

7 August 2023

Lithium Australia signs landmark joint development agreement with Mineral Resources

HIGHLIGHTS

- Lithium Australia signs joint development agreement with leading ASX-listed mining company Mineral Resources (ASX:MIN) (“MinRes”) related to disruptive lithium extraction technology LieNA[®]
- MinRes has extensive operations in lithium and mining services across Western Australia, with a market capitalisation of A\$13.6bn¹
- MinRes will solely fund the development and operation of a pilot plant up to the total budgeted cost of A\$4.5 million and provide raw materials for the pilot plant at no cost to Lithium Australia, with Lithium Australia to contribute its LieNA[®] technology
- Subject to the results of the pilot plant, MinRes and Lithium Australia will form a 50:50 joint venture to own and commercialise the LieNA[®] technology through a licensing model
- MinRes can elect to sole fund, develop and operate a demonstration scale plant under a license agreement with the joint venture
- This licence will apply to current and future projects of MinRes and is based on a targeted headline gross product royalty rate of 8.0% with a first mover discount applied

Background

Lithium Australia Limited (ASX:LIT) (‘Lithium Australia’, or ‘the Company’) is pleased to announce that the Company has entered a joint development agreement (“Agreement”) with leading ASX-listed mining company Mineral Resources Ltd (“MinRes”).

MinRes is a leading ASX-listed mining company, with a growing world-class portfolio of mining operations across multiple commodities, including lithium and iron ore. MinRes has a market capitalisation of ~A\$13.6bn¹ and in FY22, recorded revenue of A\$3.4bn and produced over 450k DMT of spodumene concentrate for lithium extraction².

Under the Agreement, MinRes will solely fund the development and operation of a pilot plant and an engineering study for a demonstration plant up to the total budgeted cost of A\$4.5 million, and will also supply the required raw materials to support the extraction process at no cost to Lithium Australia. Lithium Australia will contribute its patented

¹ As at 4 August 2023

² MinRes Q4 Quarterly Exploration and Mining Activities Report released 28 July 2022

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LieNA[®] technology, which has the potential to enhance lithium extraction yields by up to 50%³ over current market performance, and will manage the pilot plant's production process.

Lithium Australia's patented extraction technology is underpinned by recovering lithium from fine and low-grade spodumene, which is usually disposed of as waste streams, improving mining efficiency, sustainability and potential profitability.

On successful completion of the pilot plant operations and engineering study, MinRes' convertible note will convert into equity in a new joint venture ("JV") between MinRes and Lithium Australia. Lithium Australia and MinRes will each have a 50% interest in the JV entity, which will wholly own the LieNA[®] technology going forward.

The JV plans to license the LieNA[®] technology to third-parties at a target headline gross product royalty rate of 8%⁴. The royalty model materially expands Lithium Australia's addressable market as it has the potential to capture a fee on all tonnage processed via any mine utilising the LieNA[®] technology.

The JV will initially license the LieNA[®] technology to a larger demonstration plant which MinRes can elect to independently fund, develop, and operate. The larger plant will aim to extract lithium salt at a commercial scale under the licence. The licence will apply to current and future projects of MinRes and the royalty payable by MinRes under the licence is based on a discount to the headline royalty rate above in acknowledgement of MinRes' first mover position.

MinRes is an optimal strategic partner for Lithium Australia, as it mines substantial quantities of lithium at its own operations. Early target jurisdictions for licencing include Western Australia and North America, with potential for expansion into Europe and Africa as well.

Comment from Lithium Australia Chief Executive Officer, Simon Linge

"We are thrilled by the formation of a new partnership with Mineral Resources, one of Australia's largest and most prominent mining companies. MinRes is the perfect partner to complement our leading lithium extraction technology, given its extensive owned operations and strategic movement downstream into the battery materials sector.

Securing a development partner is also noted as a significant step within Lithium Australia's recently released roadmap and serves as a powerful validation of our patented technology. We are excited by the future opportunity to licence our proven high-value technology to all existing and new lithium mines across Australia and the rest of the world."

The material terms of the joint development agreement are summarised above. The funding arrangements are comprised of a convertible note in a special purpose vehicle

³ Assumes existing mine concentrator is 60%: 60% to 90% Li recovery increase assumes LieNA[®] recovers 75% of lithium units going to tails

⁴ The Company cautions that although it considers this to be a reasonable expectation, there is no guarantee that this rate will be achieved

incorporated by Lithium Australia for the purposes of the JV. MinRes has been issued the convertible note with a purchase price of A\$4.5 million, on an interest-free basis and an 18month term. If the Stage 1 Activities are completed successfully, MinRes' convertible note will convert to equity and the parties will form the 50:50 JV. If the Stage 1 Activities are not completed successfully and MinRes elects not to convert to equity, then the JV entity will pay MinRes 50% of the value of the LieNA® technology (as agreed or otherwise determined by an expert) as repayment of the purchase price under the convertible note.

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 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.

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