

31 July 2023

Lithium Australia Quarterly Report June 2023

HIGHLIGHTS

- **319 tonnes of mixed batteries collected during the quarter, with a record total of 1,347 tonnes for FY23, representing an increase of 24% on FY22**
- **Fourth consecutive quarter of cash gross profit achieved of A\$241k, totalling A\$1.2m for FY23¹**
- **Due to strong market demand, the development plan for LFP² production has grown from targeting a 200-300tpa³ capacity plant to a 2,000-3,000tpa plant**
- **Progressing advanced commercial discussions with leading Australian entities regarding disruptive lithium extraction technology LieNA[®]**
- **Strengthened intellectual property portfolio through patents granted in China and Europe, for LieNA[®] and SiLeach[®] 2nd generation technology, respectively**
- **Strong cash position with cash and listed investments of A\$15 million, underpinned by cost-saving initiatives to drive operational efficiencies**

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 30 June 2023 (“**Q4 FY23**”).

STRONG GROWTH IN BATTERY RECYCLING VOLUMES

During the quarter, a total of 319 tonnes of mixed batteries was collected for recycling, with a record total of 1,347 tonnes for FY23, representing an increase of 24% on FY22. In particular, large format and small format lithium-ion batteries experienced significant growth of 41% and 80% respectively, highlighting the increase in recycling volumes of higher margin battery types. The growth in battery collection volumes was largely driven by B-cycle, the Australian government-backed battery recycling scheme, as well as partnerships with key industry brands such as LG Energy Solution. Lithium Australia aims to continue growing battery collection volumes in FY24 through securing additional partnerships with tier 1 electric vehicles and energy storage services manufacturers, as well as the B-cycle scheme.

¹ Derived from the Quarterly Cash Flow Report: *Receipts from customers less product manufacturing and operating costs. Also includes sales and production costs related to the Soluna business.*

² Lithium ferro phosphate

³ Tonnes per annum

ACN: 126 129 413
ASX: LIT

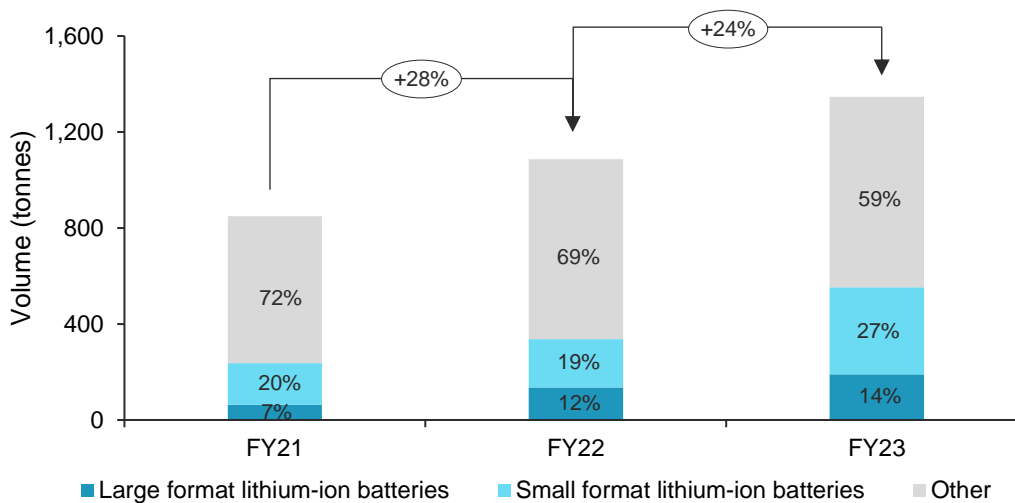
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Figure 1. Annual recycling volumes (tonnes)



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

A cash gross profit of A\$241k was recorded during the quarter by generating increased operating leverage, achieving higher revenues on a lower cost base. The Company successfully reduced ongoing costs by removing a third leased property in Victoria. The cash gross profit result represents a significant improvement of A\$307k relative to the cash gross loss of A\$(66)k⁴ recorded in the same quarter last year. In FY23, the Company achieved a cash gross profit of A\$1.2m, a significant improvement relative to the cash gross loss of A\$(1.3)m in FY22.

The recycling operations also achieved significant productivity improvements during the quarter through improvements in the recycling process made in partnership with Sustainability Victoria. The process optimisations have resulted in significant uplift of recycled copper quality, which the Company expects will increase the value of recovered copper by up to 60% based on recent commercial offers. Furthermore, the optimisations and process improvements are also expected to increase final mixed metal dust (“MMD”) output by 15%, representing a significant uplift in MMD yield to drive further operating leverage.

The Company is pleased to report various safety improvements were also achieved during the quarter through the installation of additional fire walls and cultural development at the Laverton North facility. The safety of staff is paramount to the Company, which remains an ongoing and continued focus.

The Company has been informed by EPA Victoria that the recycling division’s operating license was incorrectly issued for a period of 99 years, when such operating licenses may not remain in force for a period of over 20 years. This change does not impact the Company’s current and planned recycling operations, or the validity and terms of the license.

⁴ Derived from Appendix 5B: Receipts from customers less production costs. Also includes sales and production costs related to the Soluna business.

INCREASING PLANT CAPABILITY DUE TO DEMAND

Due to strong industry demand, Lithium Australia has grown the development plan of its LFP and LMFP⁵ production from a pre-qualification pilot plant, with a capacity of 200-300tpa towards a much larger qualification plant, with an approximately 10 times larger capacity of 2,000-3,000tpa. This expansion is underpinned by continued growing demand for Lithium Australia product, with cathode material samples requested by several potential large-scale customers across different geographic locations for assessment. Potential customers have begun testing to assess the quality, performance, and suitability of the cathode materials for their specific battery applications. If the completed test work proves that Lithium Australia's cathode materials are compatible to their applications, opportunities will be explored to establish deeper and more substantial partnerships with these potential customers.

PROGRESSING ADVANCED COMMERCIAL DISCUSSIONS WITH LEADING AUSTRALIAN ENTITIES

Lithium Australia is currently in progressed discussions with relevant Australian entities in order to source a potential partner to fund the development and operation of a pilot plant and engineering study for the Company's patented LieNA[®] technology. The LieNA[®] technology has the potential to enhance lithium extraction yields by up to 50%⁶ over current market performance, and the partnership is aimed at accelerating the technology's pathway to commercialisation.

INCREASED INTELLECTUAL PROPERTY PORTFOLIO

The Company continues to strengthen its broader intellectual property ("IP") portfolio through additional patents involving lithium extraction. During the quarter, a Chinese patent application was granted for LieNA[®] 2nd generation. In addition, the Company's patent application for SiLeach[®] 2nd generation technology has also been allowed in Europe. The patented LieNA[®] and SiLeach[®] technologies are designed to extract lithium from fine and low-grade ores, providing the potential to materially increase mine output and efficiency, while also increasing profitability for lithium mine operators. A strong and protected lithium extraction IP portfolio is core to the Company's commercialisation strategy, given the large potential upside for miners.

STRONG BALANCE SHEET

As at 30 June 2023, the Company has a strong balance sheet with cash and listed investments of A\$15 million and no debt⁷. The Company has prioritised cost savings and implemented key measures, including the aforementioned recent closure of a Melbourne recycling site and consolidation of the Perth office. Lithium Australia has also restructured its executive leadership team, with a clear focus on defining roles and responsibilities to maximise the core capabilities within the team.

⁵ Lithium manganese ferro phosphate

⁶ Assumes existing mine concentrator is 60%: 60% to 90% Li recovery increase assumes LieNA[®] recovers 75% of lithium units going to tails

⁷ Refer to Quarterly Cash Flow Report for cash balances

Comment from Lithium Australia Chief Executive Officer, Simon Linge

“During FY23 LIT has achieved significant improvements in operating leverage - our disciplined approach has generated a cash gross profit for the recycling division, with additional growth expected in coming quarters given the significant improvements achieved in our recycling process.

With substantial cash and liquid investments, we are well-funded to effectively execute on our strategic plans. Our cost-saving initiatives aims to enhance operational efficiency and contribute to sustained profitability for the group, with a key focus placed on optimising our recycling division.

I am excited about the future prospects for LIT. With a solid foundation, exceptional partnerships and a dedicated team, we are well-positioned to capitalise on the growing demand for lithium-ion batteries. By driving innovation and prioritising sustainability, we aim to create a more sustainable future.”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

During the quarter, Lithium Australia further developed its ESG roadmap, defining gaps in its policies and practices to align with ESG standards. The Company is committed to ongoing ESG compliance and remains on track with the standard and policies set out. Refer to Appendix 1 for further details.

CORPORATE ACTIVITIES

During the quarter, the Company completed the sale of 70% its holding in the Lepidolite Hill Lithium Project to Eastern Resources (ASX:EFE) and announced the retainment of it's holding in the Lake Johnston Lithium Project. The Company also released an Unmarketable Parcel Sale facility to consolidate the Company's share register.

Authorised for release by the Board.

Simon Linge

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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 lithium-ion battery recycler, develops leading-edge processing technology to produce lithium ferro phosphate (LFP), and develops 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	#
Safety	Year to date lost time injury incidents	2
People	Agreements with First Nation's Peoples at Quarter end	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

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	Member of the Audit & Risk Committee Chair of Remuneration & Nominations 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	\$53,000
- This includes payments of directors' remuneration for services to the economic entity	\$53,000
- Payment to directors' associates for services provided to the economic entity	\$nil

Securities on issue as at 30 June 2023

Class	Number
Quoted	
Ordinary shares (ASX: LIT)	1,221,191,672
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
Unquoted	
Performance Rights (various expiry dates)	144,250,000

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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,508	5,137
1.2 Payments for		
(a) research and development	(567)	(3,523)
(b) product manufacturing and operating costs	(1,267)	(3,906)
(c) advertising and marketing	(128)	(413)
(d) leased assets	-	-
(e) staff costs	(1,256)	(5,822)
(f) administration and corporate costs	(487)	(2,153)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	32	91
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	423	2,061
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,742)	(8,528)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(227)	(1,058)
(d) investments	(29)	(89)
(e) intellectual property	-	-
(f) other non-current assets	(60)	(620)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	16	42
	(d) investments	156	2,968
	(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)	-	(14)
2.6	Net cash from / (used in) investing activities	(144)	1,229

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	13,010
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(730)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(182)	(697)
3.7	Transaction costs related to loans and borrowings	(5)	(37)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(187)	11,546

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,113	4,848
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,742)	(8,528)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(144)	1,229

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(187)	11,546
4.5	Effect of movement in exchange rates on cash held	7	(48)
4.6	Cash and cash equivalents at end of period	9,047	9,047

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	9,047	11,113
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)	9,047	11,113

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	53
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,742)
8.2 Cash and cash equivalents at quarter end (item 4.6)	9,047
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	9,047
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.2
<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:	
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:	
<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 July 2023

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.