

17 September 2024

## Cancellation of Performance Rights

Lithium Australia Ltd (ASX:LIT) ("**Lithium Australia**" or the "**Company**") is pleased to advise that as at 31 July 2024 it achieved operating cash flow positive results for a rolling 6-month period at its Envirostream battery recycling operation. This follows on from disclosure in the Company's annual report released on 30 August 2024 which referred to Envirostream delivering positive operating cash profits in Q4 FY24. This milestone has triggered the satisfaction of a performance condition (Hurdle 5) in respect of 15,200,000 performance rights held by a Director, key management personnel and employees of the Company. Under the terms of the performance rights, these performance rights shall vest on 31 July 2025 (being 12 months from satisfaction of the performance condition), subject to the employee remaining in employment at that date.

The Company also advises that it intends to cancel a total of 93,800,000 performance rights (**Existing Performance Rights**) previously issued to the Managing Director/CEO, and Executive Leadership Team and Management employees of the Company. The Existing Performance Rights the subject of this cancellation were issued under the Company's shareholder approved employee securities incentive plan (**Plan**).

The Company has decided to cancel the Existing Performance Rights following a re-evaluation of the Existing Performance Rights and the performance hurdles associated with those Existing Performance Rights. The cancellations are being effected for nil consideration and will be effective as at 17 September 2024.

An Appendix 3H in relation to cancellation of the Existing Performance Rights will be released to the market immediately following this announcement.

The Company wishes to advise that, subject to obtaining shareholder approval at its upcoming Annual General Meeting (**AGM**), it proposes to issue new performance rights (**Performance Rights**) to Managing Director/CEO under the Plan.

As noted above, the Company conducted a comprehensive re-evaluation of the Existing Performance Rights issued under the Plan and the performance conditions associated with those performance rights. The review was conducted with a view to more closely link the executive's long-term incentives to the new strategic direction and focus of the business across its Battery Recycling, Lithium Chemicals, and Battery Materials business. The Company's recycling operations have delivered operating cash profits and are well placed to capitalise on the global trend toward electrification. The Company's patented technologies are progressing to commercialisation, with LieNA® nearing this goal through partnership with Mineral Resources. Lithium Australia remains focused on accelerating revenue growth through exclusive recycling agreements while aiming to complete LieNA® JDA activities and formalise a joint venture with Mineral Resources. The Company continues to seek partners for growth across its businesses to achieve its aspirations. This refined direction from when the Company initially issued the Existing Performance Rights is a contributing reason for the cancellation of Existing Performance Rights and for issuing new Performance Rights (subject to shareholder approval).

The Performance Rights will vest in tranches, with the performance condition for each tranche set to appropriately incentivise the executive as the Company advances to execute its strategy. The Board believes it is in the interest of strengthening the interdependence between the Company, as an employer, and the executive for the long-term mutual benefit of both and its shareholders.

The issue of the new Performance Rights will be subject to shareholder approval at the Company's upcoming AGM. Should the issue of the new Performance Rights be approved at the AGM, the Company is proposing to issue a total of 36,000,000 Performance Rights to Simon Linge (or his nominee), which will be issued under the Plan.

Divisions of Lithium Australia



**Lithium Australia Limited**

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# ASX ANNOUNCEMENT



The cancellation of Existing Performance Rights is not conditional on shareholders approving the proposed issue of new Performance Rights to Mr Linge.

Refer Appendix A for the terms and conditions of the proposed Performance Rights.

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. 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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## APPENDIX A - TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

- (a) Each Performance Right shall be issued for nil consideration.
- (b) The Performance Rights will be granted upon application for the Performance Rights pursuant to the Offer.
- (c) Unless and until the Performance Rights are converted and the relevant Shares the subject of conversion are issued to the holder, the holder will have no interest in those Shares.
- (d) Any Performance Rights that have not been converted by 5:00pm AWST on 31 December 2028 (**Expiry Date**) shall expire. A Performance Right not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (e) The performance period of the Performance Rights commences on the date of grant of the Performance Rights and ends at 5:00pm AWST 31 December 2027 (**Performance Period**). As soon as reasonably practicable during the Performance Period, the Board will determine:
  - (i) whether, and to what extent, the Performance Conditions as outlined below have been satisfied;
  - (ii) the number of Performance Rights (if any) that have vested; and
  - (iii) the number of Performance Rights (if any) that will lapse as a result of non-satisfaction of Performance Conditions, and shall provide written notification the holder as to that determination.
- (f) The performance conditions of the Performance Rights are as follows (**Performance Conditions**):

Hurdle	No.	Performance Condition	Vesting
		<i>Performance Rights are subject to satisfaction of Performance Condition, being:</i>	<i>Performance Rights shall vest as follows:</i>
8	6,000,000	(a) Final Investment Decision in scaling the Envirostream battery recycling business (which may include a consolidated Victorian operation, Victorian supersite, or expansion into other states or territories); <b>or</b> (b) the announcement of a strategic transaction in relation to Envirostream, being a transaction that gives material effect to the growth of Envirostream or a transaction in respect of Envirostream that is of material benefit to the Company, with the Board retaining discretion to refuse the performance condition from being declared as met.	Subject to the employee remaining in employment for 12 continuous months of employment from the date of satisfaction of the Performance Condition
9	6,000,000	(a) Final Investment Decision at VSPC during the Performance Period; <b>or</b> (b) the announcement of a strategic transaction in relation to VSPC, being a transaction that gives material effect to the growth of VSPC or a transaction in respect of VSPC that is of material benefit to the Company, with the Board retaining discretion to refuse the performance condition from being declared as met	
10	8,000,000	the LIT share price being sustained at or above \$0.042 VWAP over a consecutive 20-day period (trading days) during the Performance Period	50% immediately upon Performance Condition being met; and

Hurdle	No.	Performance Condition	Vesting
		<i>Performance Rights are subject to satisfaction of Performance Condition, being:</i>	<i>Performance Rights shall vest as follows:</i>
11	8,000,000	the LIT share price being sustained at or above \$0.063 VWAP over a consecutive 20-day period (trading days) during the Performance Period	50% subject to employee remaining in employment for 12 months continuous employment from the date of satisfaction of Performance Condition
12	8,000,000	the LIT share price being sustained at or above \$0.084 VWAP over a consecutive 20-day period (trading days) during the Performance Period	
<b>TOTAL</b>	<b>36,000,000</b>		

,whereby:

- (i) each Performance Condition is available to be satisfied once only during the Performance Period;
  - (ii) each 20-day period (trading days) is available to be used to satisfy one Performance Condition at a time;
  - (iii) satisfaction of the Performance Conditions that relate to share price performance are to be met in consecutive order of Hurdle 10, Hurdle 11, then Hurdle 12 (subsequent tranches available only once previous performance condition is first met); and
  - (iv) for avoidance of doubt, the Performance Condition must be satisfied completely within the Performance Period, and the service condition of remaining in employment for 12 continuous months must be satisfied prior to the Expiry Date.
- (g) The maximum number of Performance Rights which are capable of vesting if the Performance Conditions are met is equal to the number of Performance Rights.
- (h) In the event of vesting conditions being satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Performance Rights have vested. Unless and until the vesting notice is issued by the Company, the Performance Rights will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Performance Rights are not satisfied and/or otherwise waived by the Board, that Performance Rights will lapse.
- (i) To exercise a Performance Rights, the Participant must deliver a signed notice of exercise prior to the earlier of any date specified in the vesting notice and the expiry date of the Performance Rights. More than one signed Notice of Exercise can be delivered by a Participant in relation to a holding of Performance Rights from the date of a Vesting Notice until the earlier of any date specified in the vesting notice and the expiry date as set out in the Offer.
- (j) Within 5 business days after receipt of a notice of exercise, the Company will issue you one Share in respect of each vested Performance Right.
- (k) The Performance Rights will lapse:
- (i) upon Expiry Date, where they have failed to vest; or
  - (ii) in accordance with clause (l).
- (l) Unless clause (n) applies, in the event that the employee resigns during the Performance Period:
- (i) any Performance Rights that have not vested will lapse immediately, unless otherwise determined by the Board; and

- (ii) any Performance Rights that have vested (and are subject to conversion) are required to be exercised within one (1) month of ceasing to be an employee, or expiry date (whichever comes first). Vested Performance Rights that have not been exercised within this period will lapse immediately.
- (m) Each performance Right is non-transferrable.
- (n) In the event that, prior to the Expiry Date:
  - (i) a bona fide Takeover Bid (as defined in the Corporations Act) to acquire Shares is declared unconditional, and the bidder has acquired a Relevant Interest (as defined in the Corporations Act) in at least 50.1% of the Company's issued Shares;
  - (ii) a court approves, under section 411(4)(b) of the Corporations Act, a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
  - (iii) in any other case, a person obtains Voting Power (as defined in the Corporations Act) in the Company that the Board (which for the avoidance of doubt will comprise those Directors immediately prior to the person acquiring that Voting Power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board,and the employee resigns or is terminated from their employment as a result of any one of the above, the Performance Rights will vest immediately, unless otherwise determined by the Board.
- (o) There are no participating rights or entitlements inherent in these Performance Rights and holders of the Performance Rights will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Performance Rights.
- (p) If the issued capital of the Company is reconstructed, all rights of a Performance Right holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (q) The Shares issued and allotted upon conversion of Performance Rights shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
- (r) The Performance Rights will be issued pursuant to the Company's Securities Incentive Plan (**Plan**).