

ASX ANNOUNCEMENT



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Lithium Australia enters the energy storage market

HIGHLIGHTS

- **Soluna Australia battery partnership now in business.**
- **First commercial shipment of Soluna energy storage products has arrived in Australia.**
- **Soluna Australia fills two key roles: Kieron D’Arcy (General Manager) and Raegan Jubb (Sales Manager).**

Lithium Australia NL (ASX: LIT) has completed the formalities for joint battery marketing operations with the DLG Group (‘DLG’), China-based battery and energy storage specialists (see Annexure A).

The new enterprise – an incorporated joint venture (Lithium Australia 50% and DLG 50%) trading as Soluna Australia Pty Ltd (‘Soluna Australia’) – has been established to sell lithium-ion batteries (‘LIBs’) and Soluna energy storage products into the rapidly expanding Australian renewables energy market.

Background

Annexure A details terms of the joint venture agreement, key terms of which include the following.

- Establishment of a 50:50 partnership for the supply and sale of DLG LIBs, battery packs and energy-storage products within Australia.
- Formation of a technology alliance to fast-track commercialisation of VSPC Ltd’s proprietary cathode powders for use in DLG batteries (VSPC Ltd is a 100%-owned subsidiary of Lithium Australia).
- Provision of new battery materials and recycling solutions for the rapidly expanding energy-storage industry.

Market opportunity

A detailed investigation of the Australian energy-storage industry identified serious supply-chain constraints in the delivery of LIBs to Australian customers. Soluna Australia intends to provide a new and reliable supply source for renewable energy solutions to power users in Australia.

With the Australian renewable energy sector experiencing strong growth, the Australian Council of Learned Academics estimates that 16 GWh of energy storage will be required by 2030¹ to ensure security of electricity supply for the medium forecast rate of uptake of renewable energy. That will necessitate investment of more than \$5 billion in energy-storage solutions in the next 10 years, with LIBs forming a significant proportion of that.

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Soluna Australia plans to apply the following supply-chain solutions.

- **Maintain local (Australian) stock levels of energy-storage products to meet demand.**
- **Provide local sales and technical support.**
- **Collaborate with customers and innovate to create energy-storage solutions suitable for remote-site and mining applications.**
- **Evaluate the feasibility of manufacturing battery packs in Australia.**

In addition, Soluna Australia will offer battery-recycling solutions through Lithium Australia's battery recycling business unit.

[¹ *The role of energy storage in Australia's future energy supply mix*, November 2017 ISBN 978-0-9943738-6-1.]

Soluna Australia appointments

Soluna is the registered brand of trademark of DLG Energy. Soluna products are sold in Europe and the US, with sales expanding worldwide. Soluna Australia has now received the first commercial shipment of Soluna energy products into Melbourne, Victoria.

Soluna Australia has filled two key roles with the appointment of Kieron D'Arcy as General Manager and Raegan Jubb as Sales Manager. Both have 15 years of experience in the renewable energy market.

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Technology alliance

Under the Lithium Australia/DLG agreement, the parties will facilitate technological cooperation between VSPC Ltd ('VSPC') and DLG for both cathode and battery R&D.

DLG will work with Lithium Australia to further develop VSPC's cathode powders, initially with a focus on lithium-ferro-phosphate ('LFP') LIBs, LFP being the ideal battery chemistry for Australian energy-storage applications.

For some time now, DLG has been working with VSPC to test LFP cathode powders produced at the latter's pilot plant in Brisbane, Australia. Those powders have been used in the manufacture of commercial 18650 LIBs at DLG's Shanghai R&D facility. Lithium Australia recently announced that the LFP products produced by VSPC and tested by DLG had met DLG's stringent specifications for energy and power cells.

Comment from Lithium Australia MD Adrian Griffin

Formalisation of Lithium Australia's joint venture with DLG, which resulted in the creation of Soluna Australia, paves the way for the introduction of superior energy-storage products into the Australian market, reducing the carbon footprint of national energy consumption for both residential and industrial consumers.

We foresee great potential for energy storage in fringe-of-grid and off-grid applications, as well as improvements in the utilisation of power from existing grids. Kieron D'Arcy (General Manager) and Raegan Jubb (Sales Manager) bring a wealth of experience to Soluna Australia and we welcome them to the team.

Authorised for release by the Board.

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About DLG (dlgbattery.com)

DLG, one of the ten largest producers of lithium-ion cells in China, has six development and cell-making facilities there, as well as sales and support offices in the United States and Europe. A leading developer and manufacturer of cylindrical LIB cells, packs and systems, DLG produced not only LFP and lithium-nickel-manganese-cobalt oxide (NMC) battery cell types but also battery-management-system and pack technology. Having developed significant intellectual property (more than 50 issued patents), DLG designs and sells products for use in consumer electronics, electric vehicles, energy-storage systems, e-bikes and many other applications that require high-quality LIBs, and the group has customers in every major world market.

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About Lithium Australia

Lithium Australia aims to ensure an ethical and sustainable supply of energy metals to the battery industry (enhancing energy security in the process) by creating a circular battery economy. The recycling of old lithium-ion batteries to new is intrinsic to this plan. While rationalising its portfolio of lithium projects/alliances, Lithium Australia continues with R&D on its proprietary extraction processes for the conversion of all lithium silicates (including mine waste), and of unused fines from spodumene processing, to lithium chemicals. From those chemicals, Lithium Australia plans to produce advanced components for the battery industry globally, and for stationary energy storage systems within Australia. By uniting resources and innovation, Lithium Australia seeks to vertically integrate lithium recycling, extraction and processing.





Annexure A – Key terms of the Incorporated Joint Venture and Alliance Deed ('JVA')

Parties to the JVA

Soluna Australia Pty Ltd ('the Company'), Lithium Australia NL ('LIT'), VSPC Ltd ('VSPC'), DLG Holdings Limited ('DLG Holdings'), DLG Battery Co., Ltd and DLG Energy (Shanghai) Co., Ltd ('DLG Energy'), with the DLG companies listed above collectively referred to as 'the DLG Group'.

Key terms of the JVA

1. The parties have entered into a strategic partnership for the development, manufacture, supply and sale of batteries, battery packs, battery cells and related products (**Products**). The DLG Group will supply Products to the Company on an exclusive basis in Australia. The Company will market, distribute and sell Products manufactured by the DLG Group under the brand 'Soluna' (which has been registered in Australia by DLG Energy and will be licensed to the Company).
2. The parties also agreed to form a technology alliance to develop the technology and legal and commercial terms for VSPC (or another member of the LIT Group) to supply cathode powders (**VSPC Cathode Powders**) and other battery materials to the DLG Group for use in the manufacture of Products (**Technology Alliance**).
3. Preferential supply terms – in order to facilitate the Technology Alliance, the DLG Group agrees to recognise VSPC as a preferred supplier of cathode powders to the DLG Group, subject to the:
 - (a) VSPC Cathode Powders meeting the technical specifications of the DLG Group, and
 - (b) pricing of VSPC Cathode Powders being at least as competitive as pricing for cathode powders of a comparable quality that the DLG Group can demonstrate is available to it from other suppliers in the market.
4. LIT and DLG Energy (**Shareholders**) each hold 50% of the issued shares in the Company. Both Shareholders are entitled to appoint up to a maximum of two directors to Soluna Australia's board of directors. DLG Energy has the right to nominate the initial Chair. The Chair has a casting vote at board meetings.
5. Initial subscriptions consist of \$150,000 by each Shareholder in consideration for the issue of new Shares. The Board will determine the financing needs of the Company as part of the business plan.
6. LIT is entitled to be delivered \$1,000,000 of Products by DLG Holdings. LIT is entitled to assign all or any portion of those Products or the right to be delivered those Products to the Company to satisfy LIT's funding obligations to the Company, to the extent the Company requires Products for inventory as approved by the Soluna Australia board of directors.
7. The JVA includes standard provisions that deal with the following.
 - (c) Management and decision-making.
 - (d) Business plans, budgets and dividend policy.
 - (e) Support services, to be provided by LIT until Soluna Australia reaches operational independence.
 - (f) Funding and issue of securities.
 - (g) Non-competition and non-solicitation.
 - (h) Warranties.
 - (i) Anti-corruption.
 - (j) Termination.
 - (k) Dissolution of company – triggering events.