

23 April 2024

Lithium Australia Quarterly Activities Report

HIGHLIGHTS

- **344 tonnes of batteries collected during the quarter, including 177 tonnes of lithium-ion batteries (LIBs), representing an 18% increase in LIB collection volumes relative to the prior corresponding period (pcp)**
- **Significant increase in Mixed Metal Dust (MMD) sales, with 170 tonnes of MMD sold YTD in FY24, increasing 181% relative to the pcp**
- **Exclusive recycling agreements signed with LG Energy Solution¹ and Hyundai Glovis², highlighting the Company's focus on the collection of large-format LIBs**
- **Ongoing progress made under the joint development agreement with Mineral Resources Ltd ("MinRes"), with piloting and the engineering study underway**
- **Strong cash and listed investments position at 31 March 2024 of A\$7.1m, with ~A\$1.3m received subsequent to quarter end from MinRes**

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 31 March 2024 ("**Q3 FY24**").

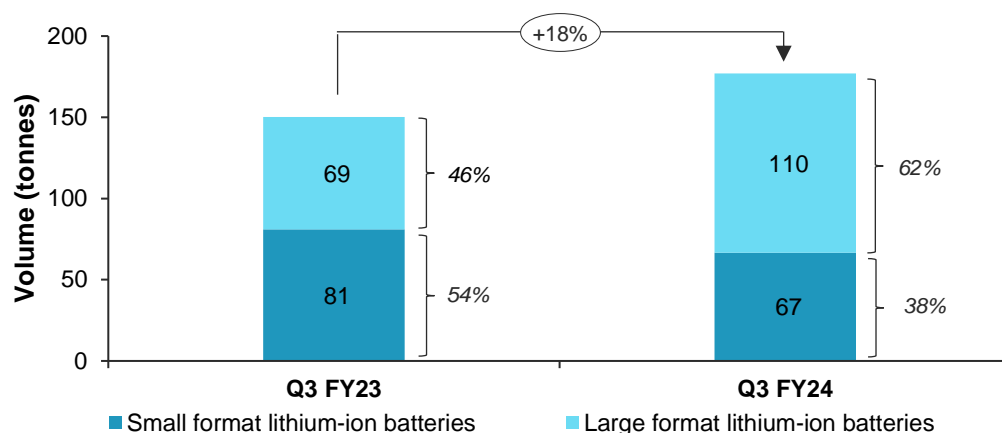
GROWING LIB COLLECTIONS DRIVING STRONGER MMD SALES

During Q3 FY24, a total of 344 tonnes of batteries were collected for recycling, including 177 tonnes of LIBs, which represents an 18% increase in LIB collection volumes on pcp (see Figure 1). In particular, large-format LIB collection volumes have increased significantly by 59% on pcp to reach 110 tonnes collected in Q3 FY24. As a result, large-format LIBs made up 62% of total LIB collection volumes in Q3 FY24, relative to 46% in Q3 FY23. This increase is in line with the Company's strategic focus on increasing large-format LIB collections due to the higher MMD conversion efficiency and greater forecasted growth in the category. Lithium Australia will remain focused on driving growth of large-format LIB collection volumes through the signing of more recycling agreements with large original equipment manufacturers (OEMs).

As a result of increasing LIB collection volumes, the Company has also seen a significant increase in MMD output and sales. MMD sales YTD in FY24 was 170 tonnes, which is a 181% increase on the 94 tonnes recorded in the pcp. In addition, market prices for MMD metals such as cobalt and nickel have stabilised since the start of 2024.

¹ See ASX announcement, '*Envirostream signs new exclusive battery recycling agreement in Australia with LG Energy Solution*', 18 March 2024

² See ASX announcement, '*Envirostream signs new exclusive battery recycling agreement with Hyundai Glovis*', 25 March 2024

Figure 1. Lithium-ion battery (LIB) collection volumes (tonnes)


Process improvements are part of the Company's strategy of increasing processing capacity in anticipation of the significant LIB collection volumes to be received from LG Energy Solution and Hyundai Glovis. During the quarter, a new shredder was installed at the Campbellfield facility which has helped increase recycling throughput by ~37%. In order to increase battery processing capacity moving forward, the Company is assessing the increase in operational shifts per day at the Campbellfield facility from one to two.

The improved commercial arrangements with customers, strong LIB collection volume growth and ongoing recycling process improvements will help drive revenue growth from service fees and MMD sales. Collectively, these improving metrics increase confidence for the recycling business reaching cashflow breakeven.

MAJOR RECYCLING AGREEMENTS SIGNED WITH OEMs

Lithium Australia has also announced the signing of recycling agreements with major OEMs during the quarter, including LG Energy Solution ("**LGES**") and Hyundai Glovis. The agreement with LGES is an exclusive three-year agreement to provide recycling services for all of LGES' recalled batteries in Australia. LGES is a leading battery manufacturer, and the new agreement is expected to significantly increase the Company's LIB collection volumes, with forecast LGES collection volume equating to ~140% of Lithium Australia's total LIB collection volumes in FY23³.

The Company has also signed a new exclusive agreement with Hyundai Glovis to provide battery recycling services. Hyundai Glovis is a leading logistics company and is part of the Hyundai Motor Group. The agreement has an initial three-year term, during which Lithium Australia will be the exclusive provider of battery recycling services for all of Hyundai Glovis' batteries in Australia.

These agreements highlight the momentum driven by the Company's core strategy of signing exclusive recycling contracts with leading battery manufacturers.

³ Company estimate

Comment from Lithium Australia CEO and Managing Director, Simon Linge

"We are excited by the significant progress made across our recycling operations during the quarter, including strong LIB collection volumes and MMD sales. Notably, the signing of exclusive recycling agreements with leading OEMs, LG Energy Solution and Hyundai Glovis, will help secure a strong future supply of large-format LIBs. Large-format LIBs are core to our strategy, and we aim to secure further recycling agreements with leading battery manufacturers moving forward.

The joint development agreement with MinRes is also progressing as planned, with piloting activities and an engineering study underway. We are excited to finalise all piloting activities this calendar year in order to move towards the next phase of the agreement, which involves the formation of a JV with MinRes to commercialise the LieNA® technology."

MOU WITH SUNGEEL HITECH

Lithium Australia announced the signing of a non-binding Memorandum of Understanding ("**MOU**") with SungEel HiTech Co., Ltd. ("**SungEel**") regarding the off-take of MMD and progression of a joint development agreement ("**JDA**") related to an investment by SungEel into the expansion of the Company's recycling capabilities. SungEel is a leading South Korean battery recycler with global operations and is an existing customer of Lithium Australia, with over 300 tonnes of MMD delivered to SungEel since 2020.

The MOU between Lithium Australia and SungEel is intended to progress discussions on MMD off-take, with execution of an off-take agreement expected to be completed by 30 June 2024. Both parties will then progress discussions towards entering a JDA, including an investment by the end of 2024, focused on upgrading recycling equipment and expanding total processing capacity of Lithium Australia's recycling operations. The Company notes that the off-take agreement and JDA are subject to negotiations and relevant approvals.

STRONG PROGRESS MADE IN JDA WITH MINERAL RESOURCES

During Q3 FY24, Lithium Australia drew down additional funding from the A\$4.5m convertible note, issued by Mineral Resources Ltd. ("**MinRes**") as part of the joint development agreement ("**Agreement**") announced on 7 August 2023. The second drawdown of ~A\$0.8m was used to fund piloting activities and the demonstration plant engineering study during Q3 FY24.

Lithium Australia announced the official commencement of piloting during the quarter, which follows the successful commissioning of equipment and receipt of raw material samples from MinRes. The results from the piloting program will support the engineering study for a demonstration scale plant, which MinRes can elect to independently fund, develop, and operate. The Company also announced the appointment of Carnac Project Delivery Services ("**Carnac**") as lead engineer for the demonstration plant engineering study. Since this announcement, Carnac has focussed on progressing the early works scope for the engineering study.

Subsequent to quarter end, Lithium Australia announced that it had successfully made a third draw down of funding from the convertible note for Q4 FY24, demonstrating the ongoing momentum in progress made under the Agreement with MinRes.

UNLOCKING VALUE IN BATTERY MATERIALS TECHNOLOGY

Lithium Australia remains committed to exploring different pathways forward to unlock value in the Company's patented lithium ferro phosphate (LFP) technology. This includes, but is not limited to, engaging with domestic government and strategic partners for the development and commercialisation of the technology. Potential partners include the federal and state governments, upstream raw material manufacturers, battery manufacturers, as well as financial investors.

CORPORATE UPDATE

The Company has a strong cash and listed investments position of A\$7.1m, with ~A\$1.3m in cash received subsequent to quarter end from the third drawdown from MinRes.

During the quarter, the Company received the final proceeds of A\$1.85m related to the disposal of the Lake Johnston Lithium Project to Charger Metals NL (ASX:CHR)⁴. The Company also confirmed receipt of research and development tax incentive rebates totalling A\$1.8m for the 2023 financial year, A\$1.2m of which was received during the quarter⁵.

INTELLECTUAL PROPERTY

During the quarter, the following progress was made.

The Brazilian Patent Offices granted legal protection related to PCT/AU2019/050773 ("Caustic Conversion Process").

European patent registration of PCT/AU2019/050541 ("Process for recovering lithium phosphate and lithium sulphate from lithium-bearing silicates") was granted and is now legally protected in Czech Republic, Spain, Poland, Ireland, United Kingdom.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

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

Authorised for release by the Board.

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⁴ See ASX announcement, 'Lithium Australia completes A\$2.0m sale of the Lake Johnston Lithium Project', 11 January 2024

⁵ See ASX announcement, 'Lithium Australia receives A\$1.8 million in R&D tax incentive rebates', 1 February 2024

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

Non-Executive 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	A\$163,000
- This includes payments of directors' remuneration for services to the economic entity	A\$163,000
- 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)	1,222,291,672
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)	148,750,000

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")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,143	4,097
1.2 Payments for		
(a) research and development	(498)	(1,499)
(b) product manufacturing and operating costs	(788)	(3,246)
(c) advertising and marketing	(168)	(424)
(d) leased assets	-	-
(e) staff costs	(1,459)	(4,731)
(f) administration and corporate costs	(375)	(1,913)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	40	77
1.5 Interest and other costs of finance paid	(25)	(68)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,492	2,097
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(638)	(5,610)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(72)	(895)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets	(969)	(1,363)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	36
	(d) investments	1,882	3,200
	(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	841	978

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	819	1,739
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	(100)	(309)
3.10	Net cash from / (used in) financing activities	719	1,430

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,931	9,047
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(638)	(5,610)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	841	978

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	719	1,430
4.5	Effect of movement in exchange rates on cash held	24	32
4.6	Cash and cash equivalents at end of period	5,877	5,877

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	5,877	4,931
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)	5,877	4,931

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	163
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (Convertible Notes)	4,500	1,739
7.4	Total financing facilities	4,500	1,739
7.5	Unused financing facilities available at quarter end		2,761
7.6	<p>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.</p> <p>Other Facilities \$4,500,000.00 Convertible Notes</p> <p>On 4 August 2023, the Group entered into a convertible note deed with ASX-listed mining company Mineral Resources Ltd ("MinRes") in accordance with a joint development agreement for disruptive lithium extraction technology LieNA®, executed on the same date.</p> <p><i>Issuer:</i> LieNA Pty Limited, a wholly owned subsidiary the Company. <i>Investor:</i> Lithium Resources Investments Pty Ltd, a wholly owned subsidiary of Mineral Resources Ltd. <i>Use of Funds:</i> Capital and operating requirements for piloting and an engineering study for a demonstration plant. <i>Interest Rate:</i> Nil%. <i>Maturity Date:</i> 31 January 2025. <i>Face Value:</i> \$1.00 per Convertible Note. <i>Security:</i> Each Note is an unsecured obligation of LieNA Pty Limited. <i>Conversion Rights:</i> Prior to maturity date, the Investor may elect to convert the notes at the earlier of full drawdown of \$4,500,000 or the project meeting specified milestones. <i>Conversion Effect:</i> Upon conversion, the full \$4,500,000 converts into 50% of the shares on issue in LieNA Pty Limited at the date of the conversion notice.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(638)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,877
8.3	Unused finance facilities available at quarter end (item 7.5)	2,761
8.4	Total available funding (item 8.2 + item 8.3)	8,638
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	13.5
	<p><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></p>	

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:

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.

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: 23 April 2024

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.