

18 March 2024

Envirostream signs new exclusive battery recycling agreement in Australia with LG Energy Solution

HIGHLIGHTS

- Envirostream has signed a new exclusive three-year agreement with LG Energy Solution to provide battery recycling services in respect of all of its recalled lithium-ion batteries collected in Australia
- LG Energy Solution is a leading battery manufacturer, with a global market share of ~14% as of 2023¹
- The new agreement is expected to significantly increase LIB collection volumes from LG Energy Solution, equating to 140%² of Envirostream's total LIB collection volumes in FY23
- The new agreement has improved commercial terms relative to the prior agreement³, reflecting Envirostream's focus on improving operational outcomes and the standard of service provided to LG Energy Solution
- Envirostream remains focused on executing the strategy of signing recycling agreements with leading EV and ESS^{1,4} manufacturers to secure future lithium-ion battery supply

Lithium Australia Ltd (ASX:LIT) ("**Lithium Australia**" or the "**Company**") is pleased to announce that its wholly owned subsidiary Envirostream Australia Pty Ltd (**Envirostream**) - which is leading Australia's battery recycling industry - has signed a new exclusive three-year recycling agreement ("**Agreement**") with LG Energy Solution to recycle recalled lithium-ion batteries (**LIBs**) in Australia.

LG Energy Solution is one of the world's leading battery manufacturers for electric vehicle (EV) and energy storage system (ESS) and is the largest producer of EV batteries outside of China, holding a global market share of ~14% as of 2023¹.

The Agreement is for an initial 3-year term ending on 10 March 2027. Customary termination rights exist on the occurrence of an insolvency event or any unremedied breach under the Agreement. In addition to recycling revenues received under the Agreement, Envirostream has an opportunity to generate additional revenue from the sale of mixed metal dust back to LG Energy Solution (subject to certain collection

¹ SNE Research, Global Monthly EV and Battery Monthly Tracker (2024)

² Company estimate

³ See ASX announcement, '*Envirostream signs agreement with LG Energy Solution*', 7 September 2022

⁴ EV refers to electric vehicle, ESS refers to energy storage systems

volumes being met), and will otherwise share in the revenue derived from third party sales of mixed metal dust generated from LIBS supplied by LG Energy Solution.

During the term, Envirostream has the exclusive right to provide battery recycling services for LG Energy Solution's LIBs in Australia which are subject to a recall.

The Agreement replaces the prior recycling agreement between the parties which was announced in September 2022⁵. The Agreement is expected to significantly increase Envirostream's large format LIB collection volumes, leading to greater recycling revenues. There are currently ~6,000 units of LG Energy Solution's large-format LIBs ready for Envirostream to collect and process under the Agreement, and a further ~5,000 units anticipated⁶. In total, this represents ~770 tonnes of LIB batteries, or ~140% of Envirostream's total LIB collection volumes in FY23⁷, highlighting the significant LIB collection volume growth the new Agreement brings.

The agreement with LG Energy Solution also highlights Envirostream's continued focus on accelerating growth in collection volumes of large format LIBs, such as those from EVs and ESS, due to their higher margin profile.

The total tonnage of ESS and EV batteries sold is projected to grow between 10% and 40% year on year until 2030⁸, which in turn is expected to result in an increased demand for battery recycling services. This presents a significant market opportunity for Envirostream. Signing exclusive contracts with leading battery manufacturers is a core part of Envirostream's national growth strategy, in line with the Company's previously identified key priorities of FY24. Envirostream looks forward to leveraging this momentum to win new market leading clients.

Comment from Lithium Australia CEO and Managing Director, Simon Linge

"We are very excited to announce this new Agreement signed with LG Energy Solution, a world leading battery manufacturer for EVs and ESS around the globe. The signing of this Agreement extends the already strong relationship with LG Energy Solution, who shares our vision for sustainable recycling of lithium-ion batteries.

Our strategic roadmap identified the importance of signing long term agreements with tier 1 EV and ESS manufacturers. We see agreements of this type as key to moving our recycling operations to being cash flow positive and allowing us to grow our capabilities nationally. We are pleased that the first of these agreements is with LG Energy Solution and look forward to announcing further agreements with other tier 1 manufacturers."

⁵ See ASX announcement, 'Envirostream signs agreement with LG Energy Solution', 7 September 2022

⁶ ACCC, Proposed compulsory recall of dangerous LG solar storage batteries (2024)

⁷ Reference to 770 tonnes is the Company's estimate based on 6,000 units of LG Energy Solution's large-format LIBs

⁸ Battery Stewardship Council, Battery Market Analysis (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.