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Lithium Australia forms alliance with leading Chinese battery producer

Highlights

Lithium Australia (ASX: LIT) has signed a letter of intent ('LoI') with leading Chinese battery producer DLG Battery Co. Ltd. ('DLG') to:

- **establish a 50:50 jointly owned business for the supply and sale of DLG lithium-ion batteries (LIBs), packs and modules in Australia, and**
- **form a technology alliance that will fast-track the commercialisation of VSPC Ltd's patented cathode powders for use in DLG batteries.**

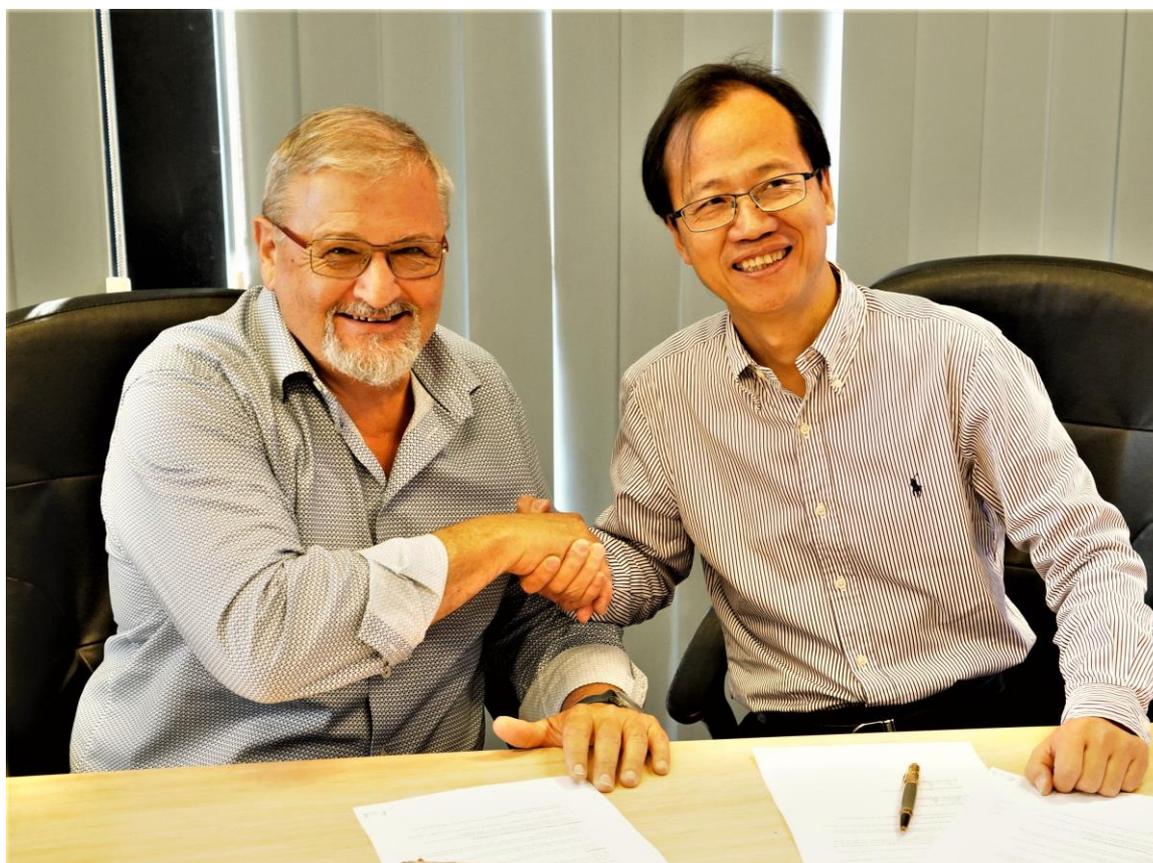
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Adrian Griffin, of Lithium Australia, and Jeffery Wu, of DLG, signing the LoI.

Background

Lithium Australia (or 'the Company') has taken a major step forward commercially in its aim of becoming a major provider of battery materials and recycling solutions to the fast-growing energy storage industry.

As one of the 10 largest battery manufacturers in China, DLG has six development and manufacturing facilities there, as well as sales and support offices in the United States

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and Europe. DLG is a leading developer and manufacturer of cylindrical LIB cells, packs and systems, producing not only lithium-iron-phosphate ('LFP') and lithium-nickel-manganese-cobalt ('NMC') battery cell types but also battery-management-system and pack technology. Having developed significant intellectual property (more than 50 issued patents), DLG sells products for use in consumer electronics, electric vehicles, energy-storage systems, e-bikes and many other applications that require high-quality LIBs, and has customers in every major world market.

DLG has been working with the Company to test (in China) LFP cathode powders produced by VSPC Ltd (a wholly owned subsidiary of Lithium Australia) at its pilot plant in Brisbane, Australia. DLG used the VSPC powders to manufacture commercial LFP cells in China.

Market opportunity

Together, DLG and Lithium Australia have identified constraints in the delivery of LIBs into the Australian supply chain, and they see an exciting business opportunity in rectifying those supply difficulties.

Under the LoI, DLG and the Company intend to incorporate 'Lithium Australia DLG' as a 50:50-owned business, the aim of which is to ameliorate supply chain constraints for LIB batteries, packs and modules entering the Australian market.

The new Lithium Australia DLG business will apply the following supply-chain solutions.

- Improve the availability of LFP and NMC LIBs to equipment manufacturers and consumers in the Australian market.
- Maintain local (Australian) stock levels to meet demand.
- Manufacture packs and modules within Australia.
- Produce an Australian DLG/VSPC battery for both local and global markets.
- Offer a battery-recycling solution through Lithium Australia's recycling business unit.

As part of the Company's undertaking to DLG, it will complete a business plan designed to service the burgeoning demand for LIBs in Australia. There will be a particular focus on the energy-storage industry, a sector in which Australia is experiencing strong growth.

And, as part of establishing the business, Lithium Australia has agreed to purchase an initial battery inventory through the issue of 12,500,000 Company shares to DLG at the prevailing market price of 8 cents per share.

Technology alliance

Under the LoI, the parties will facilitate technological cooperation between VSPC and DLG for both cathode and battery development.

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DLG will work with Lithium Australia to further develop VSPC's cathode powders, initially with an initial focus on LFP, the ideal battery chemistry for Australian energy-storage applications.

LFP is very safe (not prone to thermal runaway and fires), demonstrates superior longevity and operates reliably at elevated temperatures. Subject to certain performance and cost hurdles being met, DLG will award VSPC preferred supplier status to provide LFP powders for the manufacture of DLG LIBs at DLG's manufacturing facilities in China.

Schedule

The Company and DLG intend to complete the required planning by 30 June 2019. A successful outcome will result in Lithium Australia DLG commencing its Australian marketing operations shortly thereafter. The Lol governing this cooperation is subject to final definitive and binding documentation, completion of which is anticipated during the business planning process.

Comment from Adrian Griffin, Managing Director

"Lithium Australia's partnership with DLG will provide us with first-mover advantage in the supply of batteries designed specifically for Australian conditions and create a stable supply chain. That will provide equipment manufacturers with regular and reliable supplies of LIBs held as stock in Australia."

"Australia is already established as a world leader in the take-up of energy storage using LIBs. Lithium Australia, through its subsidiary VSPC, has developed superior cathode materials that provide the performance required for this application, under conditions of high ambient temperatures. Our partnership with DLG, a leading Chinese battery producer, vindicates the development efforts undertaken by the Company to commercialise this opportunity."

"We look forward to developing a critical supply-chain solution with our internationally respected partner DLG."

Adrian Griffin

Managing Director

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About Lithium Australia NL

Lithium Australia aspires to 'close the loop' on the energy-metal cycle in an ethical and sustainable manner. To that end, it has amassed a portfolio of projects and alliances and developed innovative extraction processes to convert *all* lithium silicates (including mine waste) to lithium chemicals. From these chemicals, the Company plans to produce advanced components for the lithium-ion battery industry. The final step for Lithium Australia involves the recycling of

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spent batteries and e-waste. By uniting resources and the best available technology, the Company aims to establish a vertically integrated lithium processing business.

About DLG Battery Co. Ltd

Established in Shanghai, China in 2001, DLG is a leading manufacturer of LIBs, with extension to the downstream battery pack business, and has become a well-known supplier of green energy solutions across the country. DLG business encompasses many areas, including LIBs, battery control systems, consumer batteries and other battery-related research, design, manufacturing, sales and services.

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