessed into Lithium-ion batteries ('LIBs').

Soluna Au offers a range of safe, performance-based battery energy storage systems for renewable energy.

The revenue split in % during the year to 30 June 2021 is represented by the graphic on the right.



Waste & landfill

Presently, only about 10% of EOL LIBs in Australia are made available for recycling rather than being consigned to landfill. Envirostream, Australia's only full-service battery recycling company, is focussed on diverting the 90% from landfill. Although over 90% of the EOL LIBs are recycled, waste products do remain in the form of unrecyclable plastic, process water residues and general factory waste, all of which ends up in landfill.

With support from Lithium Australia, Envirostream continues to investigate ways to utilise these waste products into sustainable solutions.

Greenhouse gas emissions

Minimising carbon footprint as a result of Group operations is a focus for Lithium Australia. This is evidenced by the inclusion of rooftop solar within the capital estimate of the pre-feasibility study for the annual production of 10,000 t of LFP battery cathode materials, released during the year. The mapping out of the carbon footprint for VSPC and LieNA® has commenced and is expected to be completed during 2022. This mapping will extend to mineral exploration projects as they advance.

Carbon footprint and intensity will be a key indicator when analysing and assessing future business opportunities and strategic direction.

SUSTAINABILITY DEVELOPMENT (Continued)

Social

Lithium Australia believes in inclusive sustainability and that together we achieve more. We form honest and fair relationships with all our stakeholders, encourage collaborative and lateral thinking in our people, and strive for zero-harm in the workplace.

Workplace health and safety

The Company is committed to ensuring the health, safety and welfare of all employees, including the prevention of injury and ill health, both in the course of their duties and in any Company activities. The Company also has a duty to ensure the health and safety of any person who may be affected by our activities; this extends to contractors, customers, neighbours, visitors and members of the public.

The Company's response to COVID-19 includes adherence to health advice and the direction of the federal and state authorities. Where lockdowns have been enforced, office-based staff have worked from home. Envirostream, based in Victoria, has been included in the list of 'Electricity, gas, water and waste services' considered important infrastructure and is also classified as an essential service. Envirostream has strict COVID-19 protections for the benefit of its employees and the general community and continues to play a vital role in preventing toxic battery waste from entering both landfill and ground-water systems.

The following table summarises the health and safety data for the group.

Year to	Fatalities	Lost time injuries
30 June 2021	0	0

Governance

Corporate Governance

Lithium Australia aspires to the highest standards of corporate behaviour and accountability and support and has adhered to the principles of sound corporate governance. The Board recognises the recent recommendations of the Australian Securities Exchange (ASX) Corporate Governance Council and considers that Lithium Australia is in compliance with guidelines.

More information on how Lithium Australia adheres to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Recommendations can be found in the Corporate Governance Statement on the Lithium Australia website.

Critical risk management

The Lithium Australia Board is responsible for risk management. This includes:

- approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct and legal compliance;
- ensuring senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- assessing the effectiveness of senior management's implementation of systems for managing material business risk, including the making of additional enquiries, and to request assurances regarding the management of material business risk, as appropriate;

Lithium Australia's Risk Management Policy was approved by the Board and delegates day-to-day management of risk to the managing director and contains the Company's risk profile and describes some of the policies and practices the Company has in place to manage specific business risks.

The board is responsible for approving the Company's policies on risk oversight and management. The managing director is required to report on the progress of, and on all matters associated with risk management and the effectiveness of the Company's management of its material business risks at least annually.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Consolidated Group during the financial year, other than as stated in the Chairman's Report and outlined in the Review of Operations.

Future developments

Other than as referred to in this report, further information as to the likely developments in the operations of the Consolidated Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Consolidated Group and its shareholders.

Subsequent events

a) On 15 July 2021, the Company issued 725,941 fully paid ordinary shares ordinary shares upon conversion of options.
b) On 15 July 2021, the Company issued 560,000 fully paid ordinary shares upon the full payment of partly paid shares.
c) On 15 July 2021, the Company issued 4,050,000 fully paid ordinary shares upon conversion of performance rights.
d) On 05 August 2021, the Company issued 5,000,000 fully paid ordinary shares upon conversion of options.
e) On 05 August 2021, the Company issued 45,000,000 fully paid ordinary shares pursuant to the Controlled Placement Agreement with Acuity Capital.
f) On 18 August 2021, the Company issued 1,000,000 fully paid ordinary shares upon the full payment of partly paid shares.
g) On 01 September 2021, the Company issued 200,000 fully paid ordinary shares upon the full payment of partly paid shares.
h) On 10 September 2021, the Company issued 10,006,000 fully paid ordinary shares upon the full payment of partly paid shares.
i) On 13 September 2021, the Company issued 2,975,000 fully paid ordinary shares pursuant to the Controlled Placement Agreement with Acuity Capital.
j) On 24 September 2021, the Company issued 11,179,101 fully paid ordinary shares upon the full payment of partly paid shares.
k) On 29 September 2021, the increase/(decrease) in share prices had the following effect on the fair value of the investments held:

INVESTMENT	SHARE PRICE AT 30/06/2021	SHARE PRICE AT 29/09/2021	INCREASE/(DECREASE) IN SHARE PRICE	NUMBER OF SHARES HELD AT 30/06/2021	INCREASE/(DECREASE) IN FAIR VALUE
Galan Investments	$0.92	$0.95	$0.03	1,221,000	$36,630
Infinite Ore Corp	$0.075+	$0.071	($0.04)	500,000	($2,230)
BlackEarth Minerals	$0.094	$0.135	$0.041	13,106,571	$537,369
					$571,769

Directors' meetings

The number of meetings attended by each of the Directors of the Consolidated Group during the financial year was:

	Board Meetings	
	Number Held and Entitled to Attend	Number Attended
Adrian Griffin	13	13
George Bauk	13	13
Bryan Dixon (retired)	7	6
Kristie Young	7	7
Phil Thick	2	2

Environmental issues

The Consolidated Group's exploration activities are subject to the various state and federal statutes relating to mining and environmental protection. The Board believes that the Consolidated Group has adequate systems in place for the management of its environmental obligations. The Consolidated Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Consolidated Group are not aware of any breach of environmental legislation for the financial year under review but note its responsibilities in regard to the Ravensthorpe Project continue. The Company has responded to State and Commonwealth investigations which are now complete. The Company has rehabilitated two areas in the Ravensthorpe Project. Rehabilitation monitoring will continue.

On 11 September 2020, Envirostream applied for an Environmental Protection Authority Victoria ('EPA Victoria') work permit for one of its Melbourne premises to operate at a rate above 500 t per annum ('tpa') of specified waste. Presently, Envirostream operates below this and minimises stock levels of dangerous goods at its premises. The EPA Victoria application is ongoing and it is expected that it will be granted during the 2022 financial year.

Share options

At the date of this report, the unissued ordinary shares of Lithium Australia NL under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option	Fair Value	Converted	Expiring 04/07/21	Balance
04 July 2019	04 July 2021	$0.12	20,931,600	$-	(725,941)[a]	(20,205,659)	-
04 July 2019	04 July 2021	$0.12	9,000,000	$0.008		(9,000,000)	-
24 December 2019	24 December 2022	$0.055	8,333,333	$0.033	(5,000,000)[b]	-	3,333,333
			38,264,933		**(5,725,941)**	**(29,205,659)**	**3,333,333**

[a]On 15 July 2021, 725,941 options were converted to fully paid ordinary shares.

[b]On 05 August 2021, 5,000,000 options were converted to fully paid ordinary shares.

Other than the above, no new options have been issued subsequent to 30 June 2021.

Performance rights

Unlisted performance rights on issue as at 30 June 2021 is as follows:

	Issue Date	Exercised Date	Number Issued	Number Exercised	Number Remaining	Fair Value
Class A	30 April 2018		900,000	-	900,000	$121,500
Class B	30 April 2018		2,250,000	-	2,250,000	$164,944
Class C	30 April 2018		2,250,000	-	2,250,000	$55,920
Class A	31 December 2018	30 September 2020	600,000	(200,000)	400,000	$37,600
Class B	31 December 2018		1,500,000	-	1,500,000	$70,490
Class C	31 December 2018		1,500,000	-	1,500,000	$23,520
Class D	18 December 2020	27 January 2021	7,500,000	(3,750,000)	3,750,000	$202,815
Class E	18 December 2020	09 February 2021	7,500,000	(2,875,000)	4,625,000	$236,264
Class F	18 December 2020	09 February 2021	7,500,000	(1,875,000)	5,625,000	$270,473
Performance Rights Outstanding as at 30 June 2021			**31,500,000**	**8,700,000**	**22,800,000**	**$1,183,526**

No new performance rights have been issued subsequent to 30 June 2021.

Proceedings on behalf of the Consolidated Group

Envirostream Australia Pty Ltd ('Envirostream') has been served writs in regards to statements of claim concerning damage caused by a fire at 31 Colbert Road, Campbellfield, Victoria, on 19 January 2019. These claims are being dealt with under Envirostream's insurance policy and insurers. Please refer to note 34 for further details.

Apart from as described above and within note 34, no person has applied for leave of Court to bring proceedings on behalf of the Consolidated Group or intervened in any proceedings to which the Consolidated Group is a party for the purpose of taking responsibility on behalf of the Consolidated Group for all or any part of those proceedings.

Remuneration report (audited)

The report outlines the remuneration arrangements in place for Directors and Key Management Personnel (KMP) of Lithium Australia NL in accordance with the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel are defined as those having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Group, directly or indirectly, including any Directors of the Consolidated Group.

Remuneration Policy

The Board policy is to remunerate Directors, officers and employees at market rates for time, commitment and responsibilities. The Board determines payment to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for Non-Executive Directors are not linked to the performance of the Consolidated Group. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold securities in the Company.

The Consolidated Group's aim is to remunerate at a level that will attract and retain high-calibre Directors, officers and employees. Company officers and Directors are remunerated to a level consistent with the size of the Consolidated Group.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

All equity-based remuneration paid to Directors and executives is valued at the cost to the Consolidated Group and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The issue of shares and options to Directors is in accordance with the Company's employee security incentive plan to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of Directors/executives with that of the business and shareholders. In addition, all Directors and executives are encouraged to hold shares in the Company.

Employment Contracts of Directors and Senior Executives

There are formal contracts entered into with all Key Management Personnel.

The Managing Director, Mr Adrian Griffin, current contract commenced on 1 January 2020. The contract provides Mr Griffin with a salary of $385,000 per annum exclusive of superannuation. Mr Griffin is also entitled to receive a cash bonus up to 50% of his base salary if the following KPI's are met by 31 December 2020:

Share price	>10c over a period of 30 trading consecutive days	20%
Liquidity	80m shares traded over a period of 30 consecutive trading days	5%
Battery collection	>250t of LIB battery collected (measure equivalent to the past performance of 149t)	15%
Group product sales	$2.0m	15%
Technology	Agreement with a third party to commercialise Sileach or Liena	15%
Raw Materials	Reduce annual commitments on raw materials to <$1m for calendar year 2021	15%
VSPC	LIT contribution to VSPC capped at $130k/month	15%
		100%

The Company may terminate the employment contract at any time and without prior notice if serious misconduct has occurred. In this event remuneration is only payable up until the date of the termination. The Company may terminate the employment contract for any reason by giving no less than 12 months' notice or in lieu of the notice period, paying Mr Griffin an amount equal to the total remuneration Mr Griffin received in the 12-month period prior to the termination, subject to all applicable laws.

Non-executive Directors are paid under the terms agreed under contract at rates detailed below:

Director's fees of $30,000 were paid to Warrior Strategic Pty Ltd. Mr Dixon was a director until his retirement on 27 January 2021 and a shareholder of Warrior Strategic Pty Ltd. In addition, up to the date of retirement, Warrior Strategic Pty Ltd was paid $155,725 for consulting services provided to the Group. Refer to note 26.

The following Director's fees (inclusive of superannuation) were paid or were due and payable:

- $90,000 to Mr George Bauk
- $31,639 to Ms Kristie Young
- $10,000 to Mr Phil Thick

Remuneration report (audited) (continued)

The Chief Financial Officer, Mr Stuart Tarrant, current contract commenced on 1 June 2021. The contract provides Mr Tarrant with a salary of $274,000 per annum exclusive of superannuation. Mr Tarrant is also entitled to receive a cash bonus up to 15% of his base salary if the following KPI's are met by 30 June 2022:

Bank Balance	>$10M at June 30, 2022 including R&D rebates by 30 November 2021	33%
Compliance	No outstanding compliance obligations	33%
Reporting	Fully functional management reporting system providing analysis for each month of the 2022 FY with output no later than 10 days after month end	33%
		100%

The Company may terminate the employment contract at any time and without prior notice if serious misconduct has occurred. In this event remuneration is only payable up until the date of the termination. At the 30 June 2021, the Company may terminate the employment contract for any reason by giving no less than 1 weeks' notice or in lieu of the notice period, subject to all applicable laws.

Details of Remuneration for Period ended 30 June 2021

The remuneration for each director and of the executive officer of the Consolidated Group during the period was as follows:

Directors and Executive Officer's Emoluments

	Short term benefits			Post employment	Share based payments		Total	Performance rights as % of total remuneration
	Salary & fees	Bonus/leave paid out	Non-monetary	Super-annuation	Performance rights	Equity	$	
	Adrian Griffin – Managing Director							
2021	424,007	71,125	2,877	40,281	672,450	-	1,210,740	56%
2020	491,645	28,875	2,971	35,013	(176,870)	-	381,634	(46%)
	George Bauk – Non Executive Chairman							
2021	90,000	-	-	-	326,450	-	416,450	78%
2020	90,000	-	-	-	(87,454)	-	2,546	(3435%)
	Bryan Dixon – Non Executive Director							
2021	30,000	-	-	-	326,450	-	356,450	92%
2020	60,000	-	-	-	(87,454)	-	(27,454)	319%
	Kristie Young – Non Executive Director							
2021	28,894	-	-	2,745	-	-	31,639	0%
2020	-	-	-	-	-	-	-	-
	Phillip Thick – Non Executive Director							
2021	9,132	-	-	868	-	-	10,000	0%
2020	-	-	-	-	-	-	-	-
	Stuart Tarrant – Chief Financial Officer							
2021	24,676	-	-	2,250	-	-	26,926	0%
2020	-	-	-	-	-	-	-	-
	Barry Woodhouse – Company Secretary							
2021	300,031	-	-	27,143	24,347	-	351,521	7%
2020	296,966	-	557	25,000	(36,380)	-	286,143	(13%)
	Total							
2021	**906,740**	**71,125**	**2,877**	**73,287**	**1,349,697**	**-**	**2,403,726**	**56%**
2020	**938,611**	**28,875**	**3,528**	**60,013**	**(388,158)**	**-**	**642,869**	**28%**

Remuneration report (audited) (continued)

KMPs' interests in shares, partly paid shares, performance rights and options

The number of ordinary shares held by each KMP of the entity during the financial period is as follows:

	Balance 30/06/2020	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2021
A Griffin	15,344,187	1,437,975	-	(167,924)	16,614,238[1]
G Bauk	1,558,642	-	5,625,000	(4,483,642)	2,700,000[1]
B Dixon	3,733,535	-	2,875,000	(6,608,535)	-[2]
K Young	-	-	-	100,000	100,000
P Thick	-	-	-	800,000	800,000
S Tarrant	-	-	-	-	-
B Woodhouse	911,970	-	-	201,114	1,113,084[1]
	21,548,334	**1,437,975**	**8,500,000**	**(10,158,987)**	**21,327,322**

[1]Included in the closing balance are shares indirectly held by a related third party.

[2]Mr Dixon retired from the board during the period.

The number of partly paid shares held by each KMP of the entity during the financial year is as follows:

	Balance 30/06/2020	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2021
A Griffin	8,291,718	-	-	-	8,291,718[3]
G Bauk	1,330,250	-	-	(162,149)	1,168,101[3]
K Young	-	-	-	-	-
P Thick	-	-	-	-	-
B Dixon	3,759,936	-	-	(3,759,936)	-[4]
S Tarrant	-	-	-	-	-
B Woodhouse	1,409,809	-	-	(1,106,475)	303,334
	14,791,713	**-**	**-**	**(5,028,560)**	**9,763,153**

[3]Included in the closing balance are partly paid shares held by a related third party.

[4]Mr Dixon retired from the board during the period.

The number of performance rights held by each KMP of the entity during the financial year is as follows:

	Balance 30/06/2020	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2021
A Griffin	3,000,000	11,250,000	-	-	14,250,000
G Bauk	1,200,000	5,625,000	(5,625,000)	-	1,200,000
K Young	-	-	-	-	-
P Thick	-	-	-	-	-
B Dixon	1,200,000	5,625,000	(2,875,000)	(3,950,000)	-[5]
S Tarrant	-	-	-	-	-
B Woodhouse	1,200,000	-	-	-	1,200,000
	6,600,000	**22,500,000**	**(8,500,000)**	**(3,950,00)**	**16,650,000**

[5]Mr Dixon retired from the board during the period.

The number of listed and unlisted options held by each KMP of the entity during the year is as follows:

	Balance 30/06/2020	Granted as Compensation	Options Exercised/ Expired	Balance 30/06/2021
A Griffin	2,031,102	-	-	2,031,102
G Bauk	144,195	-	-	144,195
K Young	-	-	-	-
P Thick	-	-	-	-
B Dixon	-	-	-	-
S Tarrant	-	-	-	-
B Woodhouse	-	-	-	-
	2,175,297	**-**	**-**	**2,175,297**

Remuneration report (audited) (continued)

Performance Rights Issued as Part of Remuneration

During the year ended 30 June 2021, the following share-based payment arrangements were in existence with KMP:

Performance Rights	Number Granted Remaining	Grant Date	Grant Date Fair Value	Expiry Date	Relinquished Date	Vesting Date	Fair Value
Class A	900,000	30/04/18	$0.135	30/04/2023	-	30/09/2019	$121,500
Class B	2,250,000	30/04/18	$0.135	30/04/2023	-	31/12/2022	$164,944
Class C	2,250,000	30/04/18	$0.135	30/04/2023	-	30/06/2023	$55,921
Class A	200,000	31/12/2018	$0.094	31/12/2023	-	30/09/2019	$18,800
Class B	500,000	31/12/2018	$0.094	31/12/2023	-	31/12/2022	$23,497
Class C	500,000	31/12/2018	$0.094	31/12/2023	-	30/06/2023	$7,840
Class D	3,750,000	18/12/2020	$0.054	17/12/2025	-	20/01/2021	202,815
Class E	4,625,000	18/12/2020	$0.051	17/12/2025	-	20/01/2021	236,264
Class F	5,625,000	18/12/2020	$0.048	17/12/2025	-	20/01/2021	270,473
	20,600,000						**$1,102,054**

Performance Hurdles/Restrictions

	Number of Rights	Hurdle
Class A	1,300,000	Delivery of a pre-feasibility study supporting decision to proceed to a definitive feasibility study for the construction of a commercial scale plant to produce cathode material (Commercial Plant).
Class B	3,750,000	Delivery of a definitive feasibility study for the construction of a commercial plant to produce cathode material which supports and investment decision to proceed to construction.
Class C	3,750,000	Commencement of construction of commercial plant.
Class D	3,750,000	Company achieves a 20-day share price of at least $0.08
Class E	4,625,000	Company achieves a 20-day share price of at least $0.10
Class F	5,625,000	Company achieves a 20-day share price of at least $0.12
	22,800,000[1]	

[1] Includes 20,600,000 to KMP and 2,200,000 rights to other employees.

Remuneration report (audited) (continued)

Directors and Executive Officer's Performance Rights

Performance Rights	Number granted	Grant date	Grant date fair value	Expiry date	Vesting date	Exercise date	Number vested & exercised	Number expired	Number relinquished	Balance	% of grant vested	% of grant forfeited
Adrian Griffin												
Table A Class A	500,000	30/04/2018	$ 0.135	30/04/2023	30/09/2019	-	-	-	-	500,000	0%	0%
Table B Class B	1,250,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023	-	-	-	-	1,250,000	0%	0%
Table C Class C	1,250,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023	-	-	-	-	1,250,000	0%	0%
Table D Class D	3,750,000	18/12/2020	$ 0.054	17/12/2025	20/01/2021	-	-	-	-	3,750,000	0%	0%
Table E Class E	3,750,000	18/12/2020	$ 0.051	17/12/2025	20/01/2021	-	-	-	-	3,750,000	0%	0%
Table F Class F	3,750,000	18/12/2020	$ 0.048	17/12/2025	20/01/2021	-	-	-	-	3,750,000	0%	0%
Total	**14,250,000**						**-**	**-**	**-**	**14,250,000**		
George Bauk												
Table A Class A	200,000	30/04/2018	$ 0.135	30/04/2023	30/09/2019	-	-	-	-	200,000	0%	0%
Table B Class B	500,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023	-	-	-	-	500,000	0%	0%
Table C Class C	500,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023	-	-	-	-	500,000	0%	0%
Table D Class D	1,875,000	18/12/2020	$ 0.054	17/12/2025	20/01/2021	27/01/2021	1,875,000	-	-	-	100%	0%
Table E Class E	1,875,000	18/12/2020	$ 0.051	17/12/2025	20/01/2021	27/01/2021	1,875,000	-	-	-	100%	0%
Table F Class F	1,875,000	18/12/2020	$ 0.048	17/12/2025	20/01/2021	9/02/2021	1,875,000	-	-	-	100%	0%
Total	**6,825,000**						**5,625,000**	**-**	**-**	**1,200,000**		

Remuneration report (audited) (continued)

Directors and Executive Officer's Performance Rights

Performance Rights	Number granted	Grant date	Grant date fair value	Expiry date	Vesting date	Exercise date	Number vested & exercised	Number expired	Number relinquished	Balance	% of grant vested	% of grant forfeited
Bryan Dixon												
Table A Class A	200,000	30/04/2018	$ 0.135	30/04/2023	30/09/2019	-	-	-	-	200,000	0%	0%
Table B Class B	500,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023	-	-	-	-	500,000	0%	0%
Table C Class C	500,000	30/04/2018	$ 0.135	30/04/2023	30/04/2023	-	-	-	-	500,000	0%	0%
Table D Class D	1,875,000	18/12/2020	$ 0.054	17/12/2025	20/01/2021	27/01/2021	1,875,000	-	-	-	100%	0%
Table E Class E	1,875,000	18/12/2020	$ 0.051	17/12/2025	20/01/2021	27/01/2021	1,000,000	-	-	875,000	53%	0%
Table F Class F	1,875,000	18/12/2020	$ 0.048	17/12/2025	20/01/2021	-	-	-	-	1,875,000	0%	0%
Total	**6,825,000**						**2,875,000**	**-**	**-**	**3,950,000**		
Barry Woodhouse												
Table A Class A	200,000	31/12/2018	$ 0.094	30/04/2023	30/09/2019	-	-	-	-	200,000	0%	0%
Table B Class B	500,000	31/12/2018	$ 0.094	30/04/2023	30/04/2023	-	-	-	-	500,000	0%	0%
Table C Class C	500,000	31/12/2018	$ 0.094	30/04/2023	30/04/2023	-	-	-	-	500,000	0%	0%
Total	**1,200,000**						**-**	**-**	**-**	**1,200,000**		

End of Remuneration Report

Indemnification and insurance of Directors and Officers

The Company paid a premium of $34,364 to insure Directors and Officers of the Company. The Directors and Officers have indemnities in place with the Company whereby the Company has agreed to indemnify the Directors and Officers in respect of certain liabilities incurred by the Director or Officer while acting as a Director of the Company and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Company.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lithium Australia support and have adhered to the principles of sound corporate governance.

The Board recognises the recent recommendations of the Australian Securities Exchange Corporate Governance Council and considers that Lithium Australia is in compliance with those guidelines. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Consolidated Group. The Consolidated Group's corporate governance statement and disclosures can be found on our website at www.lithium-au.com/corporate-governance/.

Non-audit services

Non-audit services to the value of $2,400 were provided to the Consolidated Group in the year ended 30 June 2021.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, Hall Chadwick WA Audit Pty Ltd, to provide the directors of the Consolidated Group with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 35 and forms part of this Directors' Report for the year ended 30 June 2021.

This report is made in accordance with a resolution of the Directors.

Adrian Griffin
Managing Director

Dated at Perth this 29th day of September 2021

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the audit of the financial statements of Lithium Australia NL for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully,

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Partner

Dated at Perth this 29th day of September 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2021

Continuing operations	Note	2021 $	2020 $
Sales	2	1,175,746	374,381
Cost of sales		(1,869,456)	(344,893)
Gross profit / (loss)		(693,710)	29,488
Other income	3	3,572,693	3,215,949
Fair value adjustment embedded derivative	15	-	1,154,646
Occupancy costs		(236,132)	(298,556)
Professional fees		(627,399)	(796,315)
Corporate fees		(342,033)	(304,256)
Laboratory/plant expense		(1,086,800)	(815,125)
Employee benefits expense	5(a)	(6,419,204)	(4,078,112)
Administration costs		(854,972)	(658,499)
Depreciation and amortisation	5(b)	(2,075,124)	(1,996,438)
Exploration and evaluation costs written off	5(b)	(126,310)	(945,260)
Impairment of exploration asset	11	(5,039,371)	(908,566)
Finance costs		(30,006)	(5,050)
Finance costs unwound	15	(1,521,657)	(1,470,481)
Impairment of patents	12	(15,187)	(85,535)
Impairment of loan		(289,042)	(385,299)
Remediation	34	(5,043,069)	-
Other expenditure	5(c)	(8,890)	(268,100)
Loss before income tax		(20,836,213)	(8,615,509)
Income tax expense	6	-	(46,864)
Loss from continuing operations		(20,836,213)	(8,662,373)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operation		(26,267)	2,329
Items that may not be reclassified subsequently to profit or loss:			
Net fair value gain/(loss) on financial assets		1,227,109	(892,726)
Total comprehensive loss for the year		**(19,635,371)**	**(9,552,770)**
Loss for the year attributable to:			
Members of the controlling entity		(19,856,374)	(8,533,249)
Non controlling interest		(979,839)	(129,124)
		(20,836,213)	(8,662,373)
Total comprehensive loss attributable to:			
Members of the controlling entity		(18,655,532)	(9,423,646)
Non controlling interest		(979,839)	(129,124)
		(19,635,371)	(9,552,770)
Basic loss per share (cents per share)	21	2.45	1.53

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the Year Ended 30 June 2021

	Note	2021 $	2020 $
Current assets			
Cash and cash equivalents	7	11,369,696	3,739,382
Trade and other receivables	8	762,303	1,070,793
Inventory	9	720,879	281,674
Financial assets	10	230,376	506,607
Capitalised exploration expenditure – assets held for sale	11	336,000	-
Total current assets		13,419,254	5,598,456
Non current assets			
Financial assets	10	2,392,943	464,909
Capitalised exploration expenditure	11	144,000	5,519,371
Intangible assets	12	14,607,581	15,510,125
Right of use asset	16	756,238	-
Property, plant and equipment	13	1,232,468	831,142
Total Non current assets		19,133,230	22,325,547
TOTAL ASSETS		32,552,484	27,924,003
Current liabilities			
Trade and other payables	14	2,464,249	1,768,991
Lease liability	16	395,802	-
Provisions	34	5,694,862	530,140
Convertible note	15	-	731,321
Total current liabilities		8,554,913	3,030,452
Non current liabilities			
Lease liability	16	397,724	-
Convertible note	15	-	310,257
Total non current liabilities		397,724	310,257
TOTAL LIABILITIES		8,952,637	3,340,709
NET ASSETS		**23,599,847**	**24,583,294**
Equity			
Issued capital	17	81,069,029	62,225,017
Reserves	19	2,138,017	2,710,721
Accumulated losses		(58,222,604)	(40,236,731)
Controlling entity interest		24,984,442	24,699,007
Non-controlling interest		(1,384,595)	(115,713)
TOTAL EQUITY		**23,599,847**	**24,583,294**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2021

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Other Reserves[a]	Accumulated Losses	Non-Controlling Interest	Total
	$	$	$	$	$	$	$
Balance at 1 July 2019	**56,050,985**	**3,409,412**	**60,979**	**52,882**	**(32,160,804)**	**-**	**27,413,454**
Loss for the year	-	-	-	-	**(8,533,249)**	**(129,124)**	**(8,662,373)**
Other comprehensive income							
Net fair value gain/(loss) on financial assets	-	-	-	(892,726)	-	-	(892,726)
Effects of exchange rates on foreign currency translation	-	-	2,329	-	-	-	2,329
Total comprehensive loss for the year	-	-	2,329	(892,726)	(8,533,249)	(129,124)	(9,552,770)
Transaction with owner, directly recording in equity:							
Issue of shares	6,360,963	-	-	-	-	-	6,360,963
Capital raising costs	(379,256)	72,000	-	-	-	-	(307,256)
Expiry of options	-	(634,382)	-	-	634,382	-	-
Exercise of performance rights	192,325	(192,325)	-	-	-	-	-
Performance rights relinquished	-	(459,826)	-	-	-	-	(459,826)
Acquisition of shares in controlled entity	-	-	-	3,061	-	13,411	16,472
Convertible notes issued	-	-	-	1,112,257	-	-	1,112,257
Transfer from investment revaluation reserve	-	-	-	177,060	(177,060)		-
Balance at 30 June 2020	62,225,017	2,194,879	63,308	452,534	(40,236,731)	(115,713)	24,583,294

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2021

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Other Reserves[a]	Accumulated Losses	Non-Controlling Interest	Total
	$	$	$	$	$	$	$
Balance at 1 July 2020	62,225,017	2,194,879	63,308	452,534	(40,236,731)	(115,713)	24,583,294
Loss for the year	-	-	-	-	(19,856,374)	(979,839)	(20,836,213)
Other comprehensive income							
Net fair value gain/(loss) on financial assets	-	-	-	1,227,109	-	-	1,227,109
Effects of exchange rates on foreign currency translation	-	-	(26,267)	-	-	-	(26,267)
Total comprehensive loss for the year	-	-	(26,267)	1,227,109	(19,856,374)	(979,839)	(19,635,371)
Transaction with owner, directly recording in equity:							
Issue of shares	13,905,039	-	-	-	-	-	13,905,039
Capital raising costs	(408,668)	-	-	-	-	-	(408,668)
Shares held in trust	15,100	-	-	-	-	-	15,100
Exercise of performance rights	458,639	(458,639)	-	-	-	-	-
Expiry of options	-	(1,870,501)	-	-	1,870,501	-	-
Movement in performance rights	-	240,396	-	-	-	-	240,396
Performance rights issued	-	1,149,390	-	-	-	-	1,149,390
Acquisition of shares in controlled entity	-	-	-	-	-	(289,043)	(289,043)
Options Converted	4,873,902	-	-	(834,192)	-	-	4,039,710
Balance at 30 June 2021`	81,069,029	1,255,525	37,041	845,451	(58,222,604)	(1,384,595)	23,599,847

[a] Other reserves consist of investment revaluation reserve, equity reserve and convertible note reserve

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,141,081	298,852
Payments to suppliers and employees		(8,615,336)	(7,292,552)
Payments for exploration and evaluation		(200,843)	(944,736)
Proceeds from Government grants and tax incentives		2,219,512	3,271,015
Proceeds from JobKeeper, apprentice subsidy and cashflow boost		574,471	348,500
Interest expense		(8,629)	(3,317)
Income tax		-	(46,864)
Interest received		47,509	17,712
Net cash used in operating activities	22	(4,842,235)	(4,351,390)
Cash flows from investing activities			
Cash acquired from acquisition		10,606	137,655
Purchase of property, plant and equipment		(891,400)	(182,487)
Payment for intangible assets		(833,539)	(701,002)
Proceeds from sale of financial assets		1,027	134,290
Proceeds from disposal of interest in tenements		125,701	-
Acquisition of exploration and evaluation		-	(30,746)
Payments for other financial assets		(161,547)	-
Cash flows from loans to other entities		167,065	(755,755)
Net cash (used in)/from investing activities		(1,582,087)	(1,815,045)
Cash flows from financing activities			
Proceeds from issue of shares		16,788,616	4,711,246
Payment for capital raising costs		(413,668)	(302,256)
Proceeds from borrowings		-	2,900,000
Payment of borrowings		(357,992)	(8,360)
Transaction costs related to loans and borrowings		(18,868)	-
Payment for convertible note financing cost		-	(112,000)
Payment of convertible note		(1,900,000)	-
Net cash generated by/(used in) financing activities		14,098,088	7,188,630
Net increase/(decrease) in cash held		7,673,766	1,022,195
Cash and cash equivalents at the beginning of the period		3,739,382	2,705,722
Effects of exchange rates on consolidation of foreign subsidiary		(43,452)	11,465
Cash and cash equivalents at the end of the period	7	11,369,696	3,739,382

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

These consolidated financial statements and notes represent those of Lithium Australia NL and its controlled entity (the "Consolidated Group"). Australia NL is a no liability company, incorporated and domiciled in Australia.

The Consolidated Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements for the year ended 30 June 2021 were approved and authorised for issue by the Board of Directors on 29 September 2021.

1. Statement of significant accounting policies

The following is a summary of the material accounting policies adopted by the Consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial report has been prepared on an accruals basis and is based on historical cost and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(i) Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss of $20,836,213 (2020: $8,662,373) and net cash outflows from operating and investment activities of $6,424,322 (2020: $6,166,435) during the year ended 30 June 2021. As at balance date the Group had a working capital surplus of $4,864,341 (30 June 2020: $2,568,004).

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate given:

- On 5 August 2021, the Group raised $1,775,000 via a Controlled Placement Agreement;
- On 10 September 2021, the Group received $500,000 for payment of partly paid shares;
- On 13 September 2021, the Group raised $410,000 via a Controlled Placement Agreement;
- On 24 September 2021, the Group raised $557,837 for payment of partly paid shares;
- The Group has the ability to defer discretionary costs as and when required; and
- In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

(b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Lithium Australia NL and its subsidiaries ("the Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

1. Statement of significant accounting policies (continued)

(c) Exploration, Evaluation and Development Expenditure

Exploration and evaluation costs are expensed in the period they are incurred apart from mineral acquisition costs, which are capitalised and carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated mineral acquisition costs in respect of that area are written off in the financial period the decision is made.

Each area of interest is also reviewed at the end of each accounting period and capitalised costs written off to the extent it is deemed that they will not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(d) Financial Instruments

Initial Recognition and Measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instruments. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).
Financial instruments are initially measured at fair value plus transaction costs, except where the instruments are classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement
Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.
Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carry amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss. The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

(i) Financial assets at fair value through profit and loss or through other comprehensive Income
Financial assets are classified at 'fair value through profit or loss' or 'fair value through other comprehensive income' when they are either held for trading for purposes of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'fair value through other comprehensive income'.

(ii) Financial Liabilities
The Group's financial liabilities include trade and other payables, loan and borrowings, provisions for cash bonus and other liabilities which include deferred cash consideration and deferred equity consideration for acquisition of subsidiaries & associates.

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.

1. Statement of significant accounting policies (continued)

(d) Financial Instruments (continued)

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition
Financial assets are derecognised where the contractual rights to receipts of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risk and benefits associated with the asset. Financial liabilities are recognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on the nature of the derivative and are recognised in the statement of profit or loss.

Derivatives are classified as current or non-current depending on the expected period of realisation.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(f) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(g) Inventory

The Group values inventories at the lower of cost or net realisable value as determined primarily by the current relevant commodity price, using the weighted average cost method.

(h) Revenue

The Group's revenue streams include the collection of recycling material, collection infrastructure and sale of materials generated from processed recycled materials. Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(i) Impairment of Assets

At each reporting date, the Consolidated Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Consolidated Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1. Statement of significant accounting policies (continued)

(i) Impairment of Assets (continued)

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

(j) Intangible Assets

(i) Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the average remaining life of patents. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The useful life of the intangible asset acquired is 3.2 years as at balance date.

(ii) Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1. Statement of significant accounting policies (continued)

(l) Property, plant and equipment

IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Consolidated Group's management. IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a diminishing value basis to write down the cost less estimated residual value of IT equipment and other equipment.

The following useful lives are applied:

- IT equipment: 2-5 years
- Other equipment: 3-12 years
- Vehicles: 5-8 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

(m) Taxation

The Consolidated Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(n) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Consolidated Group prior to the end of the financial year that are unpaid and arise when the Consolidated Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Share Based Payments

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

1. Statement of significant accounting policies (continued)

(p) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for a bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Group.

Key Estimates - Impairment
The Consolidated Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Estimates – Taxation
Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Consolidated Group as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Key Judgment – Environmental Issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors' understanding thereof. At the current stage of the Consolidated Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Key Estimates and Judgment – Provision for remediation and legal claims
The Consolidated Group assesses the remediation and legal claims provisions at the end of each reporting period based upon the information available to the Consolidated Group at the time, whilst ultimate outcomes of the matter may be dependent upon further legal and/or regulatory processes that cannot be predicted with certainty. The provision for remediation and legal claims represents the probability or possibility that settlement of the obligation would result in an outflow of resources and the ability to measure these costs reliably.

(s) Fair Value of Assets and Liabilities

The Consolidated Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Consolidated Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

1. Statement of significant accounting policies (continued)

(s) Fair Value of Assets and Liabilities (continued)

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques
In the absence of an active market for an identical asset or liability, the Consolidated Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Consolidated Group selects a valuation technique
that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the Consolidated Group are consistent with one or more of the following valuation approaches:

Market approach
Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach
Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach
Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Consolidated Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy
AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

1. Statement of significant accounting policies (continued)

(s) Fair Value of Assets and Liabilities (continued)

The Consolidated Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Consolidated Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(t) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased asset, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the company where the company is a lessee. However, all contracts that are classified as short-term leases (i.e., a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Operating lease payments, if they are short term leases or less than AUD$5,000, are charged to profit or loss on a straight-line basis over the term of the lease.

2. Sales

	2021	2020
	$	$
Battery collection and collection infrastructure	510,553	215,381
Processed battery recycled material – finished goods	488,390	159,000
Battery pack	176,803	-
	1,175,746	**374,381**

3. Other Income

	2021	2020
	$	$
Interest revenue from financial institutions	47,509	17,214
Sale of interest in tenements	766,726	-
Profit from sale of asset	484	-
Reversal of loan impaired	377,877	-
Miscellaneous income	179,859	11,435
R&D Rebate	1,247,121	2,470,021
Administration fee	44,573	83,482
PAYG cashflow boost	150,000	150,000
Jobkeeper	315,000	276,000
Apprentice subsidies	19,471	12,500
Government grants	424,073	176,800
Insurance settlement	-	18,497
	3,572,693	**3,215,949**

4. Remuneration of auditors

	2021	2020
	$	$
Remuneration of the auditor for:		
Auditing or reviewing the financial report	54,790	49,083
	54,790	**49,083**

5. Loss from ordinary activities

		2021	2020
		$	$
(a)	**Employee benefits expense**		
	Share based payments	1,400,529	(459,826)
	Defined contribution fund payments	355,276	297,500
	Other employee benefits expense	4,663,399	4,240,438
	Total employee benefits expense from ordinary activities	**6,419,204**	**4,078,112**
(b)	**Depreciation, amortisation, exploration and evaluation expense**		
	Depreciation and amortisation	2,075,124	1,996,438
	Exploration and evaluation costs written off	126,310	945,260
	Total depreciation, amortisation, exploration and evaluation expense from ordinary activities	**2,201,434**	**2,941,698**
(c)	**Other expenses**		
	Brokerage fees	-	258,437
	Miscellaneous expenditure	8,890	9,663
		8,890	**268,100**

6. Income tax expense

		CONSOLIDATED	
		2021	2020
		$	$
(a)	**Major components of income tax expense are as follows:**		
	Current income tax expense/(benefit)	-	-
	Deferred income tax expense/(benefit)	-	-
	Income tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	-	-
(b)	**The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:**		
	Profit from ordinary activities before income tax expense	(20,836,213)	(8,615,509)
	Prima facie tax benefit on profit from ordinary activities before income tax at 26% (2020: 27.5%)	(5,417,415)	(2,369,265)
	Tax effect of permanent differences:		
	Share-based expense	364,137	(126,452)
	Donations	153	275
	Entertainment	5,029	4,359
	R&D incentive expenditure	612,386	468,232
	R&D rebate received	(324,252)	(679,256)
	Foreign entity losses	883,447	78,635
	ATO Cash Flow Boost received	(39,000)	(41,250)
	Tax losses not recognised	3,915,515	2,664,722
		-	-
(c)	**Deferred tax assets and (liabilities) are attributable to the following:**		
	Legal fees	41,322	48,695
	Accrued expenses	11,180	8,693
	Accrued Revenue	-	(24,750)
	Payroll liabilities	173,545	132,963
	Provisions	1,317,698	130,720
	Plant & equipment	(511,213)	(124,690)
	Unrealised gains	(324,805)	(6,089)
	Intangible assets	(1,857,152)	(2,390,976)
	Tax losses	1,149,425	2,225,434
		-	-
(d)	**Unrecognised deferred tax assets**		
	Deferred tax assets have not been recognised in respect of the following items as the Directors do not believe it is appropriate to regard realisation of future tax benefits as probable:		
	Tax losses	12,504,703	10,698,346
	Capital losses	138,024	44,479
		12,642,727	10,742,825

7. Cash and cash equivalents

	2021	2020
	$	$
Cash at bank (AA rated institutions)	11,369,696	3,739,382
	11,369,696	3,379,382

8. Trade and other receivables

	2021	2020
	$	$
Other Debtors	335,101	203,895
Prepayments[(a)]	330,263	755,058
GST receivable	96,939	111,840
	762,303	1,070,793

(a) The Company issued 12,500,000 ordinary shares in 2019 as prepayment for the acquisition of $1,000,000 of inventory. At 30 June 2021, the value of inventory outstanding as a prepayment equalled $279,033 (30 June 2020 $685,036).

9. Inventory

	2021	2020
	$	$
Battery packs	303,687	-
Finished goods	203,841	71,811
Work in progress	98,328	197,216
Unprocessed	-	2,235
Infrastructure	115,023	10,412
	720,879	281,674

10. Financial assets

	2021	2020
	$	$
Current		
Fixed term deposits	230,376	128,729
Loans to other entities	-	377,878
	230,376	506,607
Non-current		
Australian listed shares – Level 1 fair value	2,355,338	411,624
Canadian listed shares – Level 1 fair value	37,605	53,285
	2,392,943	464,909

11. Capitalised exploration expenditure

	2021	2020
	$	$
Opening balance	5,519,371	6,322,191
Additions:		
Acquisition of P63/2063 exploration licence	-	105,746
Impairments:		
Tin International/Sadisdorf (a)	(3,609,851)	-
Greenbushes (a)	(102,090)	-
E27/562 (a)	(36,684)	-
P63/2063 (a)	(105,746)	
Lake Johnston	(1,185,000)	
Youanmi	-	(210,390)
Moolyella	-	(50,950)
Ravensthorpe	-	(22,000)
Lithophile	-	(194,167)
Electra	-	(431,059)
Closing balance	480,000	5,519,371
Current(b) – assets held for sale	336,000	-
Non-current	144,000	-

The Value of the Group's interest in capitalised exploration expenditure is dependent upon:

- The continuance of the Group's rights to tenure of the areas of interest;
- The results of future exploration; and
- The recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

(a) During the year 30 June 2021, the Company relinquished its interests/rights in the above tenements.

(b) 70% of the rights to be sold within the next 12 months and the Company will retain 30%.

12. Intangible assets

	2021				2020			
	Patents	Development Costs	Intellectual Property	Total	Patents	Development Costs	Intellectual Property	Total
	$	$		$	$	$		$
Opening balance	238,224	9,251,745	6,020,156	15,510,125	334,936	8,714,223	7,772,414	16,821,573
Goodwill	-	-	-	-	-	-	66,606	66,606
Expenditure during the period	146,509	809,209	-	955,718	12,521	537,522	-	550,043
Less: impairment of intangible asset	(15,187)	-	-	(15,187)	(85,535)	-	-	(85,535)
Less: amortisation of intangible asset	(34,150)	-	(1,808,925)	(1,843,075)	(23,698)	-	(1,818,864)	(1,842,562)
Closing balance	335,396	10,060,954	4,211,231	14,607,581	238,224	9,251,745	6,020,156	15,510,125

13. Property, plant and equipment

2021	Motor Vehicles $	Office Equipment $	Computer Equipment $	Furniture & Fittings $	Laboratory Construction, Equipment & Tools $	Total $
Gross carrying amount						
Balance at 30 June 2020	140,341	165,539	149,423	38,306	3,167,639	3,661,248
Entity acquisition/consolidation	-	-	12,325	-	-	12,325
Additions	-	9,661	48,031	9,635	817,488	884,815
Disposals	-	-	(5,214)	-	-	(5,214)
Balance at 30 June 2021	140,341	175,200	204,565	47,941	3,985,127	4,553,174
Accumulated Depreciation						
Balance at 30 June 2020	78,754	83,734	82,352	17,664	2,567,602	2,830,106
Entity acquisition/consolidation	-	-	2,298	-	-	2,298
Disposals	-	-	(4,671)	-	-	(4,671)
Depreciation expense	18,894	16,411	40,297	7,554	409,817	492,973
Balance at 30 June 2021	97,648	100,145	120,276	25,218	2,977,419	3,320,706
Net book value as at 30 June 2021	**42,693**	**75,055**	**84,289**	**22,723**	**1,007,708**	**1,232,468**

2020	Motor Vehicles $	Office Equipment $	Computer Equipment $	Furniture & Fittings $	Laboratory Construction, Equipment & Tools $	Total $
Gross carrying amount						
Balance at 30 June 2019	45,455	117,160	133,501	35,565	2,689,985	3,021,666
Entity acquisition	79,886	14,887	397	1,943	320,137	417,250
Additions	15,000	33,492	15,525	798	157,517	222,332
Disposals	-	-	-	-	-	-
Balance at 30 June 2020	140,341	165,539	149,423	38,306	3,167,639	3,661,248
Accumulated Depreciation						
Balance at 30 June 2019	37,712	54,239	42,220	12,580	2,242,822	2,389,573
Entity acquisition	28,829	2,401	326	439	118,802	150,798
Disposals	-	-	-	-	-	-
Depreciation expense	12,213	27,094	39,806	4,645	205,978	289,735
Balance at 30 June 2020	78,754	83,734	82,352	17,664	2,567,602	2,830,106
Net book value as at 30 June 2020	**61,587**	**81,805**	**67,071**	**20,642**	**600,037**	**831,142**

14. Trade and other payables

	2021	2020
Current - unsecured	$	$
Trade payables	698,255	489,212
Unearned income	1,172,512	624,194
Other creditors and accrued expenses	593,482	655,585
	2,464,249	1,768,991

15. Convertible note

	2021	2020
	$	$
Current financial liabilities		
Convertible note	-	496,196
Embedded derivative	-	235,125
	-	**731,321**
Non-current financial liabilities		
Convertible note	-	210,507
Embedded derivative	-	99,750
	-	**310,257**

	2021	2020
	$	$
Proceeds from convertible note	-	2,900,000
Re-payment of convertible note	(1,193,297)	-
Embedded derivative	334,875	(1,489,521)
Options granted	-	(1,112,257)
Transaction costs	-	(112,000)
Finance costs unwound	1,521,657	1,470,481
Issued capital	(663,235)	(950,000)
Convertible note liability	**-**	**706,703**

	2021	2020
	$	$
Embedded derivative	-	1,489,521
Fair value adjustment	-	(1,154,646)
Embedded derivative liability	**-**	**334,875**

(i) The embedded derivative was valued on inception using the Black-Scholes option-pricing model.

(ii) 33,333,333 options granted to Lind were valued using the Black-Scholes option-pricing model using the following key inputs:

Input	Assumption
Expected volatility	75%
Grant date	23/12/2019
Exercise price	$0.055
Maturity	36 months
Share price	$0.063
Risk free rate	0.9%
Dividend yield	nil

During FY2020, the Company entered into a Share Purchase and Convertible Security Agreement with Lind Global Macro Fund, LP (“Lind”). The terms of the funding agreement including the convertible note were as follows:

The Funding Agreement is underpinned by the ability to draw up to A$6,300,000 in a number of tranches from the Investor. The terms of the Funding Agreement expressly allow Lithium Australia to carry out additional private placements of equity or engage in other financing transactions.

The Investor will initially advance A$3 million to the Company in two parts.

15. Convertible note (continued)

a) LIT issued a zero-interest redeemable secured convertible security (Convertible Security) with a face value amount of A$3.3 million for an advance of A$2.9 million. The difference between the amount advanced and the face value repayable reflects the financing charges associated with this facility and is inclusive of interest. Lithium Australia has the right to buy back the Convertible Security at any time with no pre-payment premium subject to Lind Partners' buy back conversion rights for up to 30% of the outstanding Face Value.

Lind can convert the Convertible Security after an initial lock-up period at a price being the lower of A$0.055 per share or 92.5% of three consecutive daily VWAPs during a specified period of time ('Conversion Price'). Initially, Lind will be restricted to converting a maximum of A$150,000 in any month, with this later increasing to A$300,000 in any month. Additionally, the Company can redeem the entire outstanding amount at any time for no penalty, subject to Lind having the right to elect to convert 30% of the Face Value at the Conversion Price.

b) The Investor will also subscribe for ordinary shares (Shares) for up to AU$3,400,000 over 12 months by way of pre-payments ranging from A$100,000 to A$300,000 per month for 12 months, which can be extended for an additional 12 months by agreement between the parties. Simultaneous to funding the Convertible Security, the Investor will prepay the first tranche in the amount of A$100,000. Thereafter, the Investor will purchase Shares from the Company on a monthly basis in the amount of A$100,000 per monthly tranche. Upon mutual consent, the Company and the Investor may increase the amount of each tranche up to A$300,000. The Company will have the right to reduce any tranche down to A$25,000. The Investor will pre-pay each monthly tranche at the beginning of the month and the Company will issue the Shares to the Investor at the end of the month at the Purchase Price. The Purchase Price will be the lower of $0.055 per share or 92.5% of three consecutive daily VWAPs during a specified period of time ('Purchase Price').

As part of the consideration payable for this Funding Agreement, the Company issued 33.33 million LIT options to Lind with an exercise price of A$0.055 per option and an expiry of three years from issue. Security will be provided to Lind by way a General Security Agreement and by way of the issue of 15 million collateral Shares that will be credited at the end of the Funding Agreement. Upon execution of the Funding Agreement, Lithium Australia issued 15 million collateral Shares.

c) During the period ending 30 June 2020, the Company issued the following ordinary shares:

	$
Conversion of convertible note with a face value of A$3.3 million on 16 July 2020 (refer note 15.a and 17.vi)	150,000
Conversion of convertible note buy back on 17 September 2020 (refer note 15.a and 17.vi)	300,000
Tranche share issued on 08 August 2020 and 10 September 2020 (refer note 15.b and 17.vi)	300,000
	750,000

d) On 9 September 2020, Lithium Australia NL issued an ASX announcement regarding the repayment of its LIND Convertible Note. $1.9 million in cash was repaid to LIND as part of the buy-back notice that was settled on the 23 September 2020.

16. Leases

Operating leases relate to the lease of the following commercial premises:

Location	Commencement date	Term (months)	Option (months)	Expiry
West Perth, WA	01/10/2020	36	24	30/09/2025
Wacol, QLD	01/01/2020	36	-	31/12/2022
Campbellfield, VIC	01/07/2020	23	-	31/05/2022
Campbellfield, VIC	01/04/2020	24	24	31/03/2024

Right-of-use assets:

	2021	2020
Buildings	$	$
Cost	1,089,340	-
Accumulated Depreciation	(333,102)	-
Carrying Amount	**756,238**	**-**

Amounts recognised in profit and loss:

	2021	2020
Buildings	$	$
Depreciation expense on right-of-use asset	333,102	-
Interest expense on lease liabilities	18,868	-
	351,970	**-**

16. Leases (continued)

	2021	2020
	$	$
Current	395,802	-
Non-current	397,724	-
Total	**793,526**	**-**

17. Issued capital

	2021		2020	
	Number	$	Number	$
Fully Paid Ordinary Shares				
Opening Balance	605,437,066	60,641,065	481,805,941	55,156,996
Issue of shares to directors and staff (i)	7,299,151	377,065	3,277,043	241,990
Issue of shares in lieu of payment (ii)	3,423,751	180,933	7,366,189	445,715
Issue of shares (iii)	160,704,841	8,517,349	-	-
Issue of shares (iv)	3,125,000	250,000	-	-
Issue of shares on conversion of performance/option rights (v)	8,700,000	458,639	-	-
Issue of shares on conversion of performance/option rights	-	-	1,575,000	192,325
Issue of shares	-	-	54,176,416	3,133,067
Issue of shares on conversion of options	42,405,912	4,873,902	333	40
Issue of shares on full payment of partly paid shares	57,945,036	2,897,251	3,127	187
Issue of shares (vi)	17,540,059	1,688,235	57,233,017	1,850,000
Shares unissued	-	15,100		
Transaction costs		(408,668)	-	(379,255)
Closing Balance	**906,580,816**	**79,490,871**	**605,437,066**	**60,641,065**

(i) 4,043,423 shares were issued to key management personnel and 3,255,728 shares were issued to staff.

(ii) Share based payments are determined with reference to the fair value of goods or services provided by consultants and settled based on the preceding 5-day VWAP.

(iii) On 19 August 2020 and 10 September 2020, the Company issued 75,471,706 and 85,233,135 fully paid ordinary shares pursuant to a security purchase plan.

(iv) On 07 May 2021, the Company issued 3,125,000 fully paid ordinary shares pursuant to the Commercialisation Agreement with Deutsche Rohstoff AG.

(v) The Company issued 8,700,000 fully paid ordinary shares upon conversion of performance rights as follows:
- 03 September 2020, 200,000 performance rights relating to Hurdle 3 – VSPC;
- 27 January 2021, 5,875,000 performance rights relating to Hurdle 1 and 2 – Lithium Australia;
- 09 February 2021, 2,625,000 performance rights relating to Hurdle 2 and 3 – Lithium Australia.

For further detail, refer to note 33.

(vi) On 16 December 2019, the Company executed an agreement with Lind Global Macro Fund LP, for an investment of up to $6.3 million. The investment consisted of $2,900,000 (face value $3,300,000) convertible note and up to $3,400,000 ordinary shares. Pursuant to the agreement, the company issued the following shares:
- 17 December 2019, 15,000,000 collateral shares;
- 17 January 2020, 1,769,912 fully paid ordinary shares;
- 14 February 2020, 4,444,445 fully paid ordinary shares;
- 14 February 2020, 9,191,177 fully paid ordinary shares;
- 28 February 2020, 5,730,660 fully paid ordinary shares;
- 03 April 2020, 2,840,910 fully paid ordinary shares;
- 05 May 2020, 4,615,385 fully paid ordinary shares;
- 18 May 2020, 3,537,736 fully paid ordinary shares;
- 28 May 2020, 3,537,736 fully paid ordinary shares;
- 18 June 2020, 3,253,797 fully paid ordinary shares;
- 30 June 2020, 3,311,259 fully paid ordinary shares;
- 16 July 2020, 3,456,222 fully paid ordinary shares;
- 08 August 2020, 3,529,412 fully paid ordinary shares;
- 10 September 2020, 4,444,445 fully paid ordinary shares; and
- 17 September 2020, 6,109,980 fully paid ordinary shares.

17. Issued capital (continued)

	2021		2020	
	Number	$	Number	$
Partly-paid contributing shares				
Opening Balance	171,913,791	1,583,952	169,916,918	893,989
Issue of shares	-	-	2,000,000	14,000
Proceeds from partly paid share call	-	-	-	675,963
Redemption of LITCE/LITCF	(57,945,036)	(5,795)	(3,127)	-
Closing Balance	**113,968,755**	**1,578,158**	**171,913,791**	**1,583,952**

18. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes to the Consolidated Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and by share issues.

19. Reserves

	2021	2020
	$	$
Option reserve	350,065	3,054,758
Investment revaluation reserve	564,325	(662,784)
Foreign currency translation reserve	37,041	63,308
Performance rights reserve	1,183,525	252,378
Equity Reserve	3,061	3,061
	2,138,017	2,710,721
Option reserve		
Opening balance	3,054,758	2,504,883
Expiry of options	(1,870,501)	(634,382)
Exercise of options	(834,192)	-
Issue of options	-	1,184,257
Closing balance	350,065	3,054,758
Investment revaluation reserve		
Opening balance	(662,784)	52,882
Net gain/(loss) arising on revaluation of available for sale financial assets	1,227,109	(715,666)
Closing balance	564,325	(662,784)
Foreign currency translation reserve		
Opening balance	63,308	60,979
Exchange differences arising on translating foreign subsidiary	(26,267)	2,329
Closing balance	37,041	63,308
Performance rights reserve		
Opening balance	252,378	904,529
Issue/amortisation of performance rights	1,389,786	(11,770)
Performance option rights achieved	(458,639)	(192,325)
Performance rights relinquished	-	(448,056)
Closing balance	1,183,525	252,378
Equity Reserve		
Opening Balance	3,061	-
Acquisition of shares in controlled entity	-	3,061
Closing Balance	3,061	3,061

20. Financial instruments

Financial Risk Management Policies
The Consolidated Group's financial instruments consist solely of deposits with banks. No financial derivatives are held.

Financial Risk Exposures and Management
The main risk the Consolidated Group is exposed to through its financial instruments is interest rate risk.

Interest rate risk
Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market by the major Australian Financial Institutions.

Credit risk
The maximum exposure to credit risk, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Consolidated Group does not have any material credit risk exposure to any single receivable or Company of receivables under financial instruments entered into by the Consolidated Group.

Liquidity Risk
The Consolidated Group manages liquidity risk by monitoring forecast cash flows. The Consolidated Group does not have any significant liquidity risk as the Consolidated Group does not have any collateral debts.

Fair Values
The fair values of financial assets and financial liabilities are presented below and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Sensitivity Analysis
Interest Rate Risk
The Consolidated Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date.

This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2021, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2021	2020
	$	$
Change in loss		
- Increase in interest rate by 100 basis points	113,697	37,394
- Decrease in interest rate by 100 basis points	(113,697)	(37,394)
Change in equity		
- Increase in interest rate by 100 basis points	113,697	37,394
- Decrease in interest rate by 100 basis points	(113,697)	(37,394)

2021	Floating Interest Rate	Fixed Interest Rate Maturing in 1 year or less	Fixed Interest Rate Maturing in more than 1 year	Non-interest bearing	Total
	$	$	$	$	$
Financial assets					
Cash and cash equivalents	11,369,696	-	-	-	11,369,696
Financial assets – level 1	-	-	-	2,392,943	2,392,943
Financial assets – level 2	-	-	-	-	-
Trade and other receivables	-	230,376	-	762,303	992,679
Total financial assets	11,369,696	230,376	-	3,155,246	14,755,318
Financial liabilities					
Trade and other payables (i)	-	395,802	397,724	3,116,042	3,909,568
Total financial liabilities	-	395,802	397,724	3,116,042	3,909,568

(i) The trade and other payables are due within 12 months.

20. Financial instruments (continued)

2020	Floating Interest Rate $	Fixed Interest Rate Maturing in 1 year or less $	Fixed Interest Rate Maturing in more than 1 year $	Non-interest bearing $	Total $
Financial assets					
Cash and cash equivalents	3,739,382	-	-	-	3,739,382
Financial assets – level 1	-	-	-	464,909	464,909
Financial assets – level 2	-	-	-	-	-
Trade and other receivables	-	128,729	-	1,070,793	1,199,522
Total financial assets	3,739,382	128,729	-	1,535,702	5,403,813
Financial liabilities					
Trade and other payables (i)	-	-	-	2,299,131	2,299,131
Convertible note and embedded derivative	-	731,321	310,257	-	1,041,578
Total financial liabilities	-	731,321	310,257	2,299,131	3,340,709

(i) The trade and other payables are due within 12 months.

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurement. Interest rate 2% per annum.

21. Loss per share

2021	2021 $	2020 $
Loss used in calculation of basic EPS	(19,856,374)	(8,533,249)
		Number of Shares
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	809,476,058	558,216,283

22. Cash flow information

	2021 $	2020 $
Loss after income tax	(20,836,213)	(8,662,373)
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	2,653,345	2,203,269
Impairment of exploration asset	5,039,371	908,566
(Profit)/loss on disposal of asset	(484)	85,535
Share based payment expense	1,897,784	(459,826)
Share based payment – broker fees	-	100,000
Impairment of loans to other entities		385,299
Sale of tenement rights	(641,025)	-
Fair value adjustment embedded derivative		(1,154,646)
Convertible note financing costs	1,521,657	1,470,481
Changes in assets and liabilities:		
(Increase)/decrease in receivables & prepayments	182,789	158,366
(Increase)/decrease in inventories	(439,206)	(281,674)
(Decrease)/increase in accounts payable, accruals & employee entitlements	602,468	528,960
(Decrease)/increase in Provisions	5,212,222	366,653
(Increase)/decrease in other assets	(34,943)	-
Net cash outflows from operating activities	**(4,842,235)**	**(4,351,390)**

22. Cash flow information (continued)

2020
Reconciliation of liabilities arising from financing activities

		Cash flows		Non cash changes				
Convertible Note	Liability 01/07/2019	Cash inflows	Transaction costs	2021	Share based payment reserve	Finance costs	Fair Value movement	Liability 30/06/2020
	-	2,900,000	(112,000)	(950,000)	(1,112,257)	1,470,481	(1,154,646)	1,041,578

2021
Reconciliation of liabilities arising from financing activities

		Cash flows		Non cash changes				
Convertible Note	Liability 01/07/2020	Cash outflows	Transaction costs	2021	Share based payment reserve	Finance costs	Fair Value movement	Liability 30/06/2021
	1,041,578	(1,900,000)	-	(663,235)	-	1,521,657	-	-

23. Segment information

(a) Segment performance

Lithium Australia has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Lithium Australia is managed primarily on the basis of mining exploration and as a subset of mining, processing technology. Operating segments are considered to have similar economic characteristics.

Types of reportable segments:

(i) Tenement exploration and evaluation
The exploration of current projects and the evaluation of new ones are reported in this segment. Segment assets, including acquisition costs of exploration licences and all expenses related to the tenements are reported in this segment.

(ii) Processing technology
The development of processing technology for lithium extraction and battery material research & development is reported in this segment.

(b) Basis of accounting for purposes of reporting by operating segments

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in Lithium Australia's annual financial report.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment asset notes, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated.

Unallocated items

The following items of revenue, expense assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- Net gains on disposal of available-for-sale investments;
- Impairment of assets excluding exploration assets and other non-recurring items of revenue or expense;
- Income tax expense;
- Deferred tax assets and liabilities;
- Trade payable and other payables;
- Intangible assets.

24. Operating segments

(i) Segment revenues and results

30 June 2021	Processing technology $	Exploration $	Total $
Revenue	-	-	-
Loss	(2,929,875)	(5,165,681)	(8,095,556)
Total segment loss	**(2,929,875)**	**(5,165,681)**	**(8,095,556)**
Unallocated items			
- Interest revenue			47,509
- Other revenue			3,525,184
- Gross profit/(loss)			(693,710)
- Realised losses on assets			(15,187)
- Occupancy			(236,132)
- Professional			(627,399)
- Compliance & regulatory			(342,033)
- Personnel			(6,419,204)
- Administration			(878,326)
- Remediation			(5,043,069)
- Warehouse			(16,572)
- Other expenses			(297,931)
- Depreciation			(192,124)
- Finance cost			(1,551,663)
Net loss from continuing operations			(20,836,213)

30 June 2020	Processing Technology $	Exploration $	Total $
Revenue	-	-	-
Expenses	(2,649,653)	(1,853,826)	(4,503,479)
Total segment loss	**(2,649,653)**	**(1,853,826)**	**(4,503,479)**
Reconciliation of segment result to Consolidated Group net loss			
Unallocated items			
- Interest revenue			17,214
- Other revenue			3,198,735
- Gross profit			29,488
- Realised losses on assets			(85,535)
- Occupancy			(298,556)
- Professional			(796,315)
- Compliance & regulatory			(304,256)
- Personnel			(4,078,112)
- Administration			(658,498)
- Warehouse			(8,034)
- Other expenses			(700,264)
- Depreciation			(153,876)
- Finance cost			(320,885)
Net loss from continuing operations			(8,662,373)

(ii) Segment assets

30 June 2021	Processing technology $	Exploration $	Total $
Segment assets	15,478,070	480,000	15,958,070
Unallocated assets			
- Cash and cash equivalents			11,369,696
- Trade and other receivables			1,713,559
- Other			3,511,159
Total company assets			**32,552,484**

24. Operating segments (continued)

30 June 2020	Processing technology $	Exploration $	Total $
Segment assets	16,106,944	5,519,371	21,626,315
Unallocated assets			
- Cash and cash equivalents			3,739,382
- Trade and other receivables			1,859,073
- Other			699,233
Total company assets			**27,924,003**

(iii) Segment liabilities

30 June 2021	Processing technology $	Exploration $	Total $
Segment liabilities	348,523	1,552	350,075
Unallocated liabilities			
- Trade and other payables			8,602,562
- Convertible Note			-
Total company liabilities			**8,952,637**

30 June 2020	Processing technology $	Exploration $	Total $
Segment liabilities	95,781	76,071	171,852
Unallocated liabilities			
- Trade and other payables			2,127,279
- Convertible Note			1,041,578
Total company liabilities			**3,340,709**

25. Subsequent events

a) On 15 July 2021, the Company issued 725,941 fully paid ordinary shares ordinary shares upon conversion of options.
b) On 15 July 2021, the Company issued 560,000 fully paid ordinary shares upon the full payment of partly paid shares.
c) On 15 July 2021, the Company issued 4,050,000 fully paid ordinary shares upon conversion of performance rights.
d) On 05 August 2021, the Company issued 5,000,000 fully paid ordinary shares upon conversion of options.
e) On 05 August 2021, the Company issued 45,000,000 fully paid ordinary shares pursuant to the Controlled Placement Agreement with Acuity Capital.
f) On 18 August 2021, the Company issued 1,000,000 fully paid ordinary shares upon the full payment of partly paid shares.
g) On 01 September 2021, the Company issued 200,000 fully paid ordinary shares upon the full payment of partly paid shares.
h) On 10 September 2021, the Company issued 10,006,000 fully paid ordinary shares upon the full payment of partly paid shares.
i) On 13 September 2021, the Company issued 2,975,000 fully paid ordinary shares pursuant to the Controlled Placement Agreement with Acuity Capital.
l) On 24 September 2021, the Company issued 11,179,101 fully paid ordinary shares upon the full payment of partly paid shares.
m) On 29 September 2021, the increase/(decrease) in share prices had the following effect on the fair value of the investments held:

INVESTMENT	SHARE PRICE AT 30/06/2021	SHARE PRICE AT 29/09/2021	INCREASE/ (DECREASE) IN SHARE PRICE	NUMBER OF SHARES HELD AT 30/06/2021	INCREASE/ (DECREASE) IN FAIR VALUE
Galan Investments	$0.92	$0.95	$0.03	1,221,000	$36,630
Infinite Ore Corp	$0.075	$0.071	($0.04)	500,000	($2,230)
BlackEarth Minerals	$0.094	$0.135	$0.041	13,106,571	$537,369
					$571,769

25. Related party transactions

Related party	Type of transaction	2021 $	2020 $
Josephine Norman (a)	Consulting	36,531	23,563
Warrior Strategic Pty Ltd (b)	Consulting	155,726	121,028
		192,257	144,591

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated. There were no other related party transactions other than transactions disclosed in Note 26.

(a) Josephine Norman is the wife of Managing Director, Adrian Griffin.
(b) Non-Executive Director, Bryan Dixon, is a shareholder of Warrior Strategic Pty Ltd. Mr Dixon retired from the Company during the year. Consulting fees are only disclosed up until the date of retirement.

26. Key management personnel compensation

Names and positions held of the Consolidated Group key management personnel in office at any time during the financial period are:

Key Management Person	**Position**	
George Bauk	Non-Executive Chairman	
Adrian Griffin	Managing Director	
Bryan Dixon	Non-Executive Director	Retired 27 January 2021
Barry Woodhouse	Company Secretary	Resigned as CFO on 1 June 2021
Kristie Young	Non-Executive Director	Appointed 21 December 2020
Phil Thick	Non-Executive Director	Appointed 1 May 2021
Stuart Tarrant	CFO	Appointed 1 June 2021

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.
The totals of remuneration paid to Key Management Personnel of the Consolidated Group during the year is as follows

	2021 $	2020 $
Short-term benefits	980,742	971,014
Share based payments	1,349,697	(388,158)
Post-employment benefits	73,287	60,013
	2,403,726	642,869

27. Contingent assets

The Consolidated Group have no contingent assets as at 30 June 2021.

28. Contingent liabilities

The Consolidated Group have no contingent liabilities as at 30 June 2021.

29. Commitments

(a) Exploration Expenditure

The Consolidated Group has certain obligations with respect to tenements and minimum expenditure requirements in Australia, as follows:

	2021 $	2020 $
Within 12 months	316,780	675,120
12 Months or longer and not longer than 5 years	316,780	675,120
Longer than 5 years	-	-
Total	**633,560**	**1,350,240**

30. Controlled entities

Lithium Australia NL is the ultimate parent entity of the consolidated group. The following was a controlled entity at the balance date and has been included in the consolidated financial statements. All shares held are ordinary shares.

	Name	Country of incorporation	2021 Percentage interest held	2020 Percentage interest held	Date acquired/ incorporated
(i)	Lithophile Pty Ltd	Australia	100%	100%	01 July 2016
(ii)	Resource Conservation and Recycling Corporation Pty Ltd	Australia	100%	100%	10 December 2016
(iii)	Trilithium Erzgebirge GmbH	Germany	100%	100%	07 February 2017
(iv)	Stanifer Pty Ltd	Australia	100%	100%	23 August 2017
(v)	VSPC Ltd	Australia	100%	100%	28 February 2018
(vi)	Anode Power Pty Ltd	Australia	100%	100%	18 October 2018
(vii)	Envirostream Australia Pty Ltd	Australia	90%	90%	22 November 2019
(viii)	Soluna Australia Pty Ltd	Australia	50%	50%	18 July 2019

(i) On 01 July 2016, the Company acquired Lithophile Pty Ltd, a company incorporated in Australia. Lithophile had assets of $33,964 and liabilities of $34,012 at the date of acquisition.

(ii) On 10 December 2016, the Company registered Resource Conservation and Recycling Corporation Pty Ltd, a company incorporated in Australia. Resource Conservation and Recycling Corporation had no assets or liabilities at the date of incorporation.

(iii) On 07 February 2017, the Company registered Trilithium Erzgebirge GmbH, a company incorporated in Germany. Trilithium Erzgebirge GmbH had no assets or liabilities at the date of incorporation.

(iv) On 23 August 2017, the Company registered Stanifer Pty Ltd, a company incorporated in Australia. Stanifer had no assets or liabilities at the date of incorporation.

(v) On 28 February 2018, the Company acquired 100% of the ordinary share capital and voting rights in VSPC and its subsidiaries, in accordance with a Share Sale Agreement executed on 23 February 2018. VSPC is the holder of intellectual property and a pilot plant designed to produce complex metal oxides/phosphate powders for the production of lithium-ion batteries. VSPC had $444,639 net assets and $10,192,597 intellectual property at the date of acquisition.

(vi) On 18 October 2018, the Company registered anode Power Pty Ltd, a company incorporated in Australia. Anode Power had no assets or liabilities at the date of incorporation.

(vii) As at 30 June 2019 the Company had an 11.76% interest in Envirostream with a fair value of $400,000. Subsequent to 30 June 2019 the Company acquired in multiple tranches a further 78.24% for consideration of $650,000 bringing its total ownership to 90%.

(viii) On 18 July 2019 the Company incorporated a joint venture of which it holds 50% of the ordinary share capital and voting rights. On 06 October 2020 Adrian Griffin became Chairman of Soluna Australia Pty Ltd and due to having the casting vote, Lithium Australia NL obtained control.

31. Parent entity information

	2021 $	2020 $
Assets		
Current assets	11,470,028	4,452,122
Non-current assets	19,390,437	22,638,097
Total assets	**30,860,465**	**27,090,219**
Liabilities		
Current liabilities	2,034,133	1,465,347
Non-current liabilities	183,417	1,041,578
Total liabilities	**2,217,550**	**2,506,295**
Equity		
Issued capital	81,069,029	62,225,017
Reserves	2,095,501	2,641,937
Accumulated losses	(54,521,614)	(40,283,660)
Total equity	**28,642,916**	**24,583,294**
Loss for the period	(14,237,954)	(16,921,651)
Total comprehensive loss for the period	**(14,237,954)**	**(16,921,651)**

32. Share based payments

The following share-based payment arrangements were in existence during the current reporting periods:

OPTIONS

Series	Grant Date	Date of Expiry	Exercise Price	Number under Option	Fair Value
Series 1	04 July 2019	04 July 2021	$0.12	20,931,600	$-
Series 2	04 July 2019	04 July 2021	$0.12	9,000,000	$0.008
Series 3	24 December 2019 (i)	24 December 2022	$0.0550	8,333,333	$0.03
				38,264,933	

The weighted average remaining contractual life of options outstanding at year end was 1.5 years (2020: 1 years).
The weighted average exercise price of outstanding options at reporting date was $0.11 (2020: $0.11).

(i) Options issued to Lind Global Macro Fund; LP pursuant to the Convertible Note deed were valued at $1,112,257. Refer to Note 15.

Performance Rights

Series 1	Issue Date	Date of Expiry	Number Issued	Number Exercised	Fair Value
Class A	30 April 2018	30 April 2023	900,000	-	$121,500
Class B	30 April 2018	30 April 2023	2,250,000	-	$164,944
Class C	30 April 2018	30 April 2023	2,250,000	-	$55,920
			5,400,000	-	**$342,364**

Series 2	Issue Date	Date of Expiry	Number Issued	Number Exercised	Fair Value
Class A	31 December 2018	31 December 2023	600,000	**(200,000)**	$37,600
Class B	31 December 2018	31 December 2023	1,500,000	-	$70,490
Class C	31 December 2018	31 December 2023	1,500,000	-	$23,520
			3,600,000	**(200,000)**	**$131,610**

Series 3	Issue Date	Date of Expiry	Number Issued	Number Exercised	Fair Value
Class D	18 December 2020	17 December 2025	7,500,000	**(3,750,000)**	$202,815
Class E	18 December 2020	17 December 2025	7,500,000	**(2,875,000)**	$236,264
Class F	18 December 2020	17 December 2025	7,500,000	**(1,875,000)**	$270,473
			22,500,000	**(8,500,000)**	**$709,551**

Fair value of equity instruments granted during the year

The weighted average fair value of the equity instruments granted during the financial year is $0.051 (2020: $0.0334). Equity instruments were priced using a modified Black-Scholes option pricing model or Monte Carlo Simulation. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 3 years. To allow for effects of early exercise, it was assumed that executives would exercise the options after vesting date when the share price is/was at a premium to the exercise price.

The inputs to the model are listed below.

	Performance Shares	
	Series 1	Series 2
Grant date share price	$0.135	$0.094
Exercise price	$-	$-
Expected volatility	N/A	N/A
Performance Right life	5 years	5 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	N/A	N/A

33. Share based payments (continued)

Performance Shares								
Series 3								
Class	# Rights	Grant Date	20-day VWAP @ Val Date	Vesting Date	Expiry Date	Expiry Period (Yrs)	Perf. Measure ment Period	Target Share Price
D	7,500,000	18/12/2020	0.066084	17/12/2025	17/12/2025	5	5	$0.08
E	7,500,000	18/12/2020	0.066084	17/12/2025	17/12/2025	5	5	$0.10
F	7,500,000	18/12/2020	0.066084	17/12/2025	17/12/2025	5	5	$0.12
	22,500,000							

Consecutive days share price must remain above target	Vesting Conditions	Volatility	Continuously Compounded RFR	Dividend Yield	Fair Value Totals Value	Total Value
20	Market Vesting	85%	0.30%	0%	$0.054084	$405,630
20	Market Vesting	85%	0.30%	0%	$0.51084	$383,130
20	Market Vesting	85%	0.30%	0%	$0.048084	$360,630
						$1,149,390

34. Provisions

	2021	2020
	$	$
Employees annual leave and long service leave provisions	626,793	432,640
Remediation (i)	5,043,069	-
Make good provision	-	47,500
Rehabilitation provision (ii)	25,000	50,000
	5,694,862	**530,140**

(i) Envirostream Australia Pty Ltd, a subsidiary of the Company, has been served writs in regard to statements of claims concerning damage caused by a fire at 31 Colbert Road, Campbellfield, Victoria, on 19 January 2019. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a best estimate has been made of the amount of the obligation. These claims are currently being managed by Envirostream's insurance company and the Company expects some or all of the provision to be reimbursed. The Company has not recognised a separate asset and will only do so when the reimbursement is virtually certain.

(ii) The Company's rehabilitation programs are ongoing on two areas at its Ravensthorpe Project. As at 30 June 2021, the Company estimated the cost of the rehabilitation programs at $25,000 which has been recognised as a provision.

DIRECTORS' DECLARATION

The Directors of Lithium Australia NL declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including compliance with accounting standards and:

   (a) comply with International Financial Reporting Standards as disclosed in note1(a); and
   (b) give a true and fair view of the Consolidated Group's financial position as at 30 June 2021 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the period ended on that date; and

2. At the date of this statement there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

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

Adrian Griffin
Managing Director

Dated at Perth this 29th day of September 2021

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LITHIUM AUSTRALIA NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lithium Australia NL ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

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 Consolidated Entity 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of Research & Development Tax Incentive - $1,247,121 As disclosed in note 3, under the Research and Development ("R&D") tax incentive scheme, the Consolidated Entity receives a 43.5% refundable tax offset of eligible expenditure of $1,247,121. This area is a key audit matter due to the inherent subjectivity that is involved in the Consolidated Entity making judgements in relation to estimation and recognition of the R&D tax incentive.	Our procedures included, amongst others: • obtaining an understanding of the objectives and activities in the R&D program; • reviewing the lodgement documents and related working papers utilised by the expert engaged by the Consolidated Entity; • assessing the scope of services and capabilities of the expert engaged by the Consolidated Entity; • comparing the eligible expenditure used in the R&D calculation to the expenditure recorded in the general ledger; • agreeing the receipt of the refund to the bank statement during the year; and • assessing the adequacy of the disclosures in the financial report.
Intangible Assets - $14,607,581 (refer to Note 12) The intangible assets of $14,607,581, as disclosed in Note 12 is considered to be a key audit matter due to the significance to the consolidated statement of financial position and the specific criteria that are required to be met for capitalisation.	Our procedures amongst others included: • assessing the recognition criteria for development costs; • evaluating the key assumptions used for estimates made in capitalising development costs related to the development of the various lithium extraction technologies and the generation of probable future economic benefits;

Key Audit Matter	How our audit addressed the Key Audit Matter
This involves significant management judgement with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably.	• testing additions to capitalised development expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records and the capitalisation requirements of the Group's accounting policy and the requirements of *AASB 138 Intangible Assets*; • we considered whether there were any impairment indicators, through discussions with management and review of reports; and • we assessed the adequacy of the disclosures in Note 12.
Provisions arising from Envirostream "EVS" Remediation - $5,043,069 As disclosed in note 34, the Consolidated Entity has recognised a $5,043,069 provision in relation to the EVS Fire that occurred in January 2019. The assessment of potential assets and liabilities associated with such matters can require significant judgement to be exercised. Such judgements are based upon the information available to the consolidated entity at the time, whilst the ultimate outcomes of the matter may be dependent upon further legal and/or regulatory processes that cannot be predicted with certainty. This area is a key audit matter due to the material provision balance and the significant judgement with respect to the probability or possibility that settlement of the obligation would result in an outflow of resources and the ability to measure the costs reliably.	Our procedures included, amongst others: • discussing ongoing legal and regulatory matters with management and the Board. • reviewing management's assessment of the legal claims made against EVS and relevant supporting documentation in order to develop our understanding of the matters. • assessing the probability or possibility that settlement of the obligations would result in an outflow of resources and the ability to measure the costs reliably. • assessing the adequacy of the disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude 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 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 judgement 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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Lithium Australia NL, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Partner

Dated at Perth this 29th day of September 2021

ADDITIONAL ASX INFORMATION

1. Corporate governance statement

The Company's Corporate Governance Statement can be found at www.lithium-au.com/corporate-governance/

2. Substantial shareholders

There are no substantial holders as at 22 September 2021.

3. Issued capital

The issued capital of the company as at 22 September 2021 consists of:

Quoted/unquoted	Class	Number of units	Number of holders
Quoted	Fully Paid Ordinary Shares	987,932,513	18,189
Quoted	Partly Paid Contributing Shares	102,202,755	481
Unquoted	Performance Rights	7,500,000	6
Unquoted	$0.055 Options	3,333,333	1

4. Voting rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Partly-paid ordinary shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has a pro rata vote for every equivalent fully paid ordinary share held.

5. Holders holding less than a marketable parcel

The number of holders holding less than a marketable parcel of the entity's main class of securities as at 22 September 2021 are as follows:

Number of holders	Number of units
2,474	6,450,770

6. Distribution of shareholders

The distribution of shareholders as at 22 September 2020 are as follows:

Distribution of equity securities	Fully paid ordinary shares	Partly paid shares	$0.055 options	Performance rights
0-1,000	359	10		
1,001 - 5,000	3,932	88		
5,001 – 10,000	4,173	103		
10,001 - 100,000	8,340	202		
100,001 and over	1,385	78		
TOTALS	**18,189**	**481**	**1**	**6**

7. 20 Largest shareholders

The names of the 20 largest holders of ordinary shares as at 22 September 2021 are as follows:

Rank	Name	Units	% of Units
1	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	51,058,443	5.17
2	ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD <ACUITY CAPITAL HOLDINGS A/C>	45,000,000	4.55
3	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	23,237,361	2.35
4	CITICORP NOMINEES PTY LIMITED	19,760,786	2.00
5	ADRIAN GRIFFIN	16,475,524	1.67
6	ADRIAN CHRISTOPHER GRIFFIN + JOSEPHINE DAWN NORMAN <FUTURE TECHNOLOGY A/C>	11,750,000	1.19
7	WHALE WATCH HOLDINGS LIMITED	10,566,038	1.07
8	BNP PARIBAS NOMS PTY LTD	7,752,998	0.78
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,051,527	0.71
10	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	6,061,255	0.61
11	LIND GLOBAL FUND II LP	5,000,000	0.51
12	YLPG HOLDINGS PTY LTD	4,833,021	0.49
13	RESOURCE & LAND MANAGEMENT SERVICES PTY LTD <THE SKERMAN SUPER FUND A/C>	4,658,526	0.47
14	WARRIOR STRATEGIC PTY LTD <WARRIOR STRATEGIC A/C>	4,251,000	0.43
15	HOOKS ENTERPRISES PTY LTD <HOEKSEMA SUPERFUND A/C>	4,000,000	0.40
16	BRAND INVESTMENT AUSTRALIA PTY LTD <BRAND INVESTMENT AUS A/C>	3,600,000	0.36
17	IAN EDNEY	3,240,868	0.33
18	SKER HOLDINGS PTY LTD <SKERMAN INVESTMENT A/C>	3,177,572	0.32
19	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	3,095,983	0.31
20	MR FRED WATERS	3,000,000	0.30
Totals: Top 20 holders of LIT ORDINARY FULLY PAID		**237,570,902**	**24.05**

The names of the 20 largest holders of partly paid shares as at 22 September 2021 are as follows:

Rank	Name	Units	% of Units
1	LITHIUM AUSTRALIA NL <LITCE TREASURY A/C>	29,860,939	29.22
2	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	10,905,222	10.67
3	MR ADRIAN CHRISTOPHER GRIFFIN	6,291,718	6.16
4	MR WILLIAM BAMBLING + MRS JOYCE BAMBLING	2,600,000	2.54
5	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	2,560,781	2.51
6	WARREN KAWATI	2,000,000	1.96
7	TA SECURITIES HOLDINGS BERHAD	2,000,000	1.96
8	MR BLAKE CANNON ISMAY	2,000,000	1.96
9	MR JOSHUA DOUGLAS GALLAGHER	2,000,000	1.96
10	MR JIA-JIAN CHEN + MRS ZHANG PING	1,664,485	1.63
11	MR MOHAN SINGH NANDHA	1,620,000	1.59
12	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,268,888	1.24
13	MRS ANJANA NANDHA	1,250,000	1.22
14	MR MAURIZIO SILVIO SPURIA	1,201,671	1.18
15	LASTRANE PTY LTD	1,100,114	1.08
16	WARRIOR STRATEGIC PTY LTD <WARRIOR STRATEGIC A/C>	1,100,000	1.08
17	IAN EDNEY	1,069,932	1.05
18	MS ANH LE	1,046,083	1.02
19	MR JAY SAMUEL	1,025,000	1.00
20	ALEXANDER BARBLETT	1,000,000	0.98
Totals: Top 20 holders of LITCF PARTLY PAID (0.0499 U)		**73,564,833**	**71.98**

8. Company secretary

The Company Secretary is Barry Woodhouse.

ASX ADDITIONAL INFORMATION (continued)

9. Registered office and principle administrative office

Level 1, 677 Murray Street, West Perth, WA, 6005. Telephone number: 08 6145 0288.

10. Register of securities

Register of securities is kept at Advanced Share Registry, 150 Stirling Highway, Nedlands, WA, 6009.

Telephone number :08 9389 8033.

11. Other stock exchanges

To the best of its knowledge, the Company's securities are not quoted on any other recognisable stock exchange.

12. Restricted securities or securities subject to voluntary escrow

There are no restricted securities and no securities subject to voluntary escrow.

13. Unquoted securities

The following persons hold 20% or more of the equity securities in an unquoted class:

Class	Holder	Number of units	% Held
$0.055 Options	Lind Global Macro Fund LP	3,333,333	100%
Performance Rights	Adrian Griffin	3,000,000	33%

14. Review of operations

A review of operations and activities for the reporting period that complies with Sections 299 and 299A are outlined in the Directors' report.

15. On market buy backs

There is no current on market by back of Lithium Australia shares.

16. Schedule of mineral tenements

Australian projects

Tenement ID	Name	Location	Interest
P15/5574	COOLGARDIE (LEPIDOLITE HILL)	WA	100%
P15/5575	COOLGARDIE (LEPIDOLITE HILL)	WA	100%
P15/5739	COOLGARDIE (LEPIDOLITE HILL)	WA	100%
E63/1805	MT DAY A	WA	30%
E63/1806	MT DAY B	WA	30%
E63/1809	LAKE JOHNSON SOUTH	WA	30%
E63/1866	LAKE JOHNSTON	WA	30%
E70/5198	MT LAWRENCE (WUNDOWIE)	WA	30%
E70/5437	WUNDOWIE	WA	30%
EL30897	ANGERS/BYNOE NT	NT	30%
P70/1752	WUNDOWIE	WA	30%
P70/1753	WUNDOWIE	WA	30%
E70/4690	GREENBUSHES SF 52%	WA	20%
E70/4790	GREENBUSHES SOUTH	WA	20%
E70/5680	GREENBUSHES	WA	20%

Relevant competent persons statement are contained within the Director's report.