

13 December 2022

Lithium Australia enters binding agreement for the sale of the Greenbushes South Lithium Project

HIGHLIGHTS

- Lithium Australia and Galan have entered into a binding agreement, with Galan to acquire Lithium Australia's remaining 20% interest in the Greenbushes South Lithium Project.
- Galan to issue Lithium Australia \$1,000,000 worth of fully paid ordinary shares in the capital of Galan and a cash payment of \$2,000,000 as consideration for the sale of the Greenbushes South Lithium Project.
- Galan grants a first right of refusal for offtake of up to 20% of Galan's share of lithium produced by the Greenbushes South Lithium Project to Lithium Australia for future commercial production of lithium ferro phosphate.
- Joint venture partnership between Lithium Australia and Galan to terminate on completion of the sale of Greenbushes South Lithium Project.

Background

Lithium Australia Limited (ASX: LIT) ('**Lithium Australia**', or 'the **Company**') is pleased to advise it has entered into a binding agreement with Galan Lithium Ltd (ASX: GLN) ('**Galan**') for the sale of the Company's remaining 20% interest in the Greenbushes South Lithium Project ('**Agreement**').

Under the Agreement, the Company has agreed to sell, and Galan has agreed to acquire:

- (a) the Company's remaining 20% interest in the Greenbushes South Lithium Project tenements (including the tenements currently subject to application); and
- (b) the Company's remaining 20% participating interest under the Original Acquisition and JV Agreement (refer below for details).

The Company will receive the following from Galan in consideration for the sale of the remaining 20% interest in the Greenbushes South Lithium Project:

- (a) fully paid ordinary shares in the capital of Galan to the value of \$1,000,000 ('**Consideration Shares**'); and
- (b) a cash payment in the amount of \$2,000,000 ('**Cash Consideration**').

The number of Consideration Shares to be issued to the Company will be calculated based on the volume weighted average price of Galan shares traded on the ASX for the 5 trading days preceding the date of completion of the sale of the Greenbushes South Lithium Project.

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Completion of the sale transaction will be subject to, amongst other things, the issue of the Consideration Shares, payment of the Cash Consideration and the Company providing Galan with a duly executed and registrable transfer for each of the tenements comprising the Greenbushes South Lithium Project, free of any security interests or encumbrances.

As part of the Agreement, Galan has also granted Lithium Australia a conditional first right of refusal over certain lithium product produced from the tenements. The first right of refusal covers lithium product equal to the lower of:

- 20% of Galan's share of lithium product produced on the relevant tenements for the term of the agreement reached for the offtake, should a binding agreement be reached; and
- the lithium product required by Lithium Australia to produce lithium metal phosphate product through a commercial facility(s) in which Lithium Australia has an ownership interest of 25% or more.

To qualify for the first right of refusal, Lithium Australia must make a financial investment decision announcement prior to 31 December 2029 to construct a commercial facility to produce lithium metal phosphate cathode powders.

Comment from Lithium Australia Chief Financial Officer, Stuart Tarrant

"Our primary focus areas are the growth of our battery recycling division and commercialisation of lithium ferro phosphate ('LFP') cathode powders.

A key risk for LFP production is the availability of lithium chemicals, which have the potential to become scarce as demand increases for EVs in the future. Importantly, this Agreement provides the Company with rights for lithium chemicals from the Greenbushes South Lithium Project, defined under the Original Acquisition and JV Agreement.

Converting the prior investment into listed equity ensures that any upside generated by Galan for the Greenbushes South Lithium Project can be more readily realised should there be an opportunity to advance a core project of the Company."

Summary of Original Acquisition and JV Agreement

On 13 January 2021, the Company and Galan entered into the Letter Agreement – Acquisition and Joint Venture ('**Original Acquisition and JV Agreement**').

Under the Original Acquisition and JV Agreement, Galan acquired from LIT:

- (a) an 80% interest in certain tenements comprising the Greenbushes South Lithium Project; and
- (b) an 80% interest in LIT's contractual rights to lithium in certain tenements comprising part of the Greenbushes South Lithium Project.

ASX ANNOUNCEMENT



The Original Acquisition and JV Agreement will terminate on and from completion of the Acquisition Agreement.

The sale of its remaining interest in the Greenbushes South Lithium Project is in line with the Company's continued transition since 2014 from exploration to lithium processing and recycling.

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 (ASX:LIT) is at the forefront of advanced materials development to ensure an ethical and sustainable future for the global battery industry. Lithium Australia is achieving this via its business divisions:

Envirostream (100%-owned LIT subsidiary): Envirostream, which is leading Australia's battery recycling industry, is at the cutting edge of delivering safe and innovative management solutions to one of the Australian waste industry's biggest (and getting bigger) challenges – battery disposal.

Its state-of-the-art Victorian-based battery processing facilities are providing a sustainable solution by collecting, sorting and processing critical battery metals from all types of spent batteries to power the batteries of tomorrow.

With battery recycling partnerships alongside some of Australia's leading brands (including Bunnings, Officeworks and Battery World), Envirostream benefits from the Australian government-backed battery recycling scheme which is providing rebates across collection, sorting, and processing of batteries. These combined provide the platform for national expansion.

VSPC (100%-owned LIT subsidiary): With over 20 years' experience, VSPC develops leading-edge materials for e-mobility and energy storage applications and, ultimately, a zero-carbon economy. Its patents cover the production of advanced powders for next generation lithium-ion batteries, especially lithium ferro phosphate ('LFP').

Currently, demand for LFP represents more than half the global market for lithium-ion battery materials. The Company is one of only a few entities outside of China with the technical expertise to manufacture LFP powder of the highest quality to meet those burgeoning market pressures.

VSPC is now on a clear path to production. With a Research & Development (R&D) facility (pilot plant) located in Queensland, a Definitive Feasibility Study ('DFS') for an initial 10,000tpa LFP manufacturing facility is well underway, and with customer offtake discussions advancing in parallel, VSPC is positioning for its first commercial footprint.