

11 July 2024

Lithium Australia's recycling operations achieve maiden operating cash profit

HIGHLIGHTS

- Lithium Australia's recycling operations has achieved maiden Operating Cash Profit¹ in Q4 FY24 and the Company is focused on growing operating profit on a sustainable basis
- The result was driven by the growth in our upstream 'Fee for Service' recycling model, increasing overall revenues and lowering dependence on downstream commodity sales
- The strategic shift to large-format lithium-ion battery (LIB) collections, combined with safety and operational improvements, underpins the Company's enhanced unit economics
- Upstream battery feedstock and revenues secured through new exclusive commercial agreements with customers including, LG Energy Solution, Volvo and Hyundai Glovis²
- Recent downstream off-take agreement with SungEel HiTech underpins downstream sales and current joint development discussions, which are on track for completion in CY24

Lithium Australia Ltd (ASX:LIT) ("**Lithium Australia**" or the "**Company**") is pleased to announce that its subsidiary, Envirostream Australia Pty Ltd ("**Envirostream**"), has recently achieved a significant milestone of delivering positive operating profit during Q4 FY24. The achievement was driven by the Company's transition towards an upstream service model, which has increased revenues with a higher proportion of revenues to now received upfront through recycling fees.

Comment from Lithium Australia CEO and Managing Director, Simon Linge

"We are very excited to have achieved a significant milestone of maiden positive operating cash profit during Q4 FY24 within our recycling business. This outcome, delivered in a period of low commodity prices, was driven by our growth in our fee for service model for battery recycling with all customers over the last year, which enables us to receive the majority of revenue upfront on improved terms.

Our revised commercial model supports our ongoing joint development discussions with SungEel HiTech, which seek to scale up our operations in line with expected growth in LIB collection volumes."

Comment from Lithium Australia General Manager – Recycling, Steven Marshall

"Delivery of this outcome is a team effort, and I would like to thank our people for their focus on safe production and our customers who have chosen us for their sustainable battery disposal and recycling.

Achievement of the improved unit economics was driven by the increased collection volumes of large-format LIBs from exclusive recycling services agreements with leading OEMs³. These agreements, which would not have been possible without our safety and operational improvements, also allowed the Company to reduce its exposure to market volatility relating to commodity prices, including MMD, our key processed output.

With an improved commercial model in place, we are focused on signing new recycling agreements with leading OEMs to accelerate battery collection volumes and delivering operational efficiencies in FY25 and beyond."

1 Operating Cash Profit defined on following page.

2 See ASX announcements, 'New battery recycling agreement with LG Energy Solution', 18 March 2024; 'Exclusive battery recycling agreement Volvo Group Australia', 5 June 2024; and 'Exclusive battery recycling agreement with Hyundai Glovis', 25 March 2024

3 OEM = Original Equipment Manufacturer

Divisions of Lithium Australia



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The Company's strategic shift towards an upstream focused operational model is aimed at increasing 'fee for service' as a proportion of the recycling revenue mix, while also reducing exposure to market and pricing volatility related to the sales of Mixed Metal Dust (**MMD**) and other commodities. Higher average revenue unit rates, coupled with effective cost management and increasing volumes under exclusive recycling agreements allow for a sustainable recycling economic model.

In Q4 FY24, Envirostream achieved collection volumes of 445 tonnes, revenue of A\$2.50m, gross profit of A\$1.56m and an Operating Cash Profit⁴ of A\$0.52m. This represents a revenue unit rate⁵ of \$5.63/kg and cost of sales unit rate⁶ of \$2.13/kg in Q4 FY24 - refer to Table 1 below for further information. This enhanced performance is a result of the strategic and operational transition undertaken over the last year, including:

- **Enhanced commercial focus:** New recycling agreements signed with customers consist of upstream gate fees and a downstream MMD revenue share scheme, which has resulted in the majority of revenue being received upfront and lower exposure to volatility associated with MMD pricing;
- **Optimised battery collections mix:** Strategic decision made to focus on large-format LIB collections and cease collection contracts for other battery types due to the uncommercial nature of non-LIB battery types; and
- **Processing upgrades:** Including the CAPS⁷ plant implementation and upgrade of the battery shredder, which has significantly improved the recovery of MMD and processing throughput.

Table 1. Battery recycling – summary financial information⁸

Actuals	Unit	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Collections volume	Tonnes	414	339	344	445
QoQ Growth	%		(18%)	2%	29%
Revenue	A\$m	\$1.26	\$1.19	\$1.54	\$2.50
Cost of sales	A\$m	\$1.25	\$0.99	\$1.12	\$0.95
Gross profit	A\$m	\$0.02	\$0.20	\$0.41	\$1.56
Gross margin	%	1%	17%	27%	62%
Operating expenses	A\$m	\$0.96	\$1.05	\$0.91	\$1.04
Operating Cash Profit	A\$m	\$(0.94)	\$(0.85)	\$(0.49)	\$0.52
Other net (income) / expenses	A\$m	\$(0.04)	\$(0.48)	\$0.03	\$(0.01)
Underlying EBITDA	A\$m	\$(0.90)	\$(0.37)	\$(0.52)	\$0.53
Provision for insurance claim⁹	A\$m	\$0.00	\$0.00	\$0.00	\$4.13
EBITDA	A\$m	\$(0.90)	\$(0.37)	\$(0.52)	\$(3.60)
Interest, tax, depreciation	A\$m	\$0.15	\$0.15	\$0.16	\$0.18
Divisional net profit/(loss)	A\$m	\$(1.04)	\$(0.51)	\$(0.68)	\$(3.78)
Revenue unit rate	A\$/kg	\$3.05/kg	\$3.52/kg	\$4.48/kg	\$5.63/kg
Cost of sales unit rate	A\$/kg	\$3.01/kg	\$2.92/kg	\$3.27/kg	\$2.13/kg
Gross profit unit rate	A\$/kg	\$0.04/kg	\$0.60/kg	\$1.21/kg	\$3.50/kg

4 Operating Cash Profit defined as EBITDA before non-operational related items including government grant income, currency gains/losses, other income, other expenses and provision for insurance claims.

5 Revenue unit rate defined as total revenue divided by total collection volumes in the respective period

6 Cost of sales unit rate defined as total cost of sales divided by total collection volumes in the respective period

7 CAPS = Copper Aluminium and Plastics Separation

8 Summary financials are unaudited and represent the battery recycling business only (i.e. financials presented do not represent Lithium Australia on a consolidated basis)

9 Relates to a one-off non-cash A\$4.1m provision for a statement of claim. See ASX announcement 'Claim received to be managed by Envirostream's insurance company', 8 May 2024

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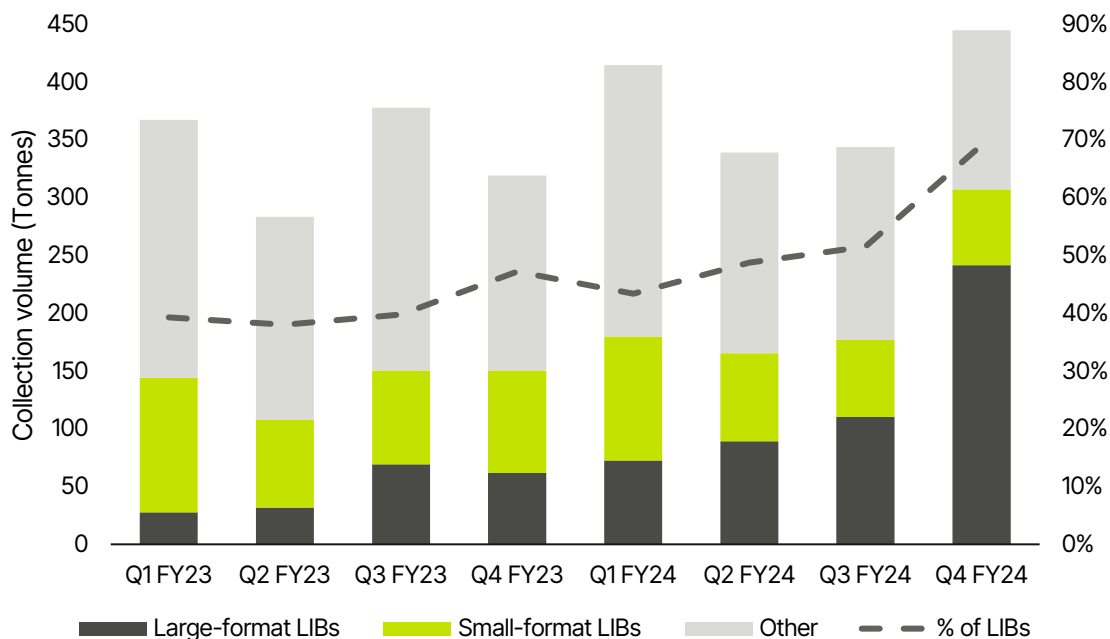
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In Q4 FY24, Envirostream recorded significant LIB collections of 307 tonnes (74% increase on the prior quarter), with large-format LIB collections of 241 tonnes and small-format LIB collections of 66 tonnes. As a result of the growth in LIB collections, the proportion of LIB batteries in the collections mix reached a record 69% - refer to Figure 1 for additional information.

Lithium Australia expects the recent growth in large-format LIB collection volumes to continue, underpinned by the signing of exclusive recycling agreements with leading OEMs including LG Energy Solution¹⁰, Hyundai Glovis¹¹, and Volvo¹². The Company expects to further accelerate LIB collections growth through new exclusive recycling agreements, with various customer discussions currently in progress and further planned to commence in the near to medium-term.

Figure 1. Battery collections volumes by type (FY23 to FY24)



The positive operating cash profit performance of Envirostream is a strong achievement for the Company and compliments ongoing LieNA[®] piloting and study activities, which are funded via the joint development agreement with Mineral Resources Ltd¹³. The Company notes that it is continuing to seek growth partners to accelerate the pathway towards sustainable operating cashflows at the Group level.

Lastly, the Company is currently progressing discussions with SungEel HiTech regarding a joint development agreement¹⁴ (JDA), which includes investment focused on upgrading recycling equipment and expanding total processing capacity. Lithium Australia notes that the JDA is subject to negotiation and relevant approvals. The Company will keep the market informed in the event of any material developments.

Authorised for release by the Board.

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10 See ASX announcement, 'New battery recycling agreement with LG Energy Solution', 18 March 2024

11 See ASX announcement, 'Exclusive battery recycling agreement with Hyundai Glovis', 25 March 2024

12 See ASX announcement, 'Exclusive battery recycling agreement Volvo Group Australia', 5 June 2024

13 See ASX announcement, 'Landmark joint development agreement with Mineral Resources', 7 August 2023

14 See ASX announcement, 'LIT signs MMD off-take agreement with SungEel HiTech', 13 June 2024

ASX ANNOUNCEMENT

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. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

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.

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