



LITHIUM AUSTRALIA LIMITED

ACN 126 129 413

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

For personal use only

CORPORATE DIRECTORY

Directors

Simon Linge	Managing Director (Appointed CEO on 1 January 2023, Appointed Managing Director on 21 August 2023)
George Bauk	Non-Executive Chairman
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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West Perth WA 6005

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Bank

National Australia Bank
100 St Georges Terrace
Perth WA 6000

Auditors

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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

Stock Exchange Listing

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

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CHAIRMAN'S LETTER

Dear shareholders

It is my pleasure to present Lithium Australia's FY23 Annual Report.

This year has seen radical changes in the investment landscape, with a significant increase in interest rates posing new challenges to both our economy and our Group. I am pleased to say that due to our hard work and clearly defined strategic plan, we have achieved our operational objectives. During the year, we have made immense operational progress across all three of our business verticals: Lithium Chemicals, Battery Materials, and Battery Recycling. I believe the Group is well-positioned to accelerate its growth in FY24 and I am excited about our future prospects.

Subsequent to the year end, we signed a landmark deal with leading ASX-listed mining company Mineral Resources Ltd (ASX: MIN) ('MinRes') to jointly develop our patented LieNA® technology with the aim of commercialisation across the mining industry. MinRes will provide operational expertise, funding, and raw materials, while Lithium Australia will contribute our patented LieNA® technology, forming a strong partnership. We are very excited about the potential opportunities this partnership can bring and look forward to collaborating with an established market leader such as MinRes.

Our Battery Recycling vertical, Envirostream, continues to thrive, solidifying its position as Australia's leading battery recycler. Throughout the year, we collected a record 1,347 tonnes of mixed batteries for recycling, a 24% increase on the previous year. We also enhanced the mix of collected battery types, with an 80% increase in higher-margin small format lithium-ion batteries compared to the previous year. The strong growth in collections was driven by key partnerships we have cultivated over the years, including B-cycle, LG Energy Solutions, and many large-scale EV and ESS manufacturers.

In addition to the collection volumes growth, the Battery Recycling division achieved its maiden cash gross profit of \$1.2 million, a significant improvement over the previous year's cash gross loss of \$(1.3) million, demonstrating our ability to generate operating leverage, and we hope to achieve even stronger results in FY24.

During the year, we made tremendous strides in commercialising our LFP production technology, which was independently assessed and validated by leading battery materials and technology Group, NOVONIX (ASX: NVX). NOVONIX tested our LFP cathode powder against numerous competitor products, with Lithium Australia's LFP emerging as the most stable of all tested samples, while also demonstrating a long-lifetime cell design. This validation highlights our ability to produce commercial-grade LFP, a critical milestone as we expand our business operations and establish ourselves as a leading LFP producer outside of China. Currently, the LFP market is dominated by China, which accounts for almost all of the world's current production. This poses significant supply chain risks to international customers who cannot rely on a single country in a post-pandemic environment.

We also completed an engineering study in FY23 for a pre-qualification pilot plant, initially targeting a capacity of 200-300 tonnes per annum. However, due to strong demand, we expanded the development plan to a facility with a 10-fold larger targeted capacity of 2,000-3,000 tonnes per annum. This expansion underscores the strong demand for non-Chinese produced LFP, with many large-scale entities requesting samples of our products for internal assessment. We remain excited by the potential of our LFP production technology and are well-positioned to capitalise on the growing global trend.

Lithium Australia remains committed to delivering on its ESG roadmap, aiming to facilitate the global transition to sustainable electrification. Not only have we implemented robust ESG governance throughout the organisation, but we have also identified key ESG metrics that we will report in ongoing disclosures to ensure our progress. By reducing toxic chemicals and waste at mine sites, increasing the use of recycled material in batteries, and developing safe and sustainable methods for producing LFP, Lithium Australia remains on the path to both financial and environmental success.

During the year, Simon Linge commenced his role of CEO within the organisation. In this brief period, Simon has already demonstrated strong commercial acumen, and the board has been impressed with his operational expertise and dedicated mindset leading to his recent promotion to Managing Director.

I am excited by the opportunities that lie ahead for our Group. We are at the forefront of the global trend toward electrification and are well-positioned to capitalise on the shift toward a more sustainable future. We are well funded and have a diverse portfolio of de-risked assets, alongside a talented and passionate workforce. I would like to extend my gratitude to our employees for their ongoing dedication, as well as to my fellow directors. As always, I would also like to thank all our shareholders for their continued support and look forward to the coming year.



George Bauk

Non-Executive Chairman

DIRECTORS' REPORT

The Directors present their report on Lithium Australia Limited ('LIT' or the "Group") and its controlled entities (the "Group") for the year ended 30 June 2023 (the "year").

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	Appointed CEO on 1 January 2023 / Managing Director on 21 August 2023
George Bauk	Non-Executive Chairman	
Kristie Young	Non-Executive Director	
Phil Thick	Non-Executive Director	

Information on Directors

Simon Linge (Managing Director)

Qualifications

BEco (Hons), MAICD

Experience

Mr Linge has over 30 years' experience in manufacturing, logistics and infrastructure. Mr Linge has held multiple senior leadership positions. These included an executive role at Pact Group, a leader in the circular economy focused on minimising waste through packaging, reuse, and recycling solutions. He also served as Managing Director & CEO of Bradken Limited, a global manufacturer of designed alloyed steel components, with a primary focus on the mining sector. Prior to these roles, Mr Linge also held senior executive positions with BlueScope throughout Australia, Asia, New Zealand, and USA.

Other directorships in listed entities held in the past three years

None

George Bauk (Non-Executive Chairman)

Qualifications

BBus, MBA, FCPA, GAICD

Experience

Mr Bauk is an experienced Group director with over 15 years' experience as a listed Group director in Australia with the resources industry in both production and exploration with assets in Western Australia, Australia and internationally. He is an experienced executive, with 30 years' experience in the resources industry. Mr Bauk holds a Bachelor of Business (Accounting and Finance) from Edith Cowan University, is a Fellow of the CPA and has an MBA from the University of New England. Mr Bauk has held global operational and corporate roles with WMC Resources and Western Metals. Mr Bauk has a strong background in strategic management, business planning, building teams, finance and capital/debt raising, and experience with a variety of commodities in particular rare earths, gold and industrial minerals. During his time as Managing Director of Northern Minerals Ltd, he led its rapid development from a greenfields heavy rare earth explorer to one of a few global producers of high value dysprosium outside of China. Mr Bauk is a passionate member of the WA resources industry having previously held a number of senior governing positions with the Chamber of Minerals and Energy including Vice President.

Corporate governance committee roles

Member of the Audit & Risk Committee

Member of the Remuneration & Nominations Committee

Other directorships in listed entities held in the past three years

Non-Executive Chairman – Evion Group NL

Executive Director – PVW Resources Limited

Executive Chairman – Valor Resources Limited

Non-Executive Director – Firetail Resources Limited (Appointed 6 September 2023)

Non-Executive Chairman – Gascoyne Resources Limited (Resigned 31 January 2022)

DIRECTORS' REPORT (continued)

Information on Directors (continued)

Kristie Young (Non-Executive Director)

Qualifications

BEng (Hons) Mining, Post Grad Dip (Education), GAICD

Experience

Ms Young has a unique background with more than 20 years' experience across technical engineering, project evaluation, strategy, business development, growth, marketing, commercial, client management, governance and human resources. Ms Young previously held senior growth and business development director roles with leading professional services firms PwC and EY. Ms Young is Non-Executive Director of Tesoro Resources Ltd (ASX: TSO), Corazon Mining Ltd (ASX:CZN) and Brazilian Rare Earths Ltd. Ms Young holds a Bachelor of Engineering (Mining) Hons from the University of Queensland, is a Graduate of the Australian Institute of Directors and a Fellow of the AusIMM.

Corporate governance committee roles

Chair of the Audit & Risk Committee

Member of the Remuneration & Nominations Committee

Other directorships in listed entities held in the past three years

Non-Executive Director – Tesoro Resources Limited

Non-Executive Director – Corazon Mining Limited (Appointed 1 September 2023)

Non-Executive Chairperson – ChemX Materials Limited (Resigned 3 February 2023)

Non-Executive Director – Primero Group Limited (Delisted 24 February 2021)

Phil Thick (Non-Executive Director)

Qualifications

BE (Hons), FAICD, FIEAust

Experience

Phil Thick has over 30 years' senior executive experience in oil and gas, mining and chemical processing in large multinational companies, smaller ASX listed companies and privately owned companies. In addition, Mr Thick has extensive experience in Non-Executive Director roles and has chaired many of those boards for extended periods. Mr Thick had a 20-year career with Shell in Australia and overseas and for the last 3 years was Downstream Director on the Board of Shell Australia. This was followed by 5 years as a director and CEO of Coogee Chemicals and then 4 years as CEO of New Standard Energy. Prior to joining the Group, Mr Thick led Tianqi Lithium Australia, a subsidiary of Tianqi Lithium Corp out of China, one of the world's largest lithium companies. Tianqi owns 51% of the Greenbushes mine in Western Australia, the world's best hard-rock lithium resource, and Mr Thick was charged with building the world's largest lithium hydroxide plant in Kwinana south of Perth, an investment of nearly A\$1billion. Mr Thick also chairs the boards of the Chamber of Arts and Culture WA and Perth Symphony Orchestra.

Corporate governance committee roles

Chair of the Remuneration & Nominations Committee

Member of the Audit & Risk Committee

Other directorships in listed entities held in the past three years

Non-Executive Chairman – Patriot Lithium Limited (Appointed 9 December 2022)

Joint Company Secretary

Catherine Grant-Edwards and Melissa Chapman

Experience

Ms Melissa Chapman (Certified Practicing Accountant (CPA), AGIA/ACIS, GAICD) and Ms Catherine Grant-Edwards (Chartered Accountant (CA)) are directors of Bellatrix Corporate Pty Ltd (Bellatrix), a company that provides company secretarial and accounting services to a number of ASX listed companies. Between them, Ms Chapman and Ms Grant-Edwards have over 30 years' experience in the provision of accounting, finance and company secretarial services to public listed resource and private companies in Australia and the UK, and in the field of public practice external audit.

DIRECTORS' REPORT (continued)

Principal activities

The principal activities of the Group during the financial year were to lead and enable the global transition to sustainable lithium production. The Group 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.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Results of operations

The operating loss after income tax of the Group for the year ended 30 June 2023 was \$7,406,066 (2022: loss of \$20,752,379).

The operating loss for the year ended 30 June 2022 included impairment of intangible assets of \$7,681,637. Please refer to note 12 for further details.

The Group's working capital surplus, being current assets less current liabilities was \$10,261,445 at 30 June 2023 (2022: working capital deficit \$1,832,344). The working capital deficit for year ended 30 June 2022 included legal claims against the group of \$5,043,069 relating to a fire at the premises of Envirostream Australia Pty Ltd, a wholly owned subsidiary for the Group. It is expected that insurances are sufficient to meet the liabilities. Please refer to note 16 for further details.

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.

Dividends

There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2023 (30 June 2022: Nil).

REVIEW OF OPERATIONS

Overview

About Lithium Australia

Lithium Australia Limited ('Lithium Australia' or 'the Group') aims to lead and enable the global transition to sustainable lithium production. The Group is aiming to achieve this through the development of patented lithium extraction technologies, creating leading-edge processing technology to produce lithium ferro phosphate (LFP), and the operation of Australia's market leading lithium-ion battery recycler. Lithium Australia is well-placed, via its patented technologies and revenue-generating recycling business, to capitalise on favourable market dynamics including the continued global demand growth for input and lithium-ion batteries and growing diversification and adoption of alternatives within global lithium supply chains.

Leadership and management

Following an extensive global executive search, Mr Simon Linge was appointed as CEO of Lithium Australia in September 2022 and officially commenced in January 2023. This appointment followed Mr Adrian Griffin's retirement as Managing Director effective from 31 May 2022. Subsequent to year end, Mr Linge was also appointed to the Board as Managing Director.

Funding

In August 2022, the Group announced the successful capital raising of \$12.1 million pursuant to a Placement to existing shareholders, high net worth sophisticated and institutional investors. Due to the cash position at December 2022, Lithium Australia elected to not renew the At-the-Market facility, and this facility formally expired in February 2023. Additionally, the Group received \$2.3 million in government grants and tax incentives during the financial year.

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.

Listed investments

Lithium Australia retains a strategic investment portfolio of ASX-listed and private assets. The portfolio is strategically positioned for offtake opportunities and pricing arbitrage and effectively allows Lithium Australia to retain potential upside with minimal holding costs. As at 30 June 2023, the Group's ASX-listed portfolio was valued at \$6 million.

Environmental, Social and Governance ('ESG')

During the financial year, Lithium Australia further developed its ESG roadmap, ensuring all policies and practices align with ESG standards. Lithium Australia is committed to sustainability through its businesses, ongoing ESG compliance and remains on track with the standard and policies set out. Key ESG metrics are included below:

Pillars	Items	#
Safety	Year to date lost time injury incidents	1
People	Agreements with First Nation's Peoples at year end	0
Environment	Outstanding closure matters at year end	1*
Corporate governance	Year to date bribery and / or corruption incidents	0

*Note: Relates to Ravensthorpe rehabilitation

REVIEW OF OPERATIONS (continued)

Lithium Chemicals Division

Overview

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 Group's LieNA[®] and SiLeach[®] technologies are processes which target the recovery of lithium phosphate (LP) for use as a direct-feed chemical into the production of lithium ferro phosphate (LFP) cathode powders. The patented technologies have the potential to enhance lithium extraction yields by up to 50%¹ over current market performance and 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.

Joint development agreement with Mineral Resources

Subsequent to year end, Lithium Australia signed a joint development agreement with leading ASX-listed mining Group Mineral Resources Ltd. (ASX: MIN) ('MinRes') to commercialise the lithium extraction technology, LieNA[®]. Under the agreement, MinRes will provide raw materials and fund the development and operation of a pilot plant and an engineering study for a demonstration plant up to a total budgeted cost of \$4.5 million. Lithium Australia will contribute its patented LieNA[®] technology.

On successful completion of the pilot plant operations and engineering study, and subject to the results, a new 50:50 JV will be formed between MinRes and Lithium Australia which will wholly own and commercialise the LieNA[®] technology through a licensing model. The JV plans to license the technology out to third-parties at a target headline gross product royalty rate of 8%². The royalty model expands the addressable market as it has the potential to capture a fee on all tonnage processed via any mine utilising the LieNA[®] technology.

The JV plans to initially license the LieNA[®] technology to a larger demonstration plant which MinRes can elect to independently fund, develop and operate. The license will apply to current and future projects of MinRes and the royalty payable by MinRes under the licenced is based on a discount to the headline gross product royalty rate in acknowledgement of MinRes' first mover position.

IP status

A strong and protected lithium extraction IP portfolio is core to the Group's commercialisation strategy. As such, the Group continued to develop its strong IP portfolio for both the LieNA[®] and SiLeach[®] technologies. During the financial year, a Brazilian patent was granted for LieNA[®] 1st generation and a Chinese patent was granted for LieNA[®] 2nd generation. In addition, the patent application for SiLeach[®] 2nd generation has also been allowed in Europe.

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

² The Group cautions that although it considers this to be a reasonable expectation, there is no guarantee that this rate will be achieved

REVIEW OF OPERATIONS (continued)

Battery Materials Division

Overview

Lithium Australia has over 20 years' experience in developing lithium ferro phosphate (LFP), a cathode active material used for battery manufacturing, through the Group's fully owned subsidiary VSPC Pty Limited. The Group utilises a proprietary cost-competitive production process to manufacture LFP at scale. The same propriety production process is also able to produce lithium manganese ferro phosphate (LMFP) without significant changes in the process. LMFP batteries can reach an energy density 15% to 20% higher than LFP batteries, with almost no difference in the cost of material inputs. Currently production is dominated by China, with Lithium Australia being one of only a few companies outside of China to successfully produce LFP and LMFP.

LFP product validation

During the year, the Group's LFP cathode powder was independently assessed by leading battery materials expert NOVONIX Ltd. (ASX: NVX). The Group's LFP product was tested against other commercially available competitor products, with Lithium Australia's LFP proven to be the most stable out of all tested samples while also having potential to support long-lifetime cell designs. These results validate Lithium Australia as a capable manufacturer to produce LFP at a competitive cost base, while also being extremely valuable for ongoing offtake discussions with potential partners.

LMFP development

Significant advancements have also been made in the Group's LMFP product during the year, including increased manganese content and improved cycling stability. Most importantly, the significant improvements made in the product's stability at elevated manganese contents supports the increased energy density the Group's LMFP product over LFP products, whilst significant retaining significant opportunity for further improvement. The ability for Lithium Australia to pivot production between LFP and LMFP is a strategic advantage, as demonstrated by the increased request for LMFP samples by the battery industry.

Pathway to commercialisation

An engineering study was completed for a pre-qualification pilot plant (PQPP) during the financial year, which initially had a production capacity of 200tpa to 300tpa³. However, due to strong industry demand, the Group has grown the development plan to a larger qualification plant with production capacity of 2,000tpa to 3,000tpa. This expansion is underpinned by continued growing demand for Lithium Australia's products, with both 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.

IP status

Lithium Australia continues to maintain a strong portfolio of patents in relation to its proprietary "Reduced Cost" ('RC') production process of LFP and LMFP. During the year, an international patent application for the production of iron (II) oxalate was filed for review. The ability to produce this material independently has the dual benefit of lowering operating costs and ensuring security of supply as the material is predominantly produced by China.

³ Tonnes per annum

REVIEW OF OPERATIONS (continued)

Battery Recycling Division

Overview

Lithium Australia operates a battery recycling division through its fully owned subsidiary Envirostream Australia Pty Limited. The Group is Australia's leading battery recycler, while also being the only battery recycler which processes batteries domestically. Collected batteries are processed at the Group's Victoria-based battery processing facilities, which operates using state-of-the-art safety and processing standards. The Group 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 collection, sorting, and processing of batteries.

Partnerships

Lithium Australia signed multiple partnership agreements during the year to increase collection points and secure future battery collections growth. An agreement was signed with Battery World, which provides the Group access to over 100 Battery World stores across Australia and significantly increased total available consumer drop-off points to Lithium Australia to over 1,000 locations. In addition, an agreement was signed with LG Energy Solutions to process a contracted minimum of 250 tonnes of their energy storage systems ('ESS') lithium-ion batteries, which represents approximately 25% of Lithium Australia's total collection volumes in FY22.

In addition, the Group currently has agreements signed with international tier 1 electric vehicle ('EV') and energy storage solution ('ESS') manufacturers for the collection of used batteries, as well as a strong domestic partner network in place for the collection of consumer drop-off batteries. Domestic partners include Mobile Muster, Bunnings Warehouse, TTI, and Officeworks. Partnerships are key to continued growth in recycling revenue, with the Group continuing to source and secure high-quality partners to increase collection volumes.

Productivity improvements

Strong production improvements were made throughout the year, driven by process improvements made in partnership with Sustainability Victoria. The process optimisations have resulted in significant uplift of recycled copper quality, which is expected to 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. During the year, the Group also initiated an infrastructure expansion scoping study to assess battery storage, sorting and processing requirements, as well as site and location requirements necessary to support the growth in battery recycling volumes in the 3 to 5 year time horizon.

Collections volume growth

A record total of 1,347 tonnes of mixed batteries was collected for recycling during the year, representing a 24% increase 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 government-backed battery recycling scheme, as well as partnerships with key industry brands such as LG Energy Solution. The Group aims to continue growing battery collection volumes in FY24 through securing additional partnerships with tier 1 EV and ESS manufacturers. A record cash gross profit of \$1.2m was achieved during the year, a significant improvement relative to the cash gross loss of \$1.3m in FY22⁴. The Group's focus moving forward will be to further optimise the recycling operations revenue and cost base and increase collection volumes to achieve break-even in FY24.

⁴ 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.*

REVIEW OF OPERATIONS (continued)

Investments in listed companies

Charger Metals

Charger Metals NL (ASX: CHR, 'Charger') acquired the following exploration projects from the Group for a consideration of \$100,000 and 9.6 million escrowed shares (19.6% at 7 July 2021). The Group has 15.5% (FY2022: 18.8%) of the shares at 30 June 2023.

- The Lake Johnston project, near Southern Cross in WA, which lies approximately 70 km east of the world-class Earl Grey/Mt Holland lithium deposit now being developed by Wesfarmers Ltd and SQM, has outcropping lithium (spodumene) pegmatites and is prospective for lithium, gold and nickel.
- The Bynoe project, located near Darwin in the Northern Territory (proximal to the Finnis lithium project of Core Lithium Limited (ASX: CXO), which is at a very advanced stage of development, with a DFS already completed) and prospective for lithium and gold.
- The Coates project, located in the highly prospective Western Yilgarn nickel/copper/platinum group elements belt, approximately 20 kilometres ('km') from the Julimar discovery of Chalice Mining Limited (ASX: CHN, 'Chalice', formerly Chalice Gold Ltd) in WA, in a similar geological environment.

Pursuant to the sale and joint venture agreement, the Group retains a 30% free carry in most projects transferred to Charger until completion of a DFS.

Galan Lithium

On 14 January 2021, Galan Lithium Ltd ('Galan', ASX: GLN) acquired 80% of the Group's Greenbushes South lithium project. On acquisition by Galan, an unincorporated joint venture between Galan (80%) and the Group (20%) was established with the Group free-carried until completion of a PFS. In addition, the Group was issued 1,221,000 fully paid ordinary shares in the capital of Galan.

During the year ending 30 June 2023, LIT divested its remaining 20% interest in the Greenbushes South Lithium Project to Galan Lithium (ASX: GLN) for consideration of \$3.0 million (consisting of \$2.0 million in cash and \$1.0 million in equity). A first right for offtake to LIT for lithium product from the Greenbushes South Lithium Project formed part of the transaction.

At 30 June 2023, the Group has 864,345 shares in GLN (30 June 2022: 1,221,000 shares).

Evion Group

Evion Group NL ('Evion', ASX: EVG) is a vertically integrated graphite developer with projects being developed in Madagascar, India and Europe. The Company holds the Maniry Graphite Project which is located in Southern Madagascar.

At 30 June 2023, the Group has 13,106,571 shares in EVG (30 June 2022: 13,106,571 shares).

Governance

Corporate Governance

Lithium Australia aspires to the highest standards of corporate behaviour and accountability and support and has adhered to the principles of sound corporate governance. The Board recognises the recent recommendations of the Australian Securities Exchange (ASX) Corporate Governance Council and considers that Lithium Australia is in compliance with guidelines.

More information on how Lithium Australia adheres to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Recommendations can be found in the [Corporate Governance Statement](#) on the Lithium Australia website.

Critical risk management

The Lithium Australia Board is responsible for risk management. This includes:

- approving the Group's policies on risk oversight and management, internal compliance and control, Code of Conduct and legal compliance;
- ensuring senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- assessing the effectiveness of senior management's implementation of systems for managing material business risk, including the making of additional enquiries, and to request assurances regarding the management of material business risk, as appropriate;

Lithium Australia's Risk Management Policy was approved by the Board and delegates day-to-day management of risk to the managing director and contains the Group's risk profile and describes some of the policies and practices the Group has in place to manage specific business risks.

The board is responsible for approving the Group's policies on risk oversight and management. The CEO is required to report on the progress of, and on all matters associated with risk management and the effectiveness of the Group's management of its material business risks at least annually.

Environmental regulation

The Group's exploration activities are subject to the various state and federal statutes relating to mining and environmental protection. The Board believes that the Group has adequate systems in place for the management of its environmental obligations. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the financial year under review but note its responsibilities in regard to the Ravensthorpe Project continue. The Group continues to implement adaptive management measures agreed with the State regulator.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year, other than as stated in the Directors' Report and outlined in the Review of Operations.

Future developments

Other than as referred to in this report, further information as to the likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

Subsequent events

Joint development agreement with Mineral Resources

On 7 August 2023, Lithium Australia signed a joint development agreement with leading ASX-listed mining Group Mineral Resources Ltd. (ASX:MIN) ('MinRes') to commercialise the lithium extraction technology, LieNA®. Under the agreement, MinRes will provide raw materials and fund the development and operation of a pilot plant and an engineering study for a demonstration plant up to a total budgeted cost of \$4.5 million. Lithium Australia will contribute its patented LieNA® technology.

On successful completion of the pilot plant operations and engineering study, and subject to the results, a new 50:50 JV will be formed between MinRes and Lithium Australia which will wholly own and commercialise the LieNA® technology through a licensing model. The JV plans to license the technology out to third-parties at a target headline gross product royalty rate of 8%⁵. The royalty model expands the addressable market as it has the potential to capture a fee on all tonnage processed via any mine utilising the LieNA® technology.

The JV plans to initially license the LieNA® technology to a larger demonstration plant which MinRes can elect to independently fund, develop and operate. The license will apply to current and future projects of MinRes and the royalty payable by MinRes under the licenced is based on a discount to the headline gross product royalty rate in acknowledgement of MinRes' first mover position.

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.

Board appointment

On 21 August 2023, Mr Simon Linge was appointed to the Lithium Australia Board, as Managing Director, in addition to his ongoing role as CEO.

Fair value of listed investments

On 11 September 2023, the increase/(decrease) in share price had the following effect on the fair value of the investments held:

INVESTMENT	SHARE PRICE AT 30 JUNE 2023	SHARE PRICE AT 11 SEPTEMBER 2023	INCREASE/ (DECREASE) IN SHARE PRICE	NUMBER OF SHARES HELD*	INCREASE/ (DECREASE) IN FAIR VALUE
Charger Metal (ASX: CHR)	\$0.5	\$0.20	(\$0.30)	9,600,000	(\$2,928,000)
Galan Lithium (ASX: GLN)	\$0.87	\$0.69	(\$0.18)	864,345	(\$151,260)
Evion (ASX: EVG)	\$0.035	\$0.033	(\$0.002)	13,106,571	(\$26,213)
Imagine Lithium (TSX:ILI)	\$0.075	\$0.065	(\$0.01)	500,000	(\$5,700)
					<u>(\$3,111,173)</u>

*No change in number of shares held.

There are no other events subsequent to 30 June 2023 and up to the date of this report that would materially affect the results of those operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

Shares

There were 1,221,191,672 ordinary shares on issue at 30 June 2023.

There were 1,222,191,672 ordinary shares on issue at the date of release of this report.

⁵ The company cautions that although it considers this to be a reasonable expectation, there is no guarantee that this rate will be achieved.

DIRECTORS' REPORT (continued)

Options and performance rights

Options and performance rights on issue at 30 June 2023:

	Number
Performance Rights	144,250,000
LITOA: Options exercisable at \$0.0499 expiring 28 February 2025	61,705,990
LITOB: Options exercisable at \$0.10 expiring 19 October 2025	139,329,261

Options and performance rights on issue at the date of release of this report:

	Number
Performance Rights	150,750,000
LITOA: Options exercisable at \$0.0499 expiring 28 February 2025	61,705,990
LITOB: Options exercisable at \$0.10 expiring 19 October 2025	139,329,261

The Group will issue shares when the options and performance rights are exercised. Further details are provided in Note 29 in the Notes to the Financial Statements and in the Remuneration Report.

Movements in securities between 30 June 2023 and the date of release of this report included:

- Lapse of 12,500,000 performance rights
- Issue of 20,000,000 performance rights
- Conversion of 1,000,000 performance rights into ordinary shares

Directors' meetings

The number of Directors' meetings and meetings of the Committees held and attended by each of the Directors during the financial year was:

	Board		Audit & Risk Committee		Remuneration & Nominations Committee	
	Number Held and Entitled to Attend	Number Attended	Number Held and Entitled to Attend	Number Attended	Number Held and Entitled to Attend	Number Attended
Simon Linge ¹	-	-	-	-	-	-
George Bauk	18	17	4	3	3	3
Kristie Young	18	17	4	4	3	1
Phil Thick	18	15	4	3	3	3

¹Appointed 21 August 2023.

Proceedings on behalf of the Group

Envirostream Australia Pty Ltd ('Envirostream') has been served writs in regard to statements of claim concerning damage caused by a fire at 31 Colbert Road, Campbellfield, Victoria, on 19 January 2019. These claims are being dealt with under Envirostream's insurance policy and insurers. Please refer to note 16 for further details.

Apart from as described above and within note 16, no person has applied for leave of Court to bring proceedings on behalf of the Group or intervened in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

Remuneration report (audited)

The report outlines the remuneration arrangements in place for Directors and Key Management Personnel (KMP) of Lithium Australia in accordance with the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel are defined as those having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Directors of the Group. This report forms part of the Directors' Report for the year ended 30 June 2023.

Remuneration Policy

The Board policy is to remunerate Directors, officers and employees at market rates for time, commitment and responsibilities. The Board determines payment to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold securities in the Group.

The Group's aim is to remunerate at a level that will attract and retain high-calibre Directors, officers and employees. Group officers and Directors are remunerated to a level consistent with the size of the Group.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

All equity-based remuneration paid to Directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The issue of shares and options to Directors is in accordance with the Group's employee security incentive plan to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of Directors/executives with that of the business and shareholders. In addition, all Directors and executives are encouraged to hold shares in the Group.

Non-Executive Directors

Under the Constitution, the amount of remuneration of Directors is a yearly sum not exceeding the aggregate sum. Under the ASX Listing Rules, the total amount paid to all Directors for their services must not exceed in aggregate in any financial year, the amount fixed by the Group in a general meeting. This amount has been fixed by the Group at \$500,000. The aggregate sum does not include remuneration in the form of share, option or other equity plans approved separately by the Group in a general meeting. The total amount paid to Non-Executive Directors in FY23 was \$315,958 (FY22: \$210,959).

Contracts of employment

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement that includes provision of performance-related bonuses and other benefits, and eligibility to participate in the LTIP and STI. Other major provisions of the agreements relating to remuneration are set out below:

S Linge, CEO and Managing Director – (Appointed CEO 1 January 2023)

- Fixed Remuneration: \$400,000 per annum plus superannuation capped at the maximum super contribution base (Base Salary)
- Short-Term Incentive (STI): Up to 25% of Base Salary per annum payable in cash (prorated for first year based on days employed), subject to the satisfaction of short-term key performance indicators to be set by the Board at its discretion.
- Long-Term Incentive (LTI): Offer of 36,500,000 Performance Rights pursuant to the Group's shareholder approved Securities Incentive Plan (Plan) on 29 November 2022. The Performance Rights are subject to the following:
 - Performance Rights that have not been converted by fourth anniversary of commencement of employment will expire.
 - Performance Conditions required to be met by third anniversary of commencement of employment.
- Termination Provisions: Either party may terminate the agreement with six month's written notice. The Group may also summarily terminate the agreement without notice in certain circumstances including serious misconduct.
- Other terms: The employment contract includes standard terms covering confidentiality, intellectual property, and non-compete clause.

Remuneration report (audited) (continued)

S Tarrant, Chief Financial Officer

The Chief Financial Officer, Mr Stuart Tarrant contract commenced on 1 June 2021. The contract provides Mr Tarrant with a salary of \$274,000 per annum exclusive of superannuation. Mr Tarrant is also entitled to receive a cash bonus up to 15% of his base salary per annum payable in cash, subject to the satisfaction of short-term key performance indicators to be approved by the Board at its discretion.

The Group may terminate the employment contract at any time and without prior notice if serious misconduct has occurred. In this event remuneration is only payable up until the date of the termination. At the 30 June 2023, the Group may terminate the employment contract for any reason by giving no less than 3 months' notice or in lieu of the notice period, subject to all applicable laws.

Details of Remuneration for year ended 30 June 2023

The remuneration for each director and of the executive officer of the Group during the period was as follows:

Directors and Executive Officer's Emoluments

Directors and Executive Officers' Emoluments

	Short term benefits			Post employment	Share based payments		Total	Performance rights as % of total remuneration
	Salary & fees	Bonus/leave paid out	Non-monetary	Super-annuation	Performance rights	Equity	\$	
Simon Linge – Managing Director – Appointed CEO 1 January 2023								
2023	200,000	-	-	13,750	155,013	-	368,763	42%
2022	-	-	-	-	-	-	-	-
George Bauk – Non Executive Chairman								
2023	176,842	-	-	18,568	42,190	-	237,600	18%
2022	82,192	-	-	8,219	19,324	-	109,735	18%
Kristie Young – Non Executive Director								
2023	54,547	-	-	5,727	42,190	-	102,464	41%
2022	54,795	-	-	5,479	348,514	-	408,788	85%
Phillip Thick – Non Executive Director								
2023	54,547	-	-	5,727	90,983	-	151,257	60%
2022	54,795	-	-	5,479	243,967	-	304,241	80%
Stuart Tarrant – Chief Financial Officer								
2023	274,000	27,537	-	27,400	15,885	-	344,822	5%
2022	274,000	-	-	27,400	-	-	301,400	0%
Adrian Griffin – Managing Director – Retired 31 May 2022								
2023	-	-	-	-	-	-	-	-
2022	386,411	167,255	2,877	38,809	48,311	-	643,663	8%
2023	759,936	27,537	-	71,172	346,261	-	1,204,906	29%
2022	852,193	167,255	2,877	85,386	660,116	-	1,767,827	37%

Remuneration report (audited) (continued)

KMP interests in shares, performance rights and options

The number of ordinary shares held by each KMP of the entity during the financial period is as follows:

Ordinary Shares	Balance 01/07/2022	Received as Compensation	Options Exercised / Performance Rights Conversion	Net change Other	Balance 30/06/2023
S Linge ²	-	-	-	-	-
G Bauk	3,793,101 ¹	-	-	-	3,793,101 ¹
K Young	3,850,000	-	-	-	3,850,000
P Thick	1,075,000	-	-	1,538,462 ³	2,613,462
S Tarrant	-	-	-	-	-
	8,718,101	-	-	1,538,462	10,256,563

The number of performance rights held by each KMP of the entity during the financial year is as follows:

Performance Rights	Balance 01/07/2022	Received as Compensation	Options Exercised	Options Expired	Balance 30/06/2023
S Linge ²	-	36,500,000 ²	-	-	36,500,000
G Bauk	1,000,000	12,250,000	-	(1,000,000)	12,250,000
K Young	-	12,250,000	-	-	12,250,000
P Thick	3,000,000	12,250,000	-	-	15,250,000
S Tarrant	-	12,500,000	-	-	12,500,000
	4,000,000	85,750,000	-	(1,000,000)	88,750,000

The number of listed and unlisted options held by each KMP of the entity during the year is as follows:

Options	Balance 01/07/2022	Received as Compensation	Options Exercised/ Expired	Net change Other	Balance 30/06/2023
S Linge	-	-	-	-	-
G Bauk	-	-	-	-	-
K Young	-	-	-	-	-
P Thick	-	-	-	769,231 ³	769,321
S Tarrant	-	-	-	-	-
	-	-	-	769,321	769,321

¹ Included in the balance are shares indirectly held by a related third party.

² Mr Linge appointed as CEO on 1 January 2023.

³ Mr Thick acquired shares and free-attaching options during the year pursuant to the Placement (refer note 18(a)).

Remuneration report (audited) (continued)

Performance rights provided as remuneration

During the year ended 30 June 2023, the following share-based payment arrangements were in existence with KMP:

KMP Recipient	Number Granted Remaining	Grant Date	Grant Date Fair Value	Expiry Date	Fair Value \$
P Thick ¹	1,000,000	11/10/2021	\$0.1107	11/10/2026	\$85,206
P Thick ²	2,000,000	11/10/2021	\$0.1107	11/10/2026	\$158,761
G Bauk ^{^, 3, 4}	12,250,000	29/11/2022	\$0.05	30/11/2026	\$217,287
P Thick ^{^, 3, 4}	12,250,000	29/11/2022	\$0.05	30/11/2026	\$217,287
K Young ^{^, 3, 4}	12,250,000	29/11/2022	\$0.05	30/11/2026	\$217,287
S Linge ^{#, 5, 6, 7}	36,500,000	1/1/2023	\$0.027	31/12/2026	\$943,000
S Tarrant ^{#, 6, 7, 8}	12,500,000	26/4/2023	\$0.02	31/12/2026	\$239,500
Total	88,750,000				\$2,078,328

All rights expire on the earlier of their expiry date or termination of the individual's employment. In addition to a continuing employment service condition, vesting is conditional on the Group achieving certain performance hurdles.

[^] These rights have a vesting period end date of 30/11/2025.

[#] These rights have a vesting period end date of 31/12/2025.

¹ Performance hurdle of Group achieves a 20-day volume weighted average share price of at least \$0.15.

² Performance hurdle of Group achieves a 20-day volume weighted average share price of at least \$0.20.

³ Includes four hurdles: (1) 2,000,000 if Group achieves a 20-day volume weighted average share price of at least \$0.10; (2) 2,500,000 if Group achieves a 20-day volume weighted average share price of at least \$0.15; (3) 3,250,000 if Group achieves a 20-day volume weighted average share price of at least \$0.20; (4) 4,500,000 if Group achieves a 20-day volume weighted average share price of at least \$0.25. Grant date fair value is average of the fair value of the four hurdles.

⁴ Shareholder approval was received on 29 November 2022 for the 36,750,000 performance rights granted to Directors.

⁵ Includes six hurdles: (1) 4,000,000 if Group achieves a 20-day volume weighted average share price of at least \$0.10; (2) 5,000,000 if Group achieves a 20-day volume weighted average share price of at least \$0.15; (3) 6,500,000 if Group achieves a 20-day volume weighted average share price of at least \$0.20; (4) 9,000,000 if Group achieves a 20-day volume weighted average share price of at least \$0.25; (5) 6,000,000 if Envirostream is cashflow positive for a rolling six month period; (6) 6,000,000 for Final Investment Decision at VSPC. Grant date fair value is average of the fair value of the six hurdles.

⁶ Performance condition for all hurdles includes vesting subject to the employee remaining in employment for 12 continuous months from the date of satisfaction of each performance condition.

⁷ Shareholder approval was received on 29 November 2022 for the Lithium Australia Employees Securities Incentive Plan for the issue of up to a maximum number of 122,000,000 Securities under the Plan over a period of up to three years from 29 November 2022.

⁸ Includes six hurdles: (1) 1,400,000 if Group achieves a 20-day volume weighted average share price of at least \$0.10; (2) 1,800,000 if Group achieves a 20-day volume weighted average share price of at least \$0.15; (3) 2,200,000 if Group achieves a 20-day volume weighted average share price of at least \$0.20; (4) 3,100,000 if Group achieves a 20-day volume weighted average share price of at least \$0.25; (5) 2,000,000 if Envirostream is cashflow positive for rolling six month period; (6) 2,000,000 for Final Investment Decision at VSPC. Grant date fair value is average of the fair value of the six hurdles.

Loans and other transactions

There are no loans to KMP outstanding in the current or prior year.

All other transactions with KMP and their related entities and other related parties are conducted on an arm's length basis and made on normal commercial terms and conditions.

End of Remuneration Report

Indemnification and insurance of Directors and Officers

The Group's constitution provides that the Group indemnifies each person who is or who has been a Director, Secretary or officer of the Group on a full indemnity basis and to the full extent permitted by law, against liabilities incurred by that person in their capacity as an officer of the Group or of a related body corporate.

During the year the Group paid premiums in respect of Directors' and Officers' Liability Insurance to cover the Directors and Secretaries of the Group and its subsidiaries, the Executives and any other Officers of each of the divisions of the Group.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lithium Australia support and have adhered to the principles of sound corporate governance.

The Board recognises the recent recommendations of the Australian Securities Exchange Corporate Governance Council and considers that Lithium Australia is in compliance with those guidelines. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Group. The Group's corporate governance statement and disclosures can be found on our website at www.lithium-au.com/corporate-governance/.

Risk management

The Group has established a risk management policy which outlines the points expectations in relation to risk management, responsibilities, risk management objectives, and the principles of its risk management framework.

The Board, through the Audit and Risk Committee, is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Group's material business risks and for reviewing and monitoring the Group's application of those systems.

The Audit and Risk Committee continues to work closely with management to assess, monitor and review business risks and carry out assessments of internal controls and processes for improvement opportunities. In support of this, the committee receives reports from management on new and emerging risks and related controls and mitigate measures that management after implemented.

The Group is exposed to certain risks which have the potential to impact current and future delivery of strategic goals, financial returns, reputation, environmental performance and health & safety of employees and visitors. A summary of the material business risks of the Group, for which there are controls in place, is set out below.

- **Health and Safety Risks:** The Group is exposed to potential safety hazards within its operations, including lithium-ion battery fires.
- **Commodity Risks:** The Group is exposed to raw material and sales price fluctuations, linked to commodity markets.
- **Regulatory and Compliance Risks:** The Group is subject to regulatory requirements in areas such as environmental, licence to operate, employment, occupational health and safety, and taxation laws. The Group has a zero tolerance to non-compliance of Regulatory and Compliance Risks.
- **Operational and Technical Risks:** The Group is subject to exposures such as failure to achieve predicted product grades; commissioning operating and maintaining plant and equipment; industrial disputes, and unexpected shortages in the availability of skilled labour, consumables, spare parts, plant and equipment.
- **Funding Risks:** The Group is likely to need to raise capital to develop its technologies further. There is no guarantee that the Group will be able to secure any additional funding or will be able to secure funding on terms that are favourable or acceptable to the Group.
- **Information Technology Risks:** The Group's core systems and technologies could be exposed to damage or interruption from systems failures, computer viruses, cyber-attacks, power or telecommunications providers' failures, fire, natural disasters, terrorist acts, war or human error.
- **Legal Risks:** The Group is exposed to possible litigation risks including intellectual property claims, contractual disputes, occupational health and safety claims and employee claims.
- **Key Person and Workforce Risk:** The inability to attract and retain a suitably skilled and diverse leaders and workforce is a risk to Group performance in the conduct of its business.

Non-audit services

The Group may decide to employ the auditor (Hall Chadwick) on assignments in addition to the statutory audit function where the auditor's expertise and experience with the Group and/or the Group are important and valuable.

Non-audit services to the value of \$1,200 (FY22: \$3,500) were provided to the Group in the year ended 30 June 2023.

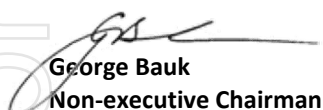
The Board has considered the non-audit services and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of such expertise on separately negotiated fee arrangements is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services provided during FY23 have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group, or jointly sharing economic risk and rewards.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, Hall Chadwick WA Audit Pty Ltd, to provide the directors of the Group with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 21 and forms part of this Directors' Report for the year ended 30 June 2023.

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



George Bauk
Non-executive Chairman

Dated at Perth this 19th day of September 2023

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Director for the audit of the financial statements of Lithium Australia Limited for the financial year ended 30 June 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully,

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated at Perth this 19th day of September 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from continuing operations	2	5,489,290	2,941,117
Cost of sales		(4,037,613)	(4,638,735)
Gross profit / (loss)		1,451,677	(1,697,618)
Finance income		93,969	20,527
Other income	3	7,220,292	4,068,578
Laboratory/plant expense		(1,531,314)	(2,301,445)
Employee benefits expense	5	(7,939,599)	(7,555,355)
Selling and distribution expense		(873,110)	(736,793)
Administration costs		(1,858,698)	(1,501,422)
Depreciation and amortisation		(3,260,960)	(3,326,538)
Finance costs		(17,377)	(13,193)
Impairment of intangible assets		-	(7,698,818)
Other expenses	5	(690,946)	(10,302)
Loss before income tax		(7,406,066)	(20,752,379)
Income tax expense	6	-	-
Loss from continuing operations		(7,406,066)	(20,752,379)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operation		45	1,189
Items that may not be reclassified subsequently to profit or loss:			
Net fair value gain/(loss) on financial assets		870,419	1,314,893
Total comprehensive loss for the year		(6,535,602)	(19,436,297)
Loss for the year attributable to:			
Members of the controlling entity		(7,239,447)	(20,628,274)
Non-controlling interest		(166,619)	(124,105)
		(7,406,066)	(20,752,379)
Total comprehensive loss attributable to:			
Members of the controlling entity		(6,368,983)	(19,312,192)
Non-controlling interest		(166,619)	(124,105)
		(6,535,602)	(19,436,297)
Basic earnings/(loss) per share (cents per share)	21	(0.61)	(2.06)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the Year Ended 30 June 2023

		2023	2022
	Note	\$	\$
Current assets			
Cash and cash equivalents	7	9,047,417	4,848,069
Trade and other receivables	8	1,008,355	996,721
Inventory	9	733,745	832,950
Financial assets	10	6,564,460	1,026,584
Total current assets		17,353,977	7,704,324
Non-current assets			
Financial assets	10	-	4,396,886
Capitalised exploration expenditure	11	144,000	144,000
Intangible assets	12	4,562,733	6,071,410
Right of use asset	15	1,210,780	1,699,094
Property, plant and equipment	13	1,811,817	1,911,267
Total non-current assets		7,729,330	14,222,657
TOTAL ASSETS		25,083,307	21,926,981
Current liabilities			
Trade and other payables	14	2,463,846	3,239,535
Lease liability	15	669,312	607,133
Provisions	16	3,959,374	5,690,000
Total current liabilities		7,092,532	9,536,668
Non-current liabilities			
Lease liability	15	616,239	1,166,541
Provisions	16	11,833	10,803
Total non-current liabilities		628,072	1,177,344
TOTAL LIABILITIES		7,720,604	10,714,012
NET ASSETS		17,362,703	11,212,969
Equity			
Issued capital	18	99,796,467	88,454,942
Reserves	19	3,044,199	1,861,620
Accumulated losses		(84,671,637)	(78,463,886)
Controlling entity interest		18,169,029	11,852,676
Non-controlling interest		(806,326)	(639,707)
TOTAL EQUITY		17,362,703	11,212,969

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2023

Year ended 30 June 2023

	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	-	-	-	-	(7,239,447)	(166,619)	(7,406,066)
Other comprehensive income							
Net fair value gain/(loss) on financial assets	-	-	-	870,419	-	-	870,419
Effects of exchange rates on foreign currency translation	-	-	45	-	-	-	45
Total comprehensive loss for the year	-	-	45	870,419	(7,239,447)	(166,619)	(6,535,602)
Transaction with owners directly recording in equity:							
Issue of shares	13,005,203	-	-	934,666	-	-	13,939,869
Capital raising costs	(1,664,177)	-	-	-	-	-	(1,664,177)
Expiry of options	-	(481,606)	-	(61,174)	542,780	-	-
Issue/amortisation of performance rights	-	404,503	-	-	-	-	404,503
Transfer from investment revaluation reserve	-	-	-	(488,916)	488,916	-	-
Options exercised	499	-	-	4,642	-	-	5,141
Balance at 30 June 2023	99,796,467	613,446	38,275	2,392,478	(84,671,637)	(806,326)	17,362,703

(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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2023

Year ended 30 June 2022

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Other Reserves ^(a)	Accumulated Losses	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	81,069,029	1,255,525	37,041	845,451	(58,222,604)	(1,384,595)	23,599,847
Loss for the year	-	-	-	-	(20,628,274)	(124,105)	(20,752,379)
Other comprehensive income							
Net fair value gain/(loss) on financial assets	-	-	-	1,314,893	-	-	1,314,893
Effects of exchange rates on foreign currency translation	-	-	1,189	-	-	-	1,189
Total comprehensive loss for the year	-	-	1,189	1,314,893	(20,628,274)	(124,105)	(19,436,297)
Transaction with owners directly recording in equity:							
Issue of shares	5,148,503	-	-	-	-	-	5,148,503
Call on Partly Paid Shares	1,043,175	-	-	-	-	-	1,043,175
Capital raising costs	(175,635)	-	-	-	-	-	(175,635)
Shares held in trust	(14,898)	-	-	-	-	-	(14,898)
Exercise of performance rights	1,217,165	(1,217,165)	-	-	-	-	-
Expiry of options	-	(72,000)	-	-	72,000	-	-
Issue/amortisation of performance rights	-	724,189	-	-	-	-	724,189
Transfer from investment revaluation Reserve	-	-	-	(314,992)	314,992	-	-
Conversion of partly paid shares to options	(649,578)	-	-	649,578	-	-	-
Acquisition of shares in controlled entity	-	-	-	(1,118,993)	-	868,993	(250,000)
Options Converted	817,181	-	-	(243,096)	-	-	574,085
Balance at 30 June 2022	88,454,942	690,549	38,230	1,132,841	(78,463,886)	(639,707)	11,212,969

(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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		5,085,371	3,019,975
Payments to suppliers and employees		(15,751,662)	(14,610,561)
Payments for exploration and evaluation		(61,348)	(31,537)
Proceeds from Government grants and tax incentives		2,061,253	1,789,595
Interest and other costs of finance paid		(38,318)	(6,000)
Interest received		91,230	20,989
Net cash used in operating activities	22	(8,613,474)	(9,817,539)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,057,675)	(1,902,228)
Proceeds from sale of property, plant and equipment		41,614	46,435
Payment for intangible assets		(619,724)	(982,670)
Proceeds from sale of financial assets		818,363	635,505
Proceeds from disposal of interest in tenements		2,150,000	100,000
Acquisition of shares in controlled entity		-	(250,000)
Payments for other financial assets		(117,888)	(181,762)
Net cash from/(used in) investing activities		1,214,690	(2,534,720)
Cash flows from financing activities			
Proceeds from issue of shares		13,025,703	6,763,575
Payments for capital raising costs		(729,512)	(175,635)
Payments for lease liabilities		(696,415)	(738,193)
Transaction costs related financing activities		-	(37,088)
Net cash from financing activities		11,599,776	5,812,659
Net increase/(decrease) in cash held		4,200,992	(6,539,600)
Cash and cash equivalents at the beginning of the period		4,848,069	11,369,696
Effects of exchange rates on consolidation of foreign subsidiary		(1,644)	17,973
Cash and cash equivalents at the end of the period		9,047,417	4,848,069

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

These consolidated financial statements and notes represent those of Lithium Australia Limited and its subsidiaries (the "Group"). Lithium Australia Limited is a public liability Group, 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 year ended 30 June 2023 were approved and authorised for issue by the Board of Directors on 19 September 2023.

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.

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial report has been prepared on an accruals basis and is based on historical cost and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(i) 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.

The Group incurred a loss of \$7,406,066 (2022: \$20,752,379) and net cash outflows from operating and investment activities of \$7,398,784 (2022: \$12,352,259) during the year ended 30 June 2023. As at balance date the Group had a working capital surplus of \$10,261,445 (30 June 2022: \$1,832,344 deficit).

The directors have prepared a cash flow forecast, which indicates that the Group 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 given:

- The Group has the ability to defer discretionary costs as and when required; and
- In particular, given the Group's history of raising capital to date, the directors are confident of the Group's ability to raise additional funds as and when they are required.

(b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Lithium Australia Limited and its subsidiaries ("the Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent Group, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

1. Statement of significant accounting policies (continued)

(c) Exploration, Evaluation and Development Expenditure

Exploration and evaluation costs are expensed in the period they are incurred apart from mineral acquisition costs, which are capitalised and carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated mineral acquisition costs in respect of that area are written off in the financial period the decision is made.

Each area of interest is also reviewed at the end of each accounting period and capitalised costs written off to the extent it is deemed that they will not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(d) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instruments. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instruments are classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carry amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss. The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

(i) Financial assets at fair value through profit or loss or through other comprehensive income

Financial assets are classified at 'fair value through profit or loss' or 'fair value through other comprehensive income' when they are either held for trading for purposes of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'fair value through other comprehensive income'.

(ii) Financial Liabilities

The Group's financial liabilities include trade and other payables, loan and borrowings, provisions for cash bonus and other liabilities which include deferred cash consideration and deferred equity consideration for acquisition of subsidiaries & associates.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

1. Statement of significant accounting policies (continued)

(d) *Financial Instruments* (continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipts of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risk and benefits associated with the asset. Financial liabilities are recognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on the nature of the derivative and are recognised in the statement of profit or loss.

Derivatives are classified as current or non-current depending on the expected period of realisation.

(e) *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(f) *Trade and Other Receivables*

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(g) *Inventory*

The Group values inventories at the lower of cost or net realisable value as determined primarily by the current relevant commodity price, using the weighted average cost method.

(h) *Revenue*

The Group's revenue streams include the collection of recycling material, collection infrastructure and sale of materials generated from processed recycled materials. Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(i) *Impairment of Assets*

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

1. Statement of significant accounting policies (continued)

(j) Intangible Assets

(i) Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the average remaining life of patents. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The useful lives of the intangible assets is 3-6 years (FY22: 3-6 years).

(ii) Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(l) Property, plant and equipment

IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a diminishing value basis to write down the cost less estimated residual value of IT equipment and other equipment.

The following useful lives are applied:

- IT equipment: 1-2 years
- Other equipment: 3-7 years
- Vehicles: 3 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

1. Statement of significant accounting policies (continued)

(m) Taxation

The Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(n) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Share Based Payments

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(p) Issued Capital

Issued and paid-up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for a bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates - Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

1. Statement of significant accounting policies (continued)

(r) *Critical Accounting Estimates and Judgments* (continued)

Key Estimates – Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors' understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Key Estimates and Judgment – Provision for remediation and legal claims

The Group assesses the remediation and legal claims provisions at the end of each reporting period based upon the information available to the Group at the time, whilst ultimate outcomes of the matter may be dependent upon further legal and/or regulatory processes that cannot be predicted with certainty. The provision for remediation and legal claims represents the probability or possibility that settlement of the obligation would result in an outflow of resources and the ability to measure these costs reliably.

(s) *Fair Value of Assets and Liabilities*

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e., unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique.

that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the Group are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

1. Statement of significant accounting policies (continued)

(s) Fair Value of Assets and Liabilities (continued)

Cost approach

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e., transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(t) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased asset, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e., a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

1. Statement of significant accounting policies (continued)

(t) Leases (continued)

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

2. Revenue

	2023	2022
	\$	\$
Revenue from services	521,874	919,548
Sale of goods	4,967,416	2,021,569
	5,489,290	2,941,117

3. Other income

	2023	2022
	\$	\$
Government grants and tax incentives	2,309,546	2,099,610
Tenement sale and option fees	3,150,000	1,684,000
Reversal of provision	1,715,000	-
Profit on asset disposal	-	10,168
Costs recovered	-	173,785
Profit/(Loss) on Right of Use Lease adjustment	-	3,959
Other	45,746	97,056
	7,220,292	4,068,578

4. Auditor's Remuneration

	2023	2022
	\$	\$
Auditing and review of the financial statements	59,655	56,675
Other services	1,200	3,500
Total remuneration of auditor	60,855	60,175

5. Expenses from ordinary activities

Profit/(Loss) from continuing operations before income tax is arrived at after charging the following individually significant items:

	2023	2022
	\$	\$
Employee benefits expense		
Share based payments	404,503	928,953
Defined contribution fund payments	470,789	394,323
Other employee benefits expense	7,064,307	6,232,079
Total employee benefits expense from ordinary activities	7,939,599	7,555,355
Other expenses		
Loss on disposal of assets	690,946	3,556
Other	-	6,746
Total other expenses	690,946	10,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

6. Income tax expense

	2023	2022
	\$	\$
(a) Major components of income tax expense are as follows:		
Current income tax expense/(benefit)	-	-
Deferred income tax expense/(benefit)	-	-
Income tax expense reported in the Consolidated Statement of Comprehensive Income	-	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit from ordinary activities before income tax expense	(7,406,066)	(20,752,378)
Prima facie tax benefit on profit from ordinary activities before income tax at 25% (2022: 25%)	(1,851,516)	(5,188,094)
<i>Tax effect of permanent differences:</i>		
Share-based expense	101,126	232,238
Donations	26	458
Entertainment	16,928	7,500
R&D incentive expenditure	525,000	525,000
R&D rebate received	(368,644)	(290,923)
Foreign entity losses	34,622	52,851
Tax losses not recognised	1,542,458	4,660,970
	-	-
(c) Deferred tax assets and (liabilities) are attributable to the following:		
Legal fees	56,758	52,074
Accrued expenses	68,987	8,750
Payroll liabilities	151,576	161,346
Provisions	838,267	1,267,017
Plant & equipment	(452,954)	(477,817)
Unrealised gains	(486,432)	(391,056)
Intangible assets	(1,245,915)	382,160
Right of use asset & lease	(18,693)	(18,645)
Tax losses	1,088,406	(983,829)
	-	-
(d) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items as the Directors do not believe it is appropriate to regard realisation of future tax benefits as probable:		
Tax losses	16,780,614	19,575,506
Capital losses	53,967	132,715
	16,834,581	19,708,221

7. Cash and cash equivalents

	2023	2022
	\$	\$
Cash at bank	9,047,417	4,848,069

8. Trade and other receivables

	2023	2022
	\$	\$
Other Debtors	810,681	426,925
Prepayments ^(a)	76,717	399,400
GST receivable	120,957	170,396
	1,008,355	996,721

- (a) The Group issued 12,500,000 ordinary shares in 2019 as prepayment for the acquisition of \$1,000,000 of inventory. At 30 June 2023, the value of inventory outstanding as a prepayment equalled nil (30 June 2022 \$284,490).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

9. Inventory

	2023	2022
	\$	\$
Battery packs	-	140,332
Finished goods	55,029	34,545
Work in progress	70,981	16,778
Unprocessed	354,286	118,691
Infrastructure	253,449	522,604
	733,745	832,950

10. Financial assets

	2023	2022
	\$	\$
Current		
Fixed term deposits	361,139	361,139
Australian listed shares – Level 1 fair value ¹	6,203,321	665,445
	6,564,460	1,026,584
Non-current		
Australian listed shares – Level 1 fair value ¹	-	4,281,886
Canadian listed shares – Level 1 fair value	-	45,000
Australian unlisted shares – Level 3 fair value	-	70,000
	-	4,396,886

¹ Financial assets related to shares held in listed and unlisted companies, classified as fair value through other comprehensive income.

11. Capitalised exploration expenditure

	2023	2022
	\$	\$
Opening balance	144,000	480,000
Impairments:		
Lake Johnston	-	(336,000)
Total Capitalised exploration expenditure	144,000	144,000
Represented as:		
Current – assets held for sale	-	-
Non-current asset	144,000	144,000

12. Intangible assets

2023	Patents	Dev. Costs	Intellectual Property	Total
	\$	\$	\$	\$
Balance at 1 July 2022	398,753	3,275,321	2,397,336	6,071,410
Additions	269,696	133,378	-	403,074
Impairment	(41,007)	-	-	(41,007)
Amortisation charge	(56,849)	-	(1,813,895)	(1,870,744)
Net book value at 30 June 2023	570,593	3,408,699	583,441	4,562,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

12. Intangible assets (continued)

2022	Patents	Dev. Costs	Intellectual Property	Total
	\$	\$	\$	\$
Balance at 1 July 2021	335,396	10,060,954	4,211,231	14,607,581
Additions	184,395	896,004	-	1,080,399
Impairment ¹	(17,181)	(7,681,637)	-	(7,698,818)
Amortisation charge	(103,857)	-	(1,813,895)	(1,917,752)
Net book value at 30 June 2022	398,753	3,275,321	2,397,336	6,071,410

¹ Includes \$7,681,637 impairment of an intangible asset that no longer meets the AASB 138 Intangible Asset recognition criteria. The Group retains the intellectual property and commercial value associated with this asset.

13. Property, plant and equipment

2023	Motor Vehicles	Office/Warehouse Equipment	Computer Equipment	Furniture & Fittings	Laboratory Construction, Equipment & Tools	Collection Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance at 1 July 2023	119,886	164,939	263,878	72,269	5,407,803	226,595	6,255,370
Additions	-	42,947	26,883	7,405	305,683	264,246	647,164
Disposals	(74,762)	-	(34,212)	-	(1,447,189)	-	(1,556,163)
Balance at 30 June 2023	45,124	207,886	256,549	79,674	4,266,297	490,841	5,346,371
Accumulated Depreciation							
Balance at 1 July 2022	92,832	66,462	175,225	30,038	3,809,021	170,525	4,344,103
Disposals	(58,974)	(32,995)	-	-	(1,360,415)	-	(1,452,384)
Depreciation expense	405	50,108	45,963	5,548	298,153	242,658	642,835
Balance at 30 June 2023	34,263	83,575	221,188	35,586	2,746,759	413,183	3,534,554
Net book value as at 30 June 2023	10,861	124,311	35,361	44,088	1,519,538	77,658	1,811,817

2022	Motor Vehicles	Office/Warehouse Equipment	Computer Equipment	Furniture & Fittings	Laboratory Construction, Equipment & Tools	Collection Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance at 1 July 2021	140,341	175,200	204,565	47,940	3,985,128	-	4,553,174
Additions	-	101,532	113,461	26,200	1,422,675	226,595	1,890,463
Disposals	(20,455)	(111,793)	(54,148)	(1,871)	-	-	(188,267)
Balance at 30 June 2022	119,886	164,939	263,878	72,269	5,407,803	226,595	6,255,370
Accumulated Depreciation							
Balance at 1 July 2021	97,648	100,145	120,276	25,216	2,977,420	-	3,320,705
Disposals	(17,064)	(84,795)	(45,667)	(1,582)	-	-	(149,108)
Depreciation expense	12,248	51,112	100,616	6,404	831,601	170,525	1,172,506
Balance at 30 June 2022	92,832	66,462	175,225	30,038	3,809,021	170,525	4,344,103
Net book value at 30 June 2022	27,054	98,477	88,653	42,231	1,598,782	56,070	1,911,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

14. Trade and other payables

	2023	2022
	\$	\$
Current – unsecured		
Trade payables	971,801	934,400
Unearned income	573,184	821,476
Other creditors and accrued expenses	918,861	1,483,659
	2,463,846	3,239,535

15. Leases

The Group leases certain sites and warehouses on long-term leases periods of up to 10 years induration, preferably with options to renew in order to provide operational flexibility. Each lease is negotiated in the context of market conditions and unique terms and conditions as offered by the individual lessor.

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the expiry of the initial lease term. The Group assesses at the commencement of the initial lease term, or whenever there is a significant event or change in circumstances relating to a lease, the likelihood of it exercising its option to extend the lease. The Group considers the potential future lease payments associated with the exercise of any lease term extension options to be immaterial or uncertain.

Right-of-use assets:

	2023	2022
	\$	\$
Buildings		
Cost	2,979,428	2,776,945
Accumulated Depreciation	(1,768,648)	(1,077,851)
Carrying Amount	1,210,780	1,699,094

Amounts recognised in profit and loss:

	2023	2022
	\$	\$
Buildings		
Depreciation expense on right-of-use asset	690,797	744,749
Interest expense on lease liabilities	42,225	42,225
	733,022	786,974

Lease liability:

	2023	2022
	\$	\$
Current	669,312	607,133
Non-current	616,239	1,166,541
Total lease liability	1,285,551	1,773,674

16. Provisions

	2023	2022
	\$	\$
Current		
Employees entitlements	606,305	621,931
Remediation (i)	3,328,069	5,043,069
Rehabilitation provision (ii)	25,000	25,000
	3,959,374	5,690,000

- (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. The Group received confirmation that litigated claims have been settled by Envirostream's insurance Group to the value of \$1.715 million during the year ending 30 June 2023. Accordingly, the provision has been reduced by \$1.715 million and a gain recognised through profit or loss for this amount.
- (ii) The Group's rehabilitation programs for two areas at its Ravensthorpe Project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

17. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes to the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements. The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and by share issues.

18. Issued capital

	2023		2022	
	Number	\$	Number	\$
Fully Paid Ordinary Shares				
Opening Balance	1,035,405,271	88,454,942	906,580,816	79,490,871
Issue of shares through placement (a)	185,772,347	12,075,203	-	-
Issue of shares (b)	-	930,000	-	-
Issue of shares to directors and staff	-	-	1,659,657	223,924
Issue of shares in lieu of payment (c)	-	-	665,146	86,205
Issue of shares (d)	-	-	47,975,000	2,360,635
Issue of shares (e)	-	-	19,050,000	1,217,165
Issue of shares on conversion of options	14,050	500	9,820,569	817,181
Issue of shares on full payment of partly paid shares	-	-	49,654,083	4,449,494
Shares unissued	-	-	-	(14,898)
Transaction costs	-	(1,664,178)	-	(175,635)
Closing Balance	1,221,191,672	99,796,467	1,035,405,271	88,454,942

Year ended 30 June 2023

- (a) During the period, the Group issued 185,772,347 ordinary shares ("Placement Shares") to s708 and professional investors at an issue price of \$0.065 per share ("Placement"). Participating investors to the Placement received a 1-for-2 free-attaching option exercisable at \$0.10 expiring 19 October 2025 ("Placement Options").
- (b) Included in transaction costs include:
 - Broker fees of \$729,512 in connection with the Placement;
 - Share based payment expense of \$934,666, representing the value of 46,443,087 options exercisable at \$0.10 expiring 19 October 2025 which were issued to the lead manager of the Placement.

Year ended 30 June 2022

- (c) 665,146 shares were issued to suppliers and consultants. Share based payments are determined with reference to the fair value of goods or services provided by consultants and settled based on the preceding 5-day VWAP.
- (d) On 28 July 2017, the Group had entered into a Controlled Placement Agreement with Acuity Capital Investment Management Pty Ltd. Pursuant to the Controlled Placement Agreement the Group issued the following shares:
 - 5 August 2022 15,000,000 fully paid ordinary shares at net \$0.1183 per share;
 - 5 August 2022 30,000,000 fully paid ordinary shares were issued as collateral¹ for \$nil consideration;
 - 13 September 2022 2,975,000 fully paid ordinary shares at net \$0.1378 per share;

¹ As collateral for the Controlled Placement Agreement, the Group agreed to place 30,000,000 shares at nil consideration to Acuity Capital (collateral shares) but may, at any time, cancel the Controlled Placement Agreement and buy back the collateral shares for no consideration (subject to shareholder approval).
- (e) The Group issued 19,050,000 fully paid ordinary shares upon conversion of performance rights.

	2023		2022	
	Number	\$	Number	\$
Partly-paid contributing shares				
Opening Balance	-	-	113,968,755	1,578,158
Proceeds from partly paid share call	-	-	-	1,043,175
Redemption of LITCE/LITCF	-	-	(49,654,083)	(1,971,755)
Conversion of partly paid shares to options	-	-	(64,314,672)	(649,578)
Closing Balance	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

19. Reserves

	2023	2022
	\$	\$
Foreign currency translation reserve		
Opening balance	38,230	37,041
Exchange differences arising on translating foreign subsidiary	45	1,189
Closing balance	38,275	38,230
Share-based payments reserve		
Opening balance	690,549	1,183,525
Issue/amortisation of performance rights	404,503	724,189
Performance option rights achieved/exercised	(481,606)	(1,217,165)
Closing balance	613,446	690,549
Other Reserves		
Equity Reserve (a)	(1,115,932)	(1,115,932)
Option reserve (b)	1,562,682	684,547
Investment revaluation reserve (c)	1,945,729	1,564,226
Total Other Reserves	2,392,478	1,132,841
(a) Equity Reserve		
Opening Balance	(1,115,932)	3,061
Acquisition of shares in controlled entity	-	(1,118,993)
Closing balance	(1,115,932)	(1,115,932)
(b) Option reserve		
Opening balance	684,547	350,065
Expiry of options	(61,174)	(72,000)
Exercise of options	4,644	(243,096)
Conversion of partly paid shares to options	934,665	649,578
Closing balance	1,562,682	684,547
(c) Investment revaluation reserve		
Opening balance	1,564,226	564,325
Net gain/(loss) arising on revaluation of available for sale financial assets	381,503	999,901
Closing balance	1,945,729	1,564,226

20. Financial instruments

Financial Risk Management Policies

The Group's financial instruments consist solely of deposits with banks. No financial derivatives are held.

Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is interest rate risk.

Interest rate risk

Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market by the major Australian Financial Institutions.

Credit risk

The maximum exposure to credit risk, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the Group.

Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

20. Financial instruments (continued)

Fair Values

The fair values of financial assets and financial liabilities are presented below and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Sensitivity Analysis

Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2023, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2023	2022
	\$	\$
Change in loss		
▪ Increase in interest rate by 100 basis points	90,474	48,481
▪ Decrease in interest rate by 100 basis points	(90,474)	(48,481)
Change in equity		
▪ Increase in interest rate by 100 basis points	90,474	48,481
▪ Decrease in interest rate by 100 basis points	(90,474)	(48,481)

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurement. Interest rate 3.55%-4.75% (2022: 2%) per annum.

2023	Floating Interest Rate	Fixed Interest Rate Maturing in 1 year or less	Fixed Interest Rate Maturing in more than 1 year	Non-interest bearing	Total
	\$	\$	\$	\$	\$
<i>Financial assets</i>					
Cash and cash equivalents	9,047,417	-	-	-	9,047,417
Financial assets – level 1	-	-	-	6,053,321	6,053,321
Financial assets – level 3	-	-	-	150,000	150,000
Trade and other receivables	-	361,139	-	1,008,355	1,369,494
Total financial assets	9,047,417	361,139	-	7,211,676	16,620,232
<i>Financial liabilities</i>					
Trade and other payables	-	-	-	2,463,846	2,463,846
Lease liabilities	-	669,312	616,239	-	1,285,551
Total financial liabilities	-	669,312	616,239	2,463,846	3,749,397

2022	Floating Interest Rate	Fixed Interest Rate Maturing in 1 year or less	Fixed Interest Rate Maturing in more than 1 year	Non-interest bearing	Total
	\$	\$	\$	\$	\$
<i>Financial assets</i>					
Cash and cash equivalents	4,848,069	-	-	-	4,848,069
Financial assets – level 1	-	-	-	4,992,331	4,992,331
Financial assets – level 3	-	-	-	70,000	70,000
Trade and other receivables	-	361,139	-	996,721	1,357,860
Total financial assets	4,848,069	361,139	-	6,059,052	11,268,260
<i>Financial liabilities</i>					
Trade and other payables (i)	-	607,133	1,166,541	3,886,466	5,660,140
Total financial liabilities	-	607,133	1,166,541	3,886,466	5,660,140

(i) The trade and other payables are due within 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

21. Loss per share

	2023	2022
	\$	\$
Loss used in calculation of basic EPS	(7,239,447)	(20,628,274)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	1,185,842,020	1,006,877,041

22. Cash flow

Reconciliation of net cash inflow/(outflow) from operating activities to loss after income tax

	2023	2022
	\$	\$
Loss after income tax	(7,406,066)	(20,752,378)
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	3,260,960	3,852,146
(Profit)/loss on disposal of assets	650,778	(6,613)
Share based payment expense	404,503	1,036,192
Sale of tenement rights	(3,150,000)	(1,684,000)
Other	(189,881)	-
Impairment of intangible asset	-	7,681,637
Changes in assets and liabilities:		
(Increase)/decrease in receivables & prepayments	(4,133)	(233,417)
(Increase)/decrease in inventories	99,205	(112,071)
(Decrease)/increase in accounts payable, accruals & employee entitlements	(548,214)	351,270
(Decrease)/increase in provisions	(1,730,626)	(4,863)
(Increase)/decrease in other assets	-	54,558
Net cash outflows from operating activities	(8,613,474)	(9,817,539)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

23. 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) 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.

(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) 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.

Basis of accounting for purposes of reporting by operating segments

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in Lithium Australia's annual financial report.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Unless indicated otherwise in the segment asset notes, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated.

Unallocated items

The basis of inter-segmental transfers is market pricing. The non-operating, unallocated component in the segment reporting tables represents mainly corporate expenses, interest-bearing loans, borrowings and corporate assets, plus any residual surplus property asset holding costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

23. Operating segments (continued)

2023	Battery Recycling	Battery Materials	Battery Chemicals	Unallocated	Total
	\$	\$	\$	\$	\$
Total Income	5,480,058	9,231	-	-	5,489,290
EBITDA	(2,326,032)	(1,625,039)	155,823	(426,450)	(4,221,698)
Depreciation & amortisation expense	(1,076,889)	(2,031,215)	-	(152,856)	(3,260,960)
EBIT	(3,402,921)	(3,656,254)	155,823	(579,306)	(7,482,658)
Net finance income	-	-	-	76,592	76,592
Reportable segment profit/(loss) before income tax	(3,402,921)	(3,656,254)	155,823	(502,714)	(7,406,066)
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.

2022	Battery Recycling	Battery Materials	Battery Chemicals	Unallocated	Total
	\$	\$	\$	\$	\$
Total Income	2,512,350	428,767	-	-	2,941,117
EBITDA	(4,690,791)	(1,158,169)	(7,954,208)	(3,630,007)	(17,433,175)
Depreciation & amortisation expense	(1,098,468)	(2,007,143)	-	(220,927)	(3,326,538)
EBIT	(5,789,259)	(3,165,312)	(7,954,208)	(3,850,934)	(20,759,713)
Net finance income	-	-	-	7,334	7,334
Reportable segment profit/(loss) before income tax	(5,789,259)	(3,165,312)	(7,954,208)	(3,843,600)	(20,752,379)
Total segment assets	5,122,970	1,099,791	3,935,638	11,768,582	21,926,981
Segment liabilities	7,415,985	990,881	15,930	2,291,216	10,714,012
Acquisition of assets*	1,767,171	1,179,060	-	24,632	2,970,863

*Acquisitions include property, plant and equipment and intangibles.

24. Contingent liabilities

The Group is, in its normal course of business, required to provide certain guarantees in respect of contractual performance obligations. These guarantees only give rise to a liability where the entity fails to perform its contractual obligations.

	2023	2022
	\$	\$
Bank guarantees	244,163	244,163

The Group did not have any contingent liabilities as at 30 June 2023 other than the bank guarantees shown above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

25. Related party transactions

Related party	Type of transaction	2023	2022
		\$	\$
Josephine Norman (a)	Consulting	-	15,678

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated. There were no other related party transactions in the current or prior period.

(a) Josephine Norman is the wife of previous Managing Director, Adrian Griffin (Retired 31 May 2022).

Key management personnel compensation

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

	2023	2022
	\$	\$
Short-term benefits	759,936	1,022,325
Short-term incentive remuneration	27,537	-
Share based payments	346,261	660,116
Post-employment benefits	71,172	85,386
Total key management personnel compensation	1,204,906	1,767,827

26. Controlled entities

Lithium Australia Limited is the ultimate parent entity of the Group. The following was a controlled entity at the balance date and has been included in the consolidated financial statements. All shares held are ordinary shares.

Name of entity	Country of incorporation	Ownership interest	
		2023	2022
Envirostream Australia Pty Ltd	Australia	100%	100%
Resource Conservation and Recycling Corporation Pty Ltd	Australia	100%	100%
VSPC Pty Ltd	Australia	100%	100%
Soluna Australia Pty Ltd	Australia	50%	50%
Lithophile Pty Ltd (a)	Australia	-	100%
Stanifer Pty Ltd (a)	Australia	-	100%
Anode Power Pty Ltd (b)	Australia	-	100%
Envirostream (UK) Limited	England & Wales	100%	100%
Trilithium Erzgebirge GmbH	Germany	100%	100%
VSPC (USA) LLC	United States of America	100%	100%

- (a) Non trading company with no assets or liabilities sold for nominal value on 28 October 2022.
(b) Non trading company deregistered on 24 April 2023.
(c) Subsequent to year end, on 13 July 2023 a new Australian subsidiary, LieNA Pty Ltd was incorporated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

27. Parent entity

As at 30 June 2023 and throughout the financial year ending on that date, the parent company of the Group was Lithium Australia Limited.

	2023	2022
	\$	\$
Assets		
Current assets	8,320,652	4,405,945
Non-current assets	9,318,843	8,152,783
Total assets	17,639,495	12,558,728
Liabilities		
Current liabilities	1,796,378	2,113,479
Non-current liabilities	69,839	126,313
Total liabilities	1,866,217	2,239,792
Equity		
Issued capital	99,796,467	88,454,942
Reserves	4,119,442	2,936,908
Accumulated losses	(88,142,631)	(81,072,915)
Total equity	15,773,278	10,318,935
Loss for the period	(7,069,717)	(26,551,301)
Total comprehensive loss for the period	(7,069,717)	(26,551,301)

28. Commitments

Expenditure contracted for but not recognised as liabilities:

	2023	2022
	\$	\$
Capital plant and equipment	121,008	-
Exploration expenditure	-	16,560
Total commitments	121,008	16,560

29. Share based payments

Performance Rights

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

Grant Date	Expiry Date	Balance at 1 July 2022	Granted during the year	Expired during the year	Vested during the year	Balance at 30 June 2023
30/4/2018	30/4/2023	4,500,000	-	(4,500,000)	-	-
31/12/2018	31/12/2023	3,000,000	-	(3,000,000)	-	-
11/10/2021	11/10/2026	1,000,000	-	-	-	1,000,000
11/10/2021	11/10/2026	2,000,000	-	-	-	2,000,000
29/11/2022	30/11/2026	-	12,250,000	-	-	12,250,000
29/11/2022	30/11/2026	-	12,250,000	-	-	12,250,000
29/11/2022	30/11/2026	-	12,250,000	-	-	12,250,000
1/1/2023	31/12/2026	-	36,500,000	-	-	36,500,000
26/4/2023	31/12/2026	-	68,000,000	-	-	68,000,000
Total		10,500,000	141,250,000	(7,500,000)	-	144,250,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

29. Share based payments (continued)

Fair value of equity instruments granted during the year

The weighted average fair value of the equity instruments granted during the financial year is \$0.022 (2022: \$0.088). 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)

Directors	CEO	Senior Executives
\$0.05	\$0.045	\$0.037
\$-	\$-	\$-
74%	70%	70%
4 years	4 years	3.68 years
0.00%	0.00%	0.00%
3.24%	3.51%	2.95%
\$0.019	\$0.027	\$0.020

30. Subsequent events

Joint development agreement with Mineral Resources

On 7 August 2023, Lithium Australia signed a joint development agreement with leading ASX-listed mining Group Mineral Resources Ltd. (ASX: MIN) ('MinRes') to commercialise the lithium extraction technology, LieNA®. Under the agreement, MinRes will provide raw materials and fund the development and operation of a pilot plant and an engineering study for a demonstration plant up to a total budgeted cost of \$4.5 million. Lithium Australia will contribute its patented LieNA® technology.

On successful completion of the pilot plant operations and engineering study, and subject to the results, a new 50:50 JV will be formed between MinRes and Lithium Australia which will wholly own and commercialise the LieNA® technology through a licensing model. The JV plans to license the technology out to third-parties at a target headline gross product royalty rate of 8%¹. The royalty model expands the addressable market as it has the potential to capture a fee on all tonnage processed via any mine utilising the LieNA® technology.

The JV plans to initially license the LieNA® technology to a larger demonstration plant which MinRes can elect to independently fund, develop and operate. The license will apply to current and future projects of MinRes and the royalty payable by MinRes under the licenced is based on a discount to the headline gross product royalty rate in acknowledgement of MinRes' first mover position.

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.

Board appointment

On 21 August 2023, Mr Simon Linge, CEO, was appointed to the Lithium Australia Ltd Board, as Managing Director, in addition to his ongoing role as CEO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023 (continued)

30. Subsequent events (continued)

Fair value of listed investments

On 11 September 2023, the increase/(decrease) in share price had the following effect on the fair value of the investments held:

INVESTMENT	SHARE PRICE AT 30 JUNE 2023	SHARE PRICE AT 11 SEPTEMBER 2023	INCREASE/ (DECREASE) IN SHARE PRICE	NUMBER OF SHARES HELD*	INCREASE/ (DECREASE) IN FAIR VALUE
Charger Metal (ASX: CHR)	\$0.5	\$0.20	(\$0.30)	9,600,000	(\$2,928,000)
Galan Lithium (ASX: GLN)	\$0.87	\$0.69	(\$0.18)	864,345	(\$151,260)
Evion (ASX: EVG)	\$0.035	\$0.033	(\$0.002)	13,106,571	(\$26,213)
Imagine Lithium (TSX: ILI)	\$0.075	\$0.065	(\$0.01)	500,000	(\$5,700)
					<u>(\$3,111,173)</u>

*No change in number of shares held.

There are no other events subsequent to 30 June 2023 and up to the date of this report that would materially affect the results of those operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

DIRECTORS' DECLARATION

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 International Financial Reporting Standards as disclosed in note 1(a); and
 - (b) give a true and fair view of the Group's financial position as at 30 June 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 Chairman

Dated at Perth this 19 day of September 2023

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lithium Australia Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Intangible Assets</p> <p>As disclosed in Note 12, the intangible assets of \$4,562,733 was considered to be a key audit matter due to the significance to the consolidated statement of financial position.</p> <p>This involves significant management judgement with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the recognition criteria for development costs; • Evaluating the key assumptions used for estimates made in capitalising development costs related to the development of the various lithium extraction technologies and the generation of probable future economic benefits; • Evaluating the completeness of the Consolidated Entity's assessment of impairment indicators for intangible assets in development; • Assessing the key assumptions within the impairment assessment of each asset including commercial prospects and future funding plans for each asset; • Applying our knowledge of the business and corroborating our work with external information where possible; and • Assessing the adequacy of the disclosures in Note 12.
<p>Provisions arising from Envirostream "EVS" Remediation</p> <p>As disclosed in Note 16, the Consolidated Entity has recognised a \$3,328,069 provision in relation to the EVS Fire that occurred in January 2019.</p> <p>The assessment of potential assets and liabilities associated with such matters can require significant judgement to be exercised. Such judgements are based upon the information available to the consolidated entity at the time, whilst the ultimate outcomes of the</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Discussing ongoing legal and regulatory matters with management and the Board. • Reviewing management's assessment of the legal claims made against EVS and relevant supporting documentation in order to develop our understanding of the matters. • Assessing the probability or possibility that settlement of the obligations would result in an outflow of resources and the ability to measure the costs reliably. • Assessing the adequacy of the disclosures in the financial report.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>matter may be dependent upon further legal and/or regulatory processes that cannot be predicted with certainty.</p> <p>This area is a key audit matter due to the material provision balance and the significant judgement with respect to the probability or possibility that settlement of the obligation would result in an outflow of resources and the ability to measure the costs reliably.</p>	
<p>Revenue Recognition</p> <p>During the year ended 30 June 2023, the Consolidated Entity generated sales revenue of \$5,489,290 (2022: \$2,941,117) which has been largely driven by the increased focus in the lithium processing, and recycling operations.</p> <p>Revenue recognition has been included as a key focus area in the audit report due to its financial significance and the increase in revenue during the year.</p>	<p>We reviewed the Consolidated Entity's revenue accounting policy and their contracts with customers and considered how management:</p> <ul style="list-style-type: none"> • Identified the contract • Identified the performance obligations within the contracts; • Determined the transaction price; • Allocated the transaction price to the performance obligations • Recognised revenue when the performance obligation was satisfied <p>In addition to the above our procedures amongst others included:</p> <ul style="list-style-type: none"> • Understanding the policies and procedures applied to the sales process and their application to revenue recognition; and • Performing substantive audit procedures on a sample basis by verifying revenue to relevant supporting documentation including approved price lists, delivery/shipping documentation, verification of cash receipts for goods and ensuring the revenue was recognised at the appropriate time and classified correctly.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Financial Assets</p> <p>As at 30 June 2023, \$6,564,460 was classified as Financial Assets.</p> <p>We considered this as a key focus area because of the size and nature of the transactions being subject to market fluctuations.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> • Obtaining shareholding statements of all shares held by the Company; • Ensuring that all associated measurement, recognition and de-recognition criteria was appropriately accounted for in accordance with AASB 9 <i>Financial Instruments</i>; • Assessing for material movement in value subsequent to year end; • Assessing the adequacy of the disclosures in Note 10.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Lithium Australia Limited, for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated in Perth, Western Australia this 19th day of September 2023

ADDITIONAL ASX INFORMATION

1. Corporate governance statement

The Group's Corporate Governance Statement can be found at www.lithium-au.com/corporate-governance/

2. Substantial shareholders

There are no substantial holders as at 5 September 2023.

3. Issued capital

The issued capital of the Group as at 5 September 2023 consists of:

Quoted/unquoted	Class	Number of units	Number of holders
Quoted	Fully Paid Ordinary Shares (LIT)	1,222,191,672	12,429
Quoted	\$0.0499 Options (LITOA)	61,705,990	469
Quoted	\$0.010 Options (LITOB)	139,329,261	202
Unquoted	Performance Rights	150,750,000	13

4. Voting rights

Ordinary Shares

In accordance with the Group's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

5. Holders holding less than a marketable parcel

The number of holders holding less than a marketable parcel of the entity's main class of securities as at 5 September 2023 are as follows:

Number of holders	Number of units
2,298	16,609,844

6. Distribution of shareholders

The distribution of holders of fully paid ordinary shares as at 5 September 2023 are as follows:

Distribution of equity securities	Number of holders	Number of Units	% of Total Issued Capital
0-1,000	100	17,845	0.00%
1,001 - 5,000	697	2,710,737	0.22%
5,001 - 10,000	1,094	9,007,283	0.74%
10,001 - 100,000	8,699	333,258,540	27.27%
100,001 and over	1,839	877,197,267	71.77%
TOTALS	12,429	1,222,191,672	100%

ASX ADDITIONAL INFORMATION (continued)

7. 20 Largest shareholders

The names of the 20 largest holders of ordinary shares as at 5 September 2023 are as follows:

Rank	Name	Units	% of Units
1	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	71,720,058	5.87
2	ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD <ACUITY CAPITAL HOLDINGS A/C>	32,250,000	2.64
3	CITICORP NOMINEES PTY LIMITED	19,554,102	1.6
4	BNP PARIBAS NOMS PTY LTD <DRP>	17,268,003	1.41
5	MR ADRIAN CHRISTOPHER GRIFFIN + MS JOSEPHINE DAWN NORMAN <FUTURE TECHNOLOGY A/C>	17,101,510	1.4
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	15,717,559	1.29
7	HOOKS ENTERPRISES PTY LTD <HOEKSEMA SUPERFUND A/C>	13,000,000	1.06
8	WHALE WATCH HOLDINGS LIMITED	10,268,928	0.84
9	SUPERHERO SECURITIES LIMITED <CLIENT A/C>	7,943,843	0.65
10	BRIO CAPITAL MASTER FUND LTD	7,692,308	0.63
11	PROFESSIONAL PAYMENT SERVICES PTY LTD	7,530,140	0.62
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,994,419	0.49
13	ONE MANAGED INVESTMENT FUNDS LIMITED <TI GROWTH A/C>	5,769,231	0.47
14	MR KENNETH JOSEPH HALL <HALL PARK A/C>	5,500,000	0.45
15	BRAND INVESTMENT AUSTRALIA PTY LTD <BRAND INVESTMENT AUS A/C>	5,436,776	0.44
16	SPARTUS INVESTMENT PTY LTD	5,361,565	0.44
17	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	5,343,187	0.44
18	MR POH SENG TAN	5,000,000	0.41
19	MR ADRIAN CHRISTOPHER GRIFFIN	4,716,731	0.39
20	RESOURCE & LAND MANAGEMENT SERVICES PTY LTD <THE SKERMAN SUPER FUND A/C>	4,658,526	0.38
Totals: Top 20 holders of LIT ORDINARY FULLY PAID		267,826,886	21.91

The names of the 20 largest holders of quoted options (LITOA) as at 5 September 2023 are as follows:

Rank	Name	Units	% of Units
1	BNP PARIBAS NOMS PTY LTD <DRP>	8,171,665	13.24
2	MR ADRIAN CHRISTOPHER GRIFFIN	6,730,666	10.91
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	2,557,876	4.15
4	MR WILLIAM BAMBLING + MRS JOYCE BAMBLING	2,190,000	3.55
5	MR JOSHUA DOUGLAS GALLAGHER	2,119,514	3.43
6	WARREN KAWATI	2,000,000	3.24
7	TA SECURITIES HOLDINGS BERHAD	2,000,000	3.24
8	MR BLAKE CANNON ISMAY	2,000,000	3.24
9	MR MOHAN SINGH NANDHA	1,620,000	2.63
10	MR JIA-JIAN CHEN + MRS ZHANG PING	1,610,000	2.61
11	MRS ANJANA NANDHA	1,250,000	2.03
12	LASTRANE PTY LTD	1,100,114	1.78
13	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,032,389	1.67
14	MS ANNA MARIA SCIULLI	1,000,000	1.62
15	ALEXANDER BARBLETT	1,000,000	1.62
16	ADRIAN CHRISTOPHER GRIFFIN	1,000,000	1.62
17	AVON VALLEY EXPLORATION P/L	1,000,000	1.62
18	MR JAY SAMUEL	812,845	1.32
19	MR DECLAN KRESIN	800,000	1.3
20	MR WARREN ALLEN BRAY	761,796	1.23
Totals: Top 20 holders of quoted options LITOA		40,756,865	66.05

ASX ADDITIONAL INFORMATION (continued)

The names of the 20 largest holders of quoted options (LITOB) as at 5 September 2023 are as follows:

Rank	Name	Units	% of Units
1	CELTIC CAPITAL PTY LTD <INCOME A/C>	19,598,485	14.07
2	CPS CAPITAL NO 5 PTY LTD	10,932,926	7.85
3	ROTHERWOOD ENTERPRISES PTY LTD	8,412,652	6.04
4	LIND GLOBAL FUND II LP	7,692,308	5.52
5	GOFFACAN PTY LTD <KMM FAMILY A/C>	6,000,000	4.31
6	GOFFACAN PTY LTD	4,750,757	3.41
7	MR CONSTANTINE SPILIOPOULOS	4,006,109	2.88
8	YEOH SUPER PTY LTD <YEOH SUPER A/C>	3,989,033	2.86
9	BRIO CAPITAL MASTER FUND LTD	3,846,154	2.76
10	MR CHARLIE YEOH	3,000,000	2.15
11	BNP PARIBAS NOMS PTY LTD <DRP>	2,500,001	1.79
12	MR JOHN ARTHUR JARVIS <JOHN JARVIS FAMILY A/C>	2,500,000	1.79
13	PLUTUS VENTURES PTY LTD	2,434,896	1.75
14	BERGEN GLOBAL OPPORTUNITY FUND LP	2,307,693	1.66
15	CELTIC CAPITAL PTY LTD <CELTIC CAPITAL NO 2 A/C>	2,080,769	1.49
16	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	2,015,385	1.45
17	MR MD AKRAM UDDIN	2,008,544	1.44
18	CELTIC CAPITAL FOUNDATION PTY LTD <CELTIC FOUNDATION A/C>	2,000,000	1.44
19	CPS CAPITAL GROUP PTY LTD <THE FIDELITY A/C>	2,000,000	1.44
20	THE TRUST GROUP (AUSTRALIA) LIMITED <MOF A/C>	1,692,310	1.21
Totals: Top 20 holders of quoted options LITOB		93,768,022	67.3

8. Joint Company secretary

The Joint Company Secretary is Ms Catherine Grant-Edwards and Ms Melissa Chapman.

9. Registered office and principle administrative office

Level 1, 677 Murray Street West Perth WA 6005

Telephone number: 08 6145 0288.

10. Register of securities

Register of securities is kept at Advanced Share Registry, 150 Stirling Highway, Nedlands, WA, 6009. Telephone number: 08 9389 8033.

11. Other stock exchanges

The Group's securities are not quoted on any other recognisable stock exchange.

12. Restricted securities or securities subject to voluntary escrow

There are no restricted securities and no securities subject to voluntary escrow.

13. Unquoted securities

In accordance with Listing Rule 4.10.16, there are no holders of 20% of more of the equity securities in an unquoted class requiring disclosure at 5 September 2023.

14. Review of operations

A review of operations and activities for the reporting period that complies with Sections 299 and 299A are outlined in the Directors' report.

15. On market buy backs

There is no current on market buy backs of Lithium Australia shares.