



3 April 2020

Lithium Australia COVID-19 austerity measures

HIGHLIGHTS

- **COVID-19 safety measures implemented.**
- **Envirostream revenue ramping up after plant commissioning.**
- **Soluna Australia battery revenue expected to commence this quarter.**
- **Employee costs reduced significantly.**
- **Federal and state government support will help retain staff.**
- **Board will take half their directors' fees in Company shares.**
- **Rental costs reduced from April 2020.**
- **Exploration and technology development costs deferred.**
- **Group expects to be funded for at least this calendar year.**

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COVID-19 – safety

The issues surrounding COVID-19 are affecting Lithium Australia NL (ASX: LIT, 'Lithium Australia' or 'the Company') and its subsidiaries ('the Group'). Most Group employees are working from home and, for those continuing to occupy Group premises during working hours, strict social distancing and hygiene standards are being observed.

COVID-19 – impact on the business and financial markets

Many service providers and other stakeholders involved in Company business have curtailed operations, as has the Group as a whole, which has slowed its progress, delaying the commencement of new projects and pausing most research.

Uncertainty on both the health and economic fronts has deflated stock exchanges, while a lack of investor confidence has led to difficulties in raising equity at the prices required to operate at levels seen in the past.

The Group is focusing on the elements of its business that can generate revenue in the near term and is deferring technology development and exploration expenditures in the Chemicals and Raw Materials units.

As at 31 March 2020, the Company held \$3.3 million in cash, meaning it is funded for at least this calendar year based on current assumptions. The Company recently completed the LITCE call and raised over \$310,000 with an auction of LITCE forfeited shares to be completed.

Envirostream Australia Pty Ltd – battery recycling

Following an extended period of commissioning and plant optimisation, the Melbourne recycling facility of Lithium Australia subsidiary Envirostream Australia Pty Ltd ('Envirostream') made its second shipment of mixed metal dust (MMD), comprising energy-active materials recovered from lithium-ion batteries ('LIBs'), on 27 March 2020. The plant is now running at planned capacity and double shifts – operating 16 hours a



day, five days a week – and continues. As at 31 March 2020, there were +110 tonnes of LIBs in stock. The double shifts will continue until that stock has been depleted.

In addition, Envirostream has begun commissioning of its copper-and-aluminium ('Cu/Al') separation circuit. This should be completed in coming weeks, ensuring near-term revenue from 178 tonnes of mixed Cu/Al stock, also recovered from LIBs.

Australia's Battery Stewardship Council has plans to introduce a nation-wide battery stewardship system from 1 July 2020. Once that occurs, the volume of batteries Envirostream (the only LIB recycler in Australia) receives should increase significantly.

Due to financial market volatility, the Company's Board has decided to delay the float of Envirostream, which will remain focused on increasing battery collection and reducing inventory levels to maximise revenue and cashflow.

Soluna Australia Pty Ltd – battery business

During the December 2019 quarter, the Company formalised its agreement with DLG Battery Co. (China), a major offshore battery manufacturer, with the aim of:

- commercialising VSPC Ltd cathode powders in China, and
- developing a battery distribution business within Australia.

During that period, Soluna Australia Pty Ltd ('Soluna') also took delivery of energy storage products in Australia.

Soluna has two employees, Mr Kieron D'Arcy (general manager) and Ms Raegan Hanks (sales manager), both with more than a decade of experience in the renewable energy sector. Each has made significant progress in developing relationships and sourcing orders. First sales for Soluna should commence this quarter, with the business expected to be cashflow-positive by the next quarter owing to its low costs and overheads.

Employee cost reductions and government subsidies

The Group's employees are its greatest asset. The Company therefore regrets having to take measures to ensure that all its business units survive to reap the rewards of the many years of research and intellectual property in battery materials and processing accumulated to date.

Having given much consideration to current circumstances the Company has decided that, rather than retrenchments, it will rely on a combination of reduced hours, leave entitlements and salary sacrifice in the form of Company shares to ensure as many staff as possible have the opportunity to remain employed.

Meanwhile, members of the Lithium Australia Board have opted to receive half their remuneration in the form of Company shares for the next six months.



Government assistance

The Company is monitoring the Australian federal and state governments' announcements with regard to the various support programmes being offered and will apply for any that can benefit Group employees. Should Lithium Australia succeed in its application for the JobKeeper programme, eligible employees will be guaranteed a minimum payment of \$1,500 per fortnight.

Further, the Group expects to qualify for up to \$300,000 in PAYG subsidies over the next six months, and Lithium Australia will also be exempt from Western Australian state payroll tax from March through to June 2020.

Office cost reductions

The Group has moved to reduce rental costs for both its office and factory spaces, including the Company head office and those of its subsidiaries. Benefits from this are expected to be realised from April 2020.

Reduced exploration expenditure

Only essential Lithium Australia exploration activities will continue and, even then, only in accordance with government-imposed restrictions on the movement of personnel from state to state or region to region. Meanwhile, the Company will continue its rationalisation of non-core exploration properties.

Lithium Australia is a member of The Association of Mining and Exploration Companies, which is currently lobbying state governments to reduce tenement holding costs and commitments. The Western Australian government is reviewing this proposal.

Comment from Lithium Australia MD Adrian Griffin

"We at Lithium Australia are deeply concerned for the health and well-being of Group employees, as well as their families, dependents and friends, in these difficult times. We encourage everyone to show concern for others and act with caution regarding their own exposure to COVID-19. Let's all hope for a speedy global recovery from the pandemic, for resumption of normal life as soon as possible and for the continued success of our business, for the benefit of all stakeholders."

Authorised for release by the Board.

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About Lithium Australia NL

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, the Company continues with development 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, the Company seeks to vertically integrate extraction, processing and lithium recycling.

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