

31 January 2024

## Lithium Australia Quarterly Activities Report

### HIGHLIGHTS

- **338 tonnes of batteries collected during the quarter including 89 tonnes of large-format lithium-ion batteries (LIBs), representing a 179% increase relative to the prior corresponding period (pcp)**
- **Completed recycling process optimisation work resulting in up to 25% greater mixed metal dust (MMD) yield per tonne of lithium-ion battery processed**
- **Announced sale of the Company's remaining interest in the Lake Johnston Lithium Project for A\$2.0m to Charger Metals NL ('Charger'), with the transaction completed subsequent to quarter end**
- **Significant progress made in joint development agreement (JDA) with Mineral Resources ('MinRes'), with drawdowns received and agreed activities under way**
- **Strong cash and listed investments position at 31 December 2023 of A\$6.6m, with A\$2.9m received subsequent to quarter end from Charger and MinRes**

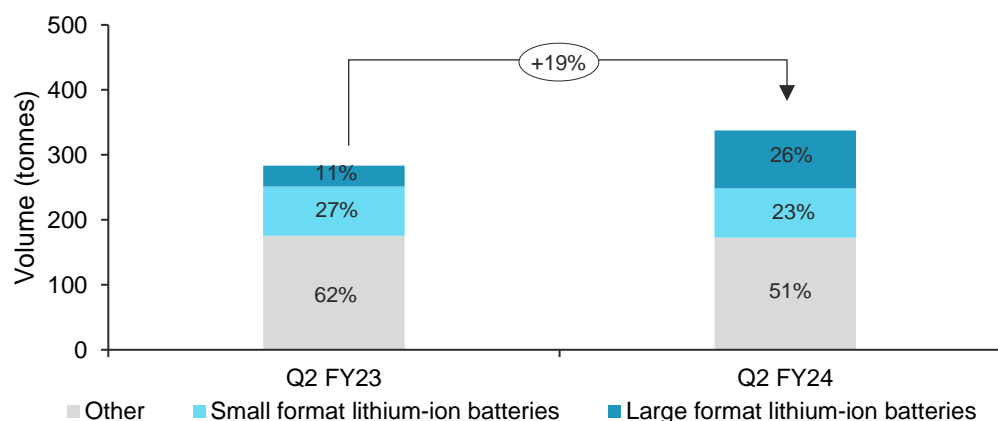
Lithium Australia Ltd (ASX:LIT) ("**Lithium Australia**" or the "**Company**") is pleased to release its quarterly business update and Appendix 4C for the period ended 31 December 2023 ("**Q2 FY24**").

### GROWING LARGE-FORMAT LIB COLLECTION VOLUMES

During Q2 FY24, a total of 338 tonnes of batteries were collected for recycling, representing a 19% increase on the pcp (see Figure 1). There has been significant growth in large-format LIB collections, driven by the strong partnerships the Company has developed with tier 1 electric vehicle (EV) and energy storage system (ESS) manufacturers. As a result, large-format LIB collections totalled 89 tonnes during the quarter, representing a 179% increase relative to the pcp. Large-format LIBs represent the most efficient battery type for recycling primarily due to the simpler logistics, and provide MMD, which generates downstream sales revenue.

Lithium Australia will continue to place a strategic focus on driving growth of LIB collection volumes through the signing of more recycling agreements with large original equipment manufacturers (OEMs).

**Figure 1. Recycling collection volumes (tonnes)**



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

65 tonnes of MMD was sold during the quarter, an increase of 15% on the pcg, with sales of MMD to two new customers completed during the quarter. Due to a decline in global prices for metals such as cobalt and nickel, the Company experienced a reduction in MMD demand early in the quarter however demand increased again at the end of the quarter and has continued into CY2024.

Continued growth of LIB collection volumes and process improvements are expected to increase revenues. In particular, the process optimisation works implemented alongside Sustainability Victoria during CY23 have delivered increased MMD yield per tonne by up to 25%, higher than the expected 15% uplift. The increase in yield will help drive stronger margins as collection volumes increase.

Lithium Australia achieved a cash gross profit of A\$235k during the quarter (cash gross profit margin: 16%). The Company has now achieved a cash gross profit for 6 consecutive quarters, paving the way to cashflow breakeven for the recycling business.

During the quarter, the Company completed the delivery of leading safety systems at the Laverton North facility, including the installation of advanced fire walls across all battery storage areas, ensuring consistent safety standards across all facilities.

During the quarter, Steven Marshall officially commenced as the General Manager of the recycling division. Steven has had an extensive career in the recycling industry and has already been driving new initiatives within the Company’s recycling operations.

**Comment from Lithium Australia CEO and Managing Director, Simon Linge**

*"We are excited to see volumes of large-format LIBs grow during the quarter as we continue to execute our strategy to target this battery type via partnerships with EV and ESS manufacturers. Volume growth and process improvements in MMD yield are key to our goal of achieving cashflow breakeven within the recycling business."*

*"We continued to make strong progress under the JDA with MinRes, having completed a second drawdown from the convertible note, while also appointing the lead engineer for the demonstration plant engineering study subsequent to the quarter end. The Company is committed to rapidly progressing alongside MinRes, to ultimately achieve full-scale commercialisation of the patented LieNA® technology."*

**SALE OF LAKE JOHNSTON LITHIUM PROJECT**

During the quarter, Lithium Australia announced that it had entered into a binding agreement with Charger Metals NL (ASX:CHR) ("**Charger**") for the sale of the Company's remaining 30% interest in the Lake Johnston Lithium Project ("**Acquisition Agreement**"). In consideration for the sale of the remaining 30% interest in the Lake Johnston Lithium Project, Charger agreed to pay Lithium Australia A\$2.0m in cash (excluding GST). The payment was structured with a A\$0.15m non-refundable exclusivity payment paid within two business days of signing the Acquisition Agreement, and A\$1.85m on completion. Subsequent to quarter end, the Company announced the completion of the Acquisition Agreement, following the receipt of A\$2.03m (A\$1.85m plus GST).

The sale of the Lake Johnston Lithium Project highlights the Company's focus on core operations of battery recycling, lithium chemicals, and battery materials. The proceeds from the transaction, combined with the Company's investments, enables Lithium Australia to execute on its key growth objectives.

**STRONG PROGRESS MADE IN JDA WITH MINERAL RESOURCES**

During Q2 FY24, Lithium Australia successfully drew down initial 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 initial drawdown of A\$0.9m covered agreed activities relating to the LieNA® technology.

Subsequent to quarter end, Lithium Australia announced that it had successfully made a second drawdown of A\$0.8m from the convertible note. In addition, the Company announced that it has appointed Carnac Project Delivery Services Pty Ltd as lead engineer for the demonstration plant engineering study.

Under the Agreement, MinRes will fund the Company on a quarterly basis in advance, adjusted for a reconciliation from the prior quarter. These planned activities build upon the progress made during Q2 FY24, including the assessment of spodumene samples provided by MinRes, preparation of piloting plant equipment and progressing a formal tendering process for the engineering study.

## MOU WITH FIRST PHOSPHATE

During the quarter, Lithium Australia announced the signing of a memorandum of understanding (MOU) with First Phosphate Corp. (CSE:PHOS) ("**First Phosphate**"). The MOU is regarding the potential development of a lithium iron phosphate (LFP) and lithium manganese iron phosphate (LMFP) cathode active material manufacturing plant in North America. The term of the MOU is two years commencing on the date of signing, or such later date as is agreed in writing between the parties.

## CORPORATE UPDATE

The Company has a strong cash and listed investments position of A\$6.6m at 31 December 2023, with A\$2.9m in cash received subsequent to quarter end from sale of Lake Johnston Lithium and from the second drawdown from MinRes.

Listed investment sales during the quarter included the full disposal of shares held in Galan Lithium Limited (ASX: GLN) and partial disposal of shares held in Charger Metals NL (ASX: CHR) and Evion Group NL (ASX: EVG). Total proceeds from disposal of listed investments in Q2 FY2024 were approximately A\$1.0m.

The Company's Annual General Meeting of shareholders was held on 28 November 2023. With the exception of Resolution 3 (Buy-Back of Acuity Collateral Shares), all resolutions were passed.

## 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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## **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 Nations 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\$164,000
- This includes payments of directors' remuneration for services to the economic entity	A\$164,000
- 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
<b>Quoted</b>	
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
<b>Unquoted</b>	
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 December 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,442	2,954
1.2 Payments for		
(a) research and development	(567)	(1,001)
(b) product manufacturing and operating costs	(1,207)	(2,458)
(c) advertising and marketing	(118)	(256)
(d) leased assets	-	-
(e) staff costs	(1,553)	(3,272)
(f) administration and corporate costs	(576)	(1,539)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	37
1.5 Interest and other costs of finance paid	(11)	(43)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	502	606
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,072)</b>	<b>(4,972)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(477)	(822)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(270)	(394)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	13	36
	(d) investments	1,263	1,318
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>529</b>	<b>138</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	919	919
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	(103)	(208)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>816</b>	<b>711</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,670	9,047
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,072)	(4,972)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	529	138



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	816	711
4.5	Effect of movement in exchange rates on cash held	(12)	7
4.6	<b>Cash and cash equivalents at end of period</b>	<b>4,931</b>	<b>4,931</b>

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	4,931	5,670
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,931</b>	<b>5,670</b>

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	164
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>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,072)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,931
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,931
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.4
<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: n/a	
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: n/a	
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: n/a	
<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: 31 January 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.