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Lithium Australia enters binding agreement for the sale of the Lake Johnston Lithium Project

ACN: 126 129 413
ASX: LITLevel 1
677 Murray St
West Perth WA 6005PO Box 1088
West Perth WA 6872P: +61 (0) 8 6145 0288
F: +61 (0) 8 9475 0847info@lithium-au.com
lithium-au.com

HIGHLIGHTS

- Lithium Australia and Charger Metals have entered into a binding agreement, with Charger Metals to acquire Lithium Australia's remaining 30% interest in the Lake Johnston Lithium Project.
- Charger Metals to issue Lithium Australia 7,000,000 fully paid ordinary shares in the capital of Charger Metals as consideration for the sale of the Lake Johnston Lithium Project.
- Charger Metals grants a first right of refusal for offtake of up to 30% of lithium produced by the Lake Johnston Lithium Project to Lithium Australia for future commercial production of lithium ferro phosphate.
- Completion of the acquisition of the Lake Johnston Lithium Project will be subject to approval from Charger Metals' shareholders at an upcoming general meeting.

Background

Lithium Australia Limited (ASX: LIT) ('Lithium Australia', or 'the Company') is pleased to advise it has entered into a binding agreement with Charger Metals NL (ASX: CHR) ('Charger Metals', or 'Charger') for the sale of the Company's remaining 30% interest in the Lake Johnston Lithium Project ('Acquisition Agreement').

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

- (a) the Company's remaining 30% interest in the Lake Johnston Lithium Project tenements; and
- (b) the Company's remaining 30% interest in the contractual rights to the lithium in the tenements comprising the Lake Johnston Lithium Project.

In consideration for the sale of the remaining 30% interest in the Lake Johnston Lithium Project, Charger will issue the Company 7,000,000 fully paid ordinary shares in the capital of Charger ('Consideration Shares'). These Consideration Shares represent a value of \$2.9M based on the previous closing price of Charger Metals.

Completion of the Acquisition Agreement will be subject to, amongst other things, the receipt of an independent expert's report by Charger, opining that the acquisition of the remaining 30% interest in the Lake Johnston Lithium Project is fair and reasonable.

As at the date of this announcement, the Company holds a relevant interest of 15.5% in Charger. As the issue of the Consideration Shares will bring the Company's relevant

interest in Charger to 24.0%, the issue of the Consideration Shares to the Company will require the approval of Charger's shareholders at its upcoming meeting pursuant to Item 7 of Section 611 of the *Corporations Act 2001* (Cth) and ASX Listing Rule 10.1. The application of mandatory ASX-escrow to the Consideration Shares remains to be determined.

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

- 30% of the 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.

There have been no other changes to the Original Acquisition and JV Agreement (refer below for details) related to the Coates Ni-Cu-PGE-Project or the Bynoe Lithium and Gold Project.

Comment from Lithium Australia Chief Executive Officer, Simon Linge

“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 Acquisition Agreement maintains the Company's rights for lithium chemicals from the Lake Johnston Lithium Project, defined under the Original Acquisition and JV Agreement.

Converting the prior investment into listed equity ensures that any upside generated by Charger for its Lake Johnston, Bynoe and Coates projects 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 4 December 2020, the Company and Charger entered into the Acquisition and Joint Venture Agreement (which was subsequently amended by the Amended and Restated Letter Agreement – Acquisition and Joint Venture dated 16 April 2021) (**Original Acquisition and JV Agreement**).

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

- (a) a 70% interest in certain tenements comprising the Coates Ni-Cu-PGE-Project, the Bynoe Lithium and Gold Project and the Lake Johnston Lithium Project

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(except that Charger acquired a 100% interest in E63/1903 comprising part of the Lake Johnston Lithium Project); and

- (b) a 70% interest in LIT's contractual rights to lithium in certain tenements comprising part of the Lake Johnston Lithium Project.

The Company believes the sale of its remaining interest in the Lake Johnston Lithium Project is in line with its continued transition since 2014 from exploration to lithium processing and recycling.

Authorised for release by the Board.

Simon Linge

Chief Executive Officer

Mobile +61 (0) 438 721 280

Simon.Linge@lithium-au.com

Stuart Tarrant

Chief Financial Officer

Mobile +61 (0) 467 817 005

Stuart.Tarrant@lithium-au.com

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.