



LITHIUM AUSTRALIA LIMITED

ACN 126 129 413

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

CORPORATE DIRECTORY

Directors

Simon Linge	Managing Director and CEO (Appointed Managing Director on 21 August 2023)
George Bauk	Non-Executive Chair
Kristie Young	Non-Executive Director
Phil Thick	Non-Executive Director

Executive Management

Stuart Tarrant	Chief Financial Officer
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Joint - Company Secretary

Catherine Grant-Edwards
Melissa Chapman

Registered Office and Principal Place of Business

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Kew VIC 3101

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E: info@lithium-au.com

Bank

National Australia Bank
100 St Georges Terrace
Perth WA 6000

Auditors

Hall Chadwick WA Audit Pty Ltd (Hall Chadwick)
283 Rokeby Road
Subiaco WA 6008

Share Registry

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009

T: +61 8 9389 8033

Website

www.lithium-au.com

Investor Hub

<https://investorhub.lithium-au.com/>

Stock Exchange Listing

Lithium Australia Limited securities are listed on Australian Securities Exchange (ASX Codes: LIT, LITOA, LITOB)

DIRECTORS' REPORT

The Directors present their report on Lithium Australia Limited ("LIT", "Lithium Australia" or the "Company") and its controlled entities (the "Group") for the year half-year ended 31 December 2023.

Board of Directors

The names and details of the Group's directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Simon Linge	Managing Director & CEO (Appointed Managing Director on 21 August 2023)
George Bauk	Non-Executive Chair
Kristie Young	Non-Executive Director
Phil Thick	Non-Executive Director

Results of operations

The operating loss after income tax of the Group for the half-year ended 31 December 2023 was \$4,542,545 (31 December 2022: loss of \$1,572,090).

No dividend has been paid during or is recommended for the financial period ended 31 December 2023.

The Group's working capital surplus, being current assets less current liabilities was \$2,418,303 at 31 December 2023 (30 June 2023: working capital surplus of \$10,261,445).

In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

REVIEW OF OPERATIONS

Battery Recycling

Lithium Australia operates a revenue generating battery recycling division through its fully owned subsidiary Envirostream Australia Pty Ltd, Australia's leading and only battery recycler which processes batteries domestically. Collected batteries are processed at the Company's state-of-the-art facilities based in Victoria. The Company has secured its future supply for battery collections through strong partnerships, while also benefitting from the Australian government-backed battery recycling scheme, B-cycle, which provides rebates across the collection, sorting, and processing of batteries.

Key events during the period include:

- 752 tonnes of batteries collected during H1 FY24, increasing 14% relative to H1 FY23
- 345 tonnes of lithium-ion batteries (LIBs) were collected during H1 FY24, increasing 27% relative to H1 FY23
- Recycling revenues of A\$2.6m in H1 FY24, increasing 11% relative to H1 FY23 however a decline in global metal prices such as cobalt and nickel reduced Mixed Metal Dust (MMD) revenues
- Completed recycling process optimisation work resulting in up to 25% greater MMD yield per tonne of LIBs processed
- Productivity and safety improvements made at recycling facilities, including the installation of new fire walls at the Laverton North facility
- Significant progress made in relation to signing supply agreements with major EV/ESS manufacturers to secure future LIB supply

Patented Technologies

Lithium Chemicals

Lithium Australia has developed a suite of unique extraction and refining technologies for the recovery of lithium chemicals from un-used fine and low-grade lithium ores. The Company's LieNA[®] patented technology has the potential to enhance lithium extraction yields by up to 50%¹ over current market performance. The technology specifically targets fine and low-grade ores, which are usually disposed of as waste streams, improving mining output, efficiency, sustainability and ultimately profitability for lithium mine operators. Lithium Australia is executing on its strategy to commercialise this technology through joint development partnerships.

Key events during the period include:

- Landmark joint development agreement ("JDA") signed with Mineral Resources Limited (ASX: MIN) ("MinRes") related to disruptive lithium extraction technology LieNA[®]
- Lithium Australia successfully drew down initial funding of A\$0.9m from the A\$4.5m convertible note issued by MinRes, with funds allocated to agreed JDA activities relating to the LieNA[®] technology
- Subsequent to the half-year period, Lithium Australia confirmed a second drawdown of A\$0.8m from the convertible note and appointed Carnac Project Delivery Services as the lead engineer for the demonstration plant engineering study

Battery Materials

Lithium Australia has over 20 years' experience in developing lithium ferro phosphate (LFP), a cathode active material used for battery manufacturing, through the Company's fully owned subsidiary VSPC Pty Ltd. The Company utilises a proprietary production process to manufacture LFP at scale. The same propriety production process is also able to produce lithium manganese ferro phosphate (LMFP), which can reach an energy density 15% to 20% higher than LFP batteries, with minimal difference in the cost of material inputs. The Company aims to commercialise the LFP / LMFP technology through joint development partnerships with relevant global parties.

Key events during the period include:

- Lithium Australia's LFP cathode active material shown to match, or exceed, leading competitor products based on testing by NOVONIX
- Lithium Australia announced the signing of a memorandum of understanding (MOU) with First Phosphate Corp. (CSE: PHOS), in relation to the potential development of an LFP / LFMP cathode active material manufacturing plant in North America
- Progressed business development activities, exploring opportunities to engage with joint development partners for commercialisation

Corporate

During H1 FY24, the following corporate activities were conducted:

- Successfully closed the unmarketable parcel sale facility announced in Q4 FY23
- Announced promotion of Mr. Simon Linge to the Company's Board as Managing Director, in addition to his ongoing role as Chief Executive Officer (CEO)
- Signed binding agreement with Charger Metals NL (ASX: CHR) for the sale of Lithium Australia's remaining interest in the Lake Johnston Lithium Project for a A\$2.0m cash consideration (with sale completed subsequent to the period)
- Disposal of non-core listed and unlisted investments totalling cash inflows of A\$1.3m.

¹ Relates to LieNA[®]. Assumes existing mine concentrator is 60%: 60% to 90% Li recovery increase assumes LieNA[®] recovers 75% of lithium units going to tails.

DIRECTORS' REPORT (Cont.)

Subsequent events

- On 11 January 2024, the Company completed the sale of its remaining 30% interest in the Lake Johnston Lithium Project to Charger Metals NL (ASX: CHR) ("Charger"). The sale resulted in a total cash consideration of A\$2.0m, consisting of an initial A\$0.15m non-refundable exclusivity payment (received during the period to 31 December 2023) and the balance of A\$1.85m received on completion.
- On 15 January 2024, the Company drew down additional funding from the A\$4.5m convertible note, issued by MinRes as part of the joint development agreement entered into on the 7 August 2023. The drawdown of ~A\$0.8m, received in January 2024, will cover agreed activities under the agreement from 1 January 2024 until the end of Q3 FY24, with funds allocated to piloting activities and the engineering study relating to the LieNA® technology.
- On 1 February 2024, the Group received A\$1.2m cash for the research and development ("R&D") tax incentive rebate from the Australian Tax Office for the 2023 financial year.
- As at 26 February 2024, the increase/(decrease) in share price had the following effect on the fair value of the investments held:

INVESTMENT	SHARE PRICE AT 31 DECEMBER 2023	SHARE PRICE AT 26 FEBRUARY 2024	INCREASE/ (DECREASE) IN SHARE PRICE	NUMBER OF SHARES HELD*	INCREASE/ (DECREASE) IN FAIR VALUE
Charger Metal (ASX: CHR) ¹	\$0.165	\$0.125	(\$0.040)	7,600,000	(\$304,000)
Evion (ASX: EVG) ¹	\$0.034	\$0.025	(\$0.009)	12,262,571	(\$110,363)
Imagine Lithium (TSX: ILI) ²	\$0.055	\$-	-	-	-
					(\$414,363)

¹No change in number of shares held. ² Subsequent to the period end the 500,000 Imagine Lithium shares were disposed of.

There are no other events subsequent to 31 December 2023 and up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

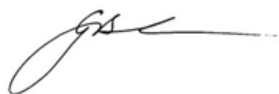
Unmarketable Parcel Sale Facility

In May 2023, Lithium Australia established an unmarketable parcel sale facility ('UMPSF') for shareholders who held less than \$500 worth of fully paid ordinary shares in the Group. The UMPSF was closed in July 2023 with the final number of shares eligible to be sold being 46,819,251 from a total of 7,253 shareholders. This will benefit the Group, as it reduces the administrative costs associated with maintaining a large number of small shareholdings on the share register.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, Hall Chadwick, to provide the Directors of the Group with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2023.

This report is made in accordance with a resolution of the Directors.



George Bauk
Non-executive Chair

Dated at Perth this 27th day of February 2024

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit Director for the review of the financial statements of Lithium Australia Limited for the half year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated 27th day of February 2024
Perth, Western Australia

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2023

		Half-year ended 31-Dec-2023	Half-year ended 31-Dec-2022
	Note	\$	\$
Revenue from continuing operations		2,584,792	2,322,779
Cost of sales		(2,360,206)	(1,718,729)
Gross profit		224,586	604,050
Finance income		36,894	30,119
Other income	2	2,215,378	5,876,921
Laboratory/plant expense		(322,116)	(1,087,426)
Employee benefits expense		(4,382,591)	(3,622,035)
Selling and distribution expense		(431,459)	(341,434)
Administration costs		(1,104,232)	(883,771)
Depreciation and amortisation		(734,099)	(1,664,924)
Finance costs	3	(44,926)	(8,567)
Other expenses		-	(475,023)
Loss before income tax		(4,542,565)	(1,572,090)
Income tax expense		-	-
Loss from continuing operations		(4,542,565)	(1,572,090)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operation		-	700
Items that may not be reclassified subsequently to profit or loss:			
Net fair value gain/(loss) on financial assets		(3,305,018)	892,027
Total comprehensive loss for the year		(7,847,583)	(679,363)
Loss for the year attributable to:			
Members of the controlling entity		(4,542,168)	(1,566,474)
Non-controlling interest		(397)	(5,616)
		(4,542,565)	(1,572,090)
Total comprehensive loss attributable to:			
Members of the controlling entity		(7,847,186)	(673,747)
Non-controlling interest		(397)	(5,616)
		(7,847,583)	(679,363)
Basic loss per share (cents per share)		(0.37)	(0.14)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		31 December 2023	30 June 2023
	Note	\$	\$
Current assets			
Cash and cash equivalents		4,930,666	9,047,417
Trade and other receivables		2,520,270	1,008,355
Inventory		778,083	733,745
Financial assets	4	2,140,757	6,564,460
Assets classified as held for sale		144,000	-
Total current assets		10,513,776	17,353,977
Non-current assets			
Capitalised exploration expenditure		-	144,000
Intangible assets		4,665,653	4,562,733
Right of use asset		1,231,424	1,210,780
Property, plant and equipment		2,375,637	1,811,817
Total non-current assets		8,272,714	7,729,330
TOTAL ASSETS		18,786,490	25,083,307
Current liabilities			
Trade and other payables		2,772,917	2,463,846
Lease liability		634,337	669,312
Provisions	5	3,746,145	3,959,374
Loans and borrowings	6	942,074	-
Total current liabilities		8,095,473	7,092,532
Non-current liabilities			
Lease liability		640,493	616,239
Provisions	5	11,956	11,833
Total non-current liabilities		652,449	628,072
TOTAL LIABILITIES		8,747,922	7,720,604
NET ASSETS		10,038,568	17,362,703
Equity			
Issued capital		99,835,467	99,796,467
Reserves		1,305,846	3,044,199
Accumulated losses		(90,296,022)	(84,671,637)
Controlling entity interest		10,845,291	18,169,029
Non-controlling interest		(806,723)	(806,326)
TOTAL EQUITY		10,038,568	17,362,703

The above statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2023

Half year ended 31 December 2023	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Other Reserves ^(a)	Accumulated Losses	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2023	99,796,467	613,446	38,275	2,392,478	(84,671,637)	(806,326)	17,362,703
Loss for the year	-	-	-	-	(4,542,168)	(397)	(4,542,565)
Other comprehensive income							
Net fair value gain/(loss) on financial assets	-	-	-	-	-	-	-
Effects of exchange rates on foreign currency translation	-	-	-	(3,305,018)	-	-	(3,305,018)
Total comprehensive loss for the period	-	-	-	(3,305,018)	(4,542,168)	(397)	(7,847,583)
Transaction with owners directly recording in equity:							
Issue of shares	-	-	-	-	-	-	-
Exercise of performance rights	39,000	(39,000)	-	-	-	-	-
Expiry of options	-	(23,461)	-	-	23,461	-	-
Issue/amortisation of performance rights	-	523,448	-	-	-	-	523,448
Transfer from investment revaluation reserve	-	-	-	1,105,678	(1,105,678)	-	-
Balance at 31 December 2023	99,835,467	1,074,433	38,275	193,138	(90,296,022)	(806,723)	10,038,568

(a) Other reserves consist of investment revaluation reserve, equity reserve and convertible note reserve

The above statement of changes of equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2023

Half year ended 31 December 2022	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Other Reserves ^(a)	Accumulated Losses	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	88,454,942	690,549	38,230	1,132,841	(78,463,886)	(639,707)	11,212,969
Loss for the year	-	-	-	-	(1,566,474)	(5,616)	(1,572,090)
Other comprehensive income							
Net fair value gain/(loss) on financial assets	-	-	700	-	-	-	700
Effects of exchange rates on foreign currency translation	-	-	-	892,027	-	-	892,027
Total comprehensive loss for the year	-	-	700	892,027	(1,566,474)	(5,616)	(679,363)
Transaction with owners directly recording in equity:							
Issue of shares	13,005,203	-	-	934,666	-	-	13,939,869
Capital raising costs	(1,664,178)	-	-	-	-	-	(1,664,178)
Issue/amortisation of performance rights	-	19,015	-	-	-	-	19,015
Transfer from investment revaluation reserve	-	-	-	(396,430)	885,346	-	488,916
Options exercised	500	-	-	-	-	-	500
Options converted	-	-	-	4,644	-	-	4,644
Balance at 31 December 2022	99,796,467	709,564	38,930	2,567,748	(79,145,014)	(645,323)	23,322,372

(a) Other reserves consist of investment revaluation reserve, equity reserve and option reserve.

The above statement of changes of equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2023

		Half-year ended 31 December 2023	Half-year ended 31 December 2022
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers		3,774,503	2,222,736
Payments to suppliers and employees		(9,451,812)	(8,532,583)
Proceeds from Government grants and tax incentives		605,817	1,003,204
Interest received		36,894	28,737
Interest and other costs of finance paid		(42,898)	-
Net cash used in operating activities		(5,077,496)	(5,277,906)
Cash flows from investing activities			
Purchase of property, plant and equipment		(822,066)	(555,145)
Proceeds from sale of property, plant and equipment		35,824	811
Payment for intangible assets		(393,614)	(426,452)
Proceeds from sale of financial assets		1,167,616	811,928
Proceeds from disposal of interest in tenements		150,000	2,000,000
Payments for other financial assets		-	(53,745)
Net cash from investing activities		137,760	1,777,397
Cash flows from financing activities			
Proceeds from financial liabilities		919,393	-
Payments for lease liabilities		(103,676)	(142,918)
Proceeds from issue of shares		-	13,025,703
Payments for capital raising costs		-	(744,869)
Transaction costs related financing activities		-	(7,912)
Net cash from financing activities		815,717	12,130,004
Net (decrease)/(increase) in cash held		(4,124,019)	8,629,495
Cash and cash equivalents at the beginning of the period		9,047,417	4,848,069
Effects of exchange rates on consolidation of foreign subsidiary		7,268	8,175
Cash and cash equivalents at the end of the period		4,930,666	13,485,739

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (Cont.)

These consolidated financial statements and notes represent those of Lithium Australia Limited and its controlled entity ("Lithium Australia" or the "Group"). Lithium Australia Limited is a public liability company, incorporated and domiciled in Australia.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements for the period ended 31 December 2023 were approved and authorised for issue by the Board of Directors on 27 February 2024.

1. Statement of significant accounting policies

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The half-year financial report is a general-purpose financial statement, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The half-year financial report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report of Lithium Australia Limited as at 30 June 2023 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The half-year financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2023.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the half year ended 31 December 2023, the Group incurred a loss of \$4,542,565 (31 Dec 2022: \$1,572,090) and net cash outflows from operating and investment activities of \$4,939,736 (31 Dec 2022: \$3,500,509 net cash outflows). As at balance date the Group had a working capital surplus of \$2,418,303 (30 June 2023: \$10,261,445 surplus).

The Directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

2. Other Revenue

	Half-year ended 31 Dec 2023	Half-year ended 31 Dec 2022
	\$	\$
Government grants and tax incentives	2,012,286	1,135,013
Tenement sale option fees	150,000	3,000,000
Reversal of provision	-	1,715,000
Miscellaneous income	53,092	26,908
	2,215,378	5,876,921

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (Cont.)

3. Finance Costs

	Half-year ended 31 Dec 2023	Half-year ended 31 Dec 2022
	\$	\$
Financial liabilities not measured at FVTPL	22,245	8,567
Financial liabilities at FVTPL	22,681	-
Total Finance Costs	44,926	8,567

4. Financial Assets

	31 Dec 2023	30 June 2023
	\$	\$
Listed and unlisted asset carrying value at the beginning of the period	6,564,460	5,423,470
Acquisitions during the period / year	-	80,000
Consideration on disposal of interest in tenements	-	1,000,000
Disposals during the period / year	(1,167,616)	(818,363)
Costs associated with disposals	48,931	8,934
Fair value adjustments during the period / year	(3,305,018)	870,419
Listed and unlisted asset carrying value at the end of the period	2,140,757	6,564,460

5. Provisions

	31 December 2023	30 June 2023
	\$	\$
Employees entitlements	405,032	618,138
Remediation (i)	3,328,069	3,328,069
Rehabilitation provision (ii)	25,000	25,000
	3,758,101	3,971,207
Current	3,746,145	3,959,374
Non-Current	11,956	11,833
	3,758,101	3,971,207

- (i) Envirostream Australia Pty Ltd, a subsidiary of the Group, has been served writs in regard to statements of claims concerning damage caused by a fire at 31 Colbert Road, Campbellfield, Victoria, on 19 January 2019. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a best estimate has been made of the amount of the obligation. These claims are currently being managed by Envirostream's insurance Group and the Group expects some or all of the provision to be reimbursed. The Group has not recognised a separate asset and will only do so when the reimbursement is virtually certain.
- (ii) The Group's rehabilitation programs for two areas at its Ravensthorpe Project. As at 31 December 2023, the Company estimates the cost of the rehabilitation programs to be \$25,000.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (Cont.)

6. Loans and Borrowings

	31 December 2023	30 June 2023
	\$	\$
Financial liability at FVTPL (i)	942,074	-

- (i) On 7 August 2023, the Group entered a joint development agreement ("Agreement") related to disruptive lithium extraction technology LieNA®, with leading ASX-listed mining company Mineral Resources Ltd ("MinRes"). 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 LieNA® technology, which has the potential to enhance lithium extraction yields by up to 50% over current market performance and will manage the pilot plant's production process.

The Company, via its wholly owned subsidiary LieNA Pty Limited, entered into a convertible note deed with a 'Purchase Price' of \$4,500,000. The \$4,500,000 will be paid following draw down notices issued to MinRes. The note matures on 31 January 2025. Prior to maturity date, the investor may elect to convert the note at the earlier of full drawdown of \$4,500,000 or the project meeting specified milestones. Upon conversion, the full \$4,500,000 converts into 50% of the shares on issue in LieNA Pty Ltd at the date of the conversion notice. At 31 December 2023, \$919,393 has been received in cash (31 December 2022: Nil).

7. Operating segments

Lithium Australia has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Lithium Australia is managed primarily on the basis of operation and technology development which includes Lithium Chemicals, Battery Materials and Battery Recycling. Operating segments are considered to have similar economic characteristics.

Types of reportable segments:

- (i) **Battery Recycling** (via wholly owned subsidiary Envirostream Australia Pty Limited)

The research and development of processing technology for mixed-battery recycling, as well as the sale of recovered energy metals is reported in this segment. The Group, shreds and recycles all types of end-of-life batteries at its Melbourne facilities. Its proprietary process involves recovery of energy metals as a mixed metal dust ('MMD'), which is then exported for further refining.

- (ii) **Battery Materials** (via wholly owned subsidiary VSPC Pty Limited)

The research and development of advanced, world-leading battery materials including lithium ferro phosphate ('LFP') and lithium manganese ferro phosphate ('LMFP').

- (iii) **Lithium Chemicals**

The research and development of a suite of extraction and refining technologies for the recovery of lithium chemicals from various materials, including spodumene, lithium micas and end of life lithium-ion batteries.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (Cont.)

7. Operating segments (Continued)

Half-year ended 31 December 2023	Battery Recycling	Battery Materials	Battery Chemicals	Unallocated	Total
	\$	\$	\$	\$	\$
Total Income	2,584,792	-	-	-	2,584,792
EBITDA	(1,280,863)	812,389	(109,387)	(3,222,573)	(3,800,434)
Depreciation & amortisation expense	(278,377)	(302,778)	-	(152,944)	(734,099)
	(1,559,240)	509,611	(109,387)	(3,375,517)	(4,534,533)
EBIT					
Net finance income	-	-	-	(8,032)	(8,032)
Reportable segment profit/(loss) before income tax	(1,559,240)	509,611	(109,387)	(3,383,549)	(4,542,565)

31 December 2023	Battery Recycling	Battery Materials	Battery Chemicals	Unallocated	Total
	\$	\$	\$	\$	\$
Total segment assets	6,075,485	2,069,186	3,527,931	7,113,888	18,786,490
Segment liabilities	5,503,100	325,406	942,378	1,977,038	8,747,922
Acquisition of assets*	840,243	468,381	-	-	1,308,624

*Acquisitions include property, plant and equipment and intangibles.

Half-year ended 31 December 2022	Battery Recycling	Battery Materials	Battery Chemicals	Unallocated	Total
	\$	\$	\$	\$	\$
Total Income	2,322,779	-	-	-	2,322,779
EBITDA	837,475	(944,480)	18,046	160,241	71,282
Depreciation & amortisation expense	(592,462)	(867,648)	-	(204,814)	(1,664,924)
EBIT	245,013	(1,812,128)	18,046	(44,573)	(1,593,642)
Net finance income	-	-	-	21,552	21,552
Reportable segment profit/(loss) before income tax	245,013	(1,812,128)	18,046	(23,021)	(1,572,090)

30 June 2023	Battery Recycling	Battery Materials	Battery Chemicals	Unallocated	Total
	\$	\$	\$	\$	\$
Total segment assets	5,085,623	871,466	3,922,751	15,203,467	25,083,307
Segment liabilities	5,433,190	341,230	5,192	1,940,992	7,720,604
Acquisition of assets*	483,167	415,528	-	151,545	1,050,239

*Acquisitions include property, plant and equipment and intangibles.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (Cont.)

8. Share based payments

Details of Performance Rights outstanding under the plans at balance date are as follows:

Expiry Date	Balance at 1 July 2023	Granted	Lapsed	Converted	Balance at 31 December 2023
31/08/2023	1,000,000	-	-	(1,000,000)	-
04/01/2024	2,000,000	-	-	-	2,000,000
11/10/2026	3,000,000	-	-	-	3,000,000
30/11/2026	36,750,000	-	-	-	36,750,000
31/12/2026	101,500,000	20,000,000	(12,500,000)	-	109,000,000
Total	144,250,000	20,000,000	(12,500,000)	(1,000,000)	150,750,000

Fair value of equity instruments granted during the period

The weighted average fair value of the equity instruments granted during the period is \$0.016 (Year to 30 June 2023: \$0.022). Equity instruments were priced using a modified Black-Scholes option pricing model or Monte Carlo Simulation. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 3 years. To allow for effects of early exercise, it was assumed that executives would exercise the options after vesting date when the share price is/was at a premium to the exercise price.

The inputs to the model are listed below.

Grant date share price
Exercise price
Expected volatility
Performance Right life
Dividend yield
Risk-free interest rate
Fair value (average of hurdles)

Employees
\$0.055
\$-
74.6%
3.4 years
0.00%
3.76%
\$0.016

Performance Rights vesting conditions

The vesting conditions for the Performance Rights are:

Expiry Date: 04/01/2024:

- **Performance Condition 1** – VSPC DFS Completion;
- **Performance Condition 2** – VSPC Commencement of construction;

Expiry Date: 11/10/2026:

- **Performance Condition 1** – the LIT share price achieving a 20-day VWAP at or above \$0.15;
- **Performance Condition 2** – the LIT share price achieving a 20-day VWAP at or above \$0.20;

Expiry Date: 30/11/2026:

- **Performance Condition 1** – the LIT share price being sustained at or above \$0.10 VWAP over a consecutive 20-day period (trading days) during the Performance Period, and shall vest subject to the director remaining as an appointed director for 12 continuous months from the date of satisfaction of Performance Condition 1;
- **Performance Condition 2** – the LIT share price being sustained at or above \$0.15 VWAP over a consecutive 20-day period (trading days) during the Performance Period, and shall vest subject to the director remaining as an appointed director for 12 continuous months from the date of satisfaction of Performance Condition 2;
- **Performance Condition 3** – the LIT share price being sustained at or above \$0.20 VWAP over a consecutive 20-day period (trading days) during the Performance Period, and shall vest subject to the director remaining as an appointed director for 12 continuous months from the date of satisfaction of Performance Condition 3;
- **Performance Condition 4** – the LIT share price being sustained at or above \$0.25 VWAP over a consecutive 20-day period (trading days) during the Performance Period, and shall vest subject to the director remaining as an appointed director for 12 continuous months from the date of satisfaction of Performance Condition 4;

Expiry Date: 31/12/2026:

- **Performance Condition 1** – the LIT share price being sustained at or above \$0.10 VWAP over a consecutive 20-day period (trading days) during the Performance Period, and shall vest subject to the employee remaining in employment for 12 continuous months of employment from the date of satisfaction of Performance Condition 1;
- **Performance Condition 2** – the LIT share price being sustained at or above \$0.15 VWAP over a consecutive 20-day period (trading days) during the Performance Period, and shall vest subject to the employee remaining in employment for 12 continuous months of employment from the date of satisfaction of Performance Condition 2;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (Cont.)

- **Performance Condition 3** – the LIT share price being sustained at or above \$0.20 VWAP over a consecutive 20-day period (trading days) during the Performance Period, and shall vest subject to the employee remaining in employment for 12 continuous months of employment from the date of satisfaction of Performance Condition 3;
- **Performance Condition 4** – the LIT share price being sustained at or above \$0.25 VWAP over a consecutive 20-day period (trading days) during the Performance Period, and shall vest subject to the employee remaining in employment for 12 continuous months of employment from the date of satisfaction of Performance Condition 4;
- **Performance Condition 5** – Envirostream being operating cash flow positive for a rolling 6 month period during the Performance Period, and shall vest subject to the employee remaining in employment for 12 continuous months of employment from the date of satisfaction of Performance Condition 5;
- **Performance Condition 6** – Final Investment Decision at VSPC during the Performance Period, and shall vest subject to the employee remaining in employment for 12 continuous months of employment from the date of satisfaction of Performance Condition 6; and
- **Performance Condition 7** – Envirostream being EBIT positive for a rolling 6 month period during the Performance Period, and shall vest subject to the employee remaining in employment for 12 continuous months of employment from the date of satisfaction of Performance Condition 7.

9. Subsequent events

- On 11 January 2024, the Company completed the sale of its remaining 30% interest in the Lake Johnston Lithium Project to Charger Metals NL (ASX: CHR) (“Charger”). The sale resulted in a total cash consideration of A\$2.0m, consisting of an initial A\$0.15m non-refundable exclusivity payment (received during the period to 31 December 2023) and the balance of A\$1.85m received on completion.
- On 15 January 2024, the Company drew down additional funding from the A\$4.5m convertible note, issued by MinRes as part of the joint development agreement. The drawdown of ~A\$0.8m, received in January 2024, will cover agreed activities under the agreement from 1 January 2024 until the end of Q3 FY24, with funds allocated to piloting activities and the engineering study relating to the LiENA® technology.
- On 1 February 2024, the Group received A\$1.2m cash for the research and development (“R&D”) tax incentive rebate from the Australian Tax Office for the 2023 financial year.
- As at 26 February 2024, the increase/(decrease) in share price had the following effect on the fair value of the investments held:

INVESTMENT	SHARE PRICE AT 31 DECEMBER 2023	SHARE PRICE AT 26 FEBRUARY 2024	INCREASE/ (DECREASE) IN SHARE PRICE	NUMBER OF SHARES HELD*	INCREASE/ (DECREASE) IN FAIR VALUE
Charger Metal (ASX: CHR) ¹	\$0.165	\$0.125	(\$0.040)	7,600,000	(\$304,000)
Evion (ASX: EVG) ¹	\$0.034	\$0.028	(\$0.009)	12,262,571	(\$110,363)
Imagine Lithium (TSX: ILI) ²	\$0.055	\$-	-	-	-
					(\$414,363)

¹No change in number of shares held. ² Subsequent to the period end the 500,000 Imagine Lithium shares were disposed of.

There are no other events subsequent to 31 December 2023 and up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

DIRECTORS

The Directors of Lithium Australia Limited declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including compliance with accounting standards and:
 - (a) comply with Accounting Standards AASB 134: *Interim Financial Reporting*; and
 - (b) give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the period ended on that date; and
2. At the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to S.295(5) of the Corporations Act 2001.



George Bauk
Non-executive Chair

Dated at Perth this 27th day of February 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LITHIUM AUSTRALIA LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Lithium Australia Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lithium Australia Limited and Controlled Entities does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated 27th day of February 2024
Perth, Western Australia

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