

30 October 2023

Lithium Australia Quarterly Activities Report

HIGHLIGHTS

- Record 413 tonnes of mixed batteries collected during the quarter, representing an increase of 29% on the previous quarter
- Fifth consecutive quarter of cash gross profit, with A\$261k achieved this quarter representing a cash gross profit margin of 17%¹
- Landmark joint development agreement (“JDA”) signed with Mineral Resources (ASX:MIN) (“MinRes”) related to disruptive lithium extraction technology LieNA[®]
- Subsequent to quarter end, Lithium Australia received first payment from MinRes, highlighting significant partnership progress under the JDA
- Lithium Australia’s lithium ferro phosphate (LFP) cathode material shown to match, or exceed, leading competitor products based on testing by NOVONIX
- Strong cash and listed investments position, totalling A\$7.9m at quarter end, with MinRes funds received subsequent to quarter end

Lithium Australia Ltd (ASX:LIT) (“Lithium Australia” or the “Company”) is pleased to release its quarterly business update and Appendix 4C for the period ended 30 September 2023 (“Q1 FY24”).

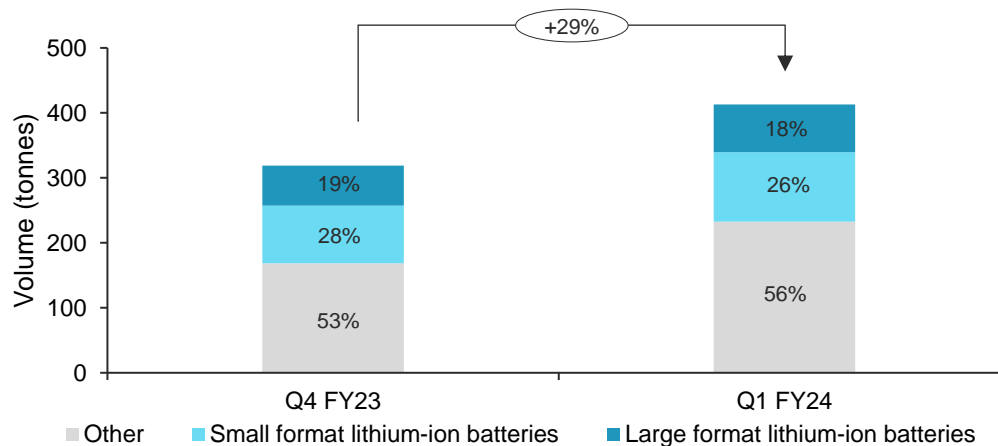
STRONG GROWTH IN BATTERY RECYCLING VOLUMES

During the quarter, a total of 413 tonnes of batteries were collected for recycling, representing an increase of 29% on the previous quarter. Lithium-ion batteries represented 44% of collections in the quarter, highlighting the Company’s continued focus on these higher margin batteries for recycling. Lithium-ion battery collection volumes are expected to continue to grow, underpinned by strong partnerships including tier 1 electric vehicles (EV) and energy storage services (ESS) manufacturers.

A total of 40 tonnes of mixed metal dust (“MMD”) was sold during the quarter, with another 40 tonnes stockpiled and ready to be shipped. Due to a decline in market prices for metals such as cobalt and nickel, the Company experienced a reduction in MMD sales during the quarter. However, the impact from this is expected to be offset by growing collection volumes and ongoing process improvements, which increase copper quality and MMD yield. A cash gross profit of A\$261k was achieved during the quarter. This result highlights a cash gross profit margin of 17% for the recycling operations, while also supporting the Company’s goal of achieving cashflow breakeven for the business unit.

¹ Derived from the Quarterly Cash Flow Report: *Receipts from customers less product manufacturing and operating costs.*

Figure 1. Recycling volumes (tonnes)



“Other” includes alkaline batteries, legacy chemistries, and other collections (power tools and e-waste).

Significant progress has also been made in relation to supply agreements with major equipment manufacturers to increase recycling volumes. These supply agreements will aim to secure both increased collection volumes and future supply, with a particular focus on large-format lithium-ion batteries, which provide the highest margin opportunity. Higher recycling volumes will deliver greater operating leverage, leading to increased profits and margin. As EV adoption continues to grow, there will be significant growth in end-of-life EV lithium-ion batteries which require recycling, representing an exciting domestic opportunity for Lithium Australia.

Productivity and safety improvements are continuing to be made at the Company’s recycling facilities, including the installation of new fire walls at the Laverton North facility. The new fire walls will provide additional safe storage space for batteries as collections volumes continue to grow.

MINRES JOINT DEVELOPMENT AGREEMENT PROGRESS

Significant progress has been made as part of the JDA between Lithium Australia and MinRes². Subsequent to quarter end, Lithium Australia announced that it has successfully drawn down A\$0.9m of initial funding from the A\$4.5m convertible note issued by MinRes as part of the JDA. The drawdown relates to agreed activities between MinRes and the Company from the date of execution until the end of the December 2023 quarter, with funds primarily allocated to piloting activities relating to the LieNA[®] technology.

Lithium Australia and MinRes have worked closely to finalise key operational elements of the partnership including budgeting, scheduling of activities, and governance principles. These operational elements are critical to the partnership’s success and provide a foundation for growth for the LieNA[®] technology. MinRes has also begun to deliver samples to Lithium Australia ahead of piloting activities, having shipped an initial sample of spodumene concentrate, with the final required volume scheduled to be delivered

² See ASX announcement, ‘Landmark joint development agreement with Mineral Resources’, 7 August 2023

ahead of the commencement of piloting. Piloting is expected to begin once all preparation activities are completed³.

NOVONIX FINAL TESTING VALIDATION

Independent testing of Lithium Australia's LFP cathode material confirmed the product to be of a high quality, either matching or exceeding the competitor set across capacity, stability, and high temperature performance⁴. Testing was completed by a leading expert in battery materials research and development services, NOVONIX Ltd. (ASX:NVX). The positive results reinforce Lithium Australia's LFP product to be as good, if not better than, current LFP supply which is heavily concentrated in China. This strong result allows customers to access a more diverse geographical supply chain, de-risking potential political disruptions and over-reliance on a particular supplier nation.

Comment from Lithium Australia Chief Executive Officer, Simon Linge

"We are very excited by the significant operational progress and product validation achieved during the quarter. We were immensely proud to have signed the recent JDA with MinRes and are already seeing strong collaboration to date. We aim to begin piloting activities under the JDA as soon as possible.

We have also delivered our fifth consecutive quarter of cash gross profit within the recycling division. With continued growth of lithium-ion battery collections and improved operational efficiencies, we expect to achieve our goal of reaching cash flow breakeven within the recycling business."

CORPORATE UPDATE

The Company has a strong balance sheet with cash and listed investments of A\$7.9m at the end of the quarter. Subsequent to quarter end, Lithium Australia received A\$0.9m drawdown from the MinRes convertible note and sold off certain listed investment holdings as part of the Company's transition away from legacy interests in mining. Listed investment sales included the Company's holding in Galan Lithium (ASX:GLN) realising \$550k.

Subsequent to quarter end, Stephen Marshall joined Lithium Australia as the General Manager of the recycling division. Stephen has had an extensive career in the recycling industry, having spent 10 years in Veolia's resource recovery division.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The Company is committed to ESG compliance. Refer to Appendix 1 for further details.

³ Timing subject to confirmation between Lithium Australia, MinRes, and ANSTO (Australia Nuclear Science and Technology Organisation)

⁴ See ASX announcement, 'Final testing for Lithium Australia's LFP cathode material', 22 September 2023

Authorised for release by the Board.

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Forward-looking statements

This announcement contains forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties that it is beyond the Company's ability to control or predict and which could cause actual events or results to differ materially from those anticipated in such forward-looking statements.

About Lithium Australia

Lithium Australia is aiming to lead and enable the global transition to sustainable lithium production. The Company operates Australia's market leading battery recycler, produces critical battery material lithium ferro phosphate (LFP), and has developed a patented lithium extraction technology. Lithium Australia's revenue-generating recycling business and technologies are well-placed to capitalise on growing global lithium-ion battery demand and provides diversification benefits to global supply chains.

Appendix 1 – Additional information

Key ESG metrics

Pillars	Items	#
People	Year to date lost time injury incidents	0
People	Current agreements with First Nation's Peoples	0
Environment	Outstanding closure matters at quarter end	1*
Corporate governance	Year to date bribery and/ or corruption incidents	0

* Note: Relates to the Ravensthorpe rehabilitation

Director's corporate governance committee roles

Director	Committee role
George Bauk	Member of the Audit & Risk Committee Member of Remuneration & Nominations Committee
Kristie Young	Chair of the Audit & Risk Committee Member of Remuneration & Nominations Committee
Phil Thick	Chair of Remuneration & Nominations Committee Member of the Audit & Risk Committee

Payments to related parties of the entity and their associates

In accordance with ASX Listing Rule 4.7C.3, payments made during the quarter and included in items 6.1 and 6.2 of ASX Appendix 4C – 'Quarterly cash flow report for entities subject to Listing Rule 4.7B ' – comprise the following.	
6.1 Aggregate amount of payments to related parties and their associates included in cash flows from operating activities, comprising:	A\$160,000
- Payments of directors' remuneration for services to the economic entity	A\$160,000
- Payment to directors' associates for services provided to the economic entity	A\$nil

Securities on issue as at the end of the quarter

Class	Number
Quoted	
Ordinary shares (ASX: LIT)	1,222,191,672
Options exercisable at \$0.0499 expiring 28-Feb-2025 (ASX:LITOA)	61,705,990
Options exercisable at \$0.10 expiring 19-Oct-2025 (ASX:LITOB)	139,329,261
Unquoted	
Performance Rights (various expiry dates)	150,750,000

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Lithium Australia Limited

ABN

29 126 129 413

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,512	1,512
1.2 Payments for		
(a) research and development	(435)	(435)
(b) product manufacturing and operating costs	(1,251)	(1,251)
(c) advertising and marketing	(138)	(138)
(d) leased assets	-	-
(e) staff costs	(1,719)	(1,719)
(f) administration and corporate costs	(961)	(961)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	21	21
1.5 Interest and other costs of finance paid	(32)	(32)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	103	103
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,900)	(2,900)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(346)	(346)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(123)	(123)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	23	23
	(d) investments	55	55
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(391)	(391)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Payments for lease liabilities	(105)	(105)
3.10	Net cash from / (used in) financing activities	(105)	(105)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,047	9,047
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,900)	(2,900)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(391)	(391)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(105)	(105)
4.5	Effect of movement in exchange rates on cash held	19	19
4.6	Cash and cash equivalents at end of period	5,670	5,670

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,670	9,047
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,670	9,047

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	160
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,900)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,670
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,670
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.0
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2023

Authorised by: "By the Board"
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.