



LITHIUM AUSTRALIA NL

ACN 126 129 413

FINANCIAL REPORT

FOR THE HALF- YEAR ENDED 31 DECEMBER 2021

CONTENTS PAGE

CORPORATE DIRECTORY..... 1

DIRECTORS’ REPORT..... 2

AUDITORS INDEPENDENCE DECLARATION..... 4

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME 5**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION..... 6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY..... 7

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS 8

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 9

DIRECTORS’ DECLARATION 17

INDEPENDENT AUDITOR’S REPORT 18

CORPORATE DIRECTORY

DIRECTORS

Adrian Griffin
Managing Director

George Bauk
Non-Executive Chairman

Kristie Young
Non-Executive Director

Phil Thick
Non-Executive Director

COMPANY SECRETARY

Barry Woodhouse

CHIEF FINANCIAL OFFICER

Stuart Tarrant

REGISTERED OFFICE

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AUDITORS

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SHARE REGISTRY

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Nedlands WA 6009

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STOCK EXCHANGE LISTING

The Company is listed on Australian Securities Exchange Limited Home Exchange – Perth
ASX Codes: **LIT, LITOA**

DIRECTORS' REPORT

The Directors present their report on Lithium Australia NL ("LIT" or the "Company") and its controlled entities (the "Consolidated entity") for the year half-year ended 31 December 2021.

BOARD OF DIRECTORS

The names and details of the Consolidated entity'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.

Adrian Griffin	Managing Director
George Bauk	Non-Executive Chairman
Kristie Young	Non-Executive Director
Phil Thick	Non-Executive Director

EXECUTIVE MANAGEMENT

Barry Woodhouse	Company Secretary
Stuart Tarrant	Chief Financial Officer

RESULTS OF OPERATIONS

The operating loss after income tax of the Consolidated entity for the half-year ended 31 December 2021 was \$5,217,736. (31 December 2020: loss of \$10,485,056).

No dividend has been paid during or is recommended for the financial period ended 31 December 2021.

FINANCIAL POSITION

The Consolidated entity's working capital surplus, being current assets less current liabilities was \$4,708,710 at 31 December 2021 (30 June 2021: working capital surplus of \$4,864,341).

In the Directors' opinion, there are reasonable grounds to believe that the Consolidated entity will be able to pay its debts as and when they become due and payable.

REVIEW OF OPERATIONS

LIT plans to establish integrated processing operations for battery materials, paving the way for a cost-effective and genuinely renewable circular battery economy. The Company has increased its focus on lithium-ferro-phosphate ('LFP') given the growth in the lithium-ferro-phosphate battery market.

The LIT Group's production cycle (i.e. lithium from recycled batteries → lithium phosphate ('LP') → lithium-ferro-phosphate ('LFP') cathode material → new lithium-ion batteries ('LIBs')) reveals the potential to improve efficiency and reduce manufacturing costs in the battery industry, and in so doing meet the ethical, social and governance standards the community has come to expect. Indeed, these technologies could enhance global efforts to deal with climate change by improving resource sustainability and reducing the environmental footprint of portable power.

During the period under review, LIT continued with its plans to establish integrated processing operations for battery materials within Australia, and overseas, depending on the outcome of a definitive feasibility study into the production of LFP cathode powder. The Covid pandemic has continued to disrupt parts of the Company's operations.

REVIEW OF OPERATIONS (continued)

The major events reported during the period are listed below and are described in more detail in the various release made during the period.

- Successful listing of Charger Metals NL (Charger) which has effectively reduced exposure of the Company's exploration assets whilst retaining upside and a 19% interest in Charger. Refer to notes 5 and 6 in the Notes to the Condensed Consolidated Financial Statements
- Exploration continues at the Charger Bynoe, Coates, and Lake Johnston projects.
- VSPC has its LFP and LMFP cathode material under testing with 7 producers.
- The Company was admitted into the Global Battery Alliance.
- Continuation of intellectual property developments for proprietary LFP & LMFP cathode & anode powders, recycling processes, LieNA[®], SiLeach[®] and solid-state lithium metal batteries.
- Envirostream continued its second season of micronutrient field trials in WA and SA with results pending.
- Envirostream licensed by EPA Victoria for 99-year operating licence for battery recycling prior to the introduction of the Battery Stewardship Scheme, which commenced in 2022.
- Envirostream has established a national collection scheme with Bunnings.
- Continuation of CRC-P projects with the autoclave arriving from India for the LieNA[®] pilot plant and study into fast charge batteries for trams continues.
- VSPC is conducting a definitive feasibility study for LFP manufacturing, for which demand has expanded rapidly in the past 12 months. VSPC is investigating both Australian and overseas locations.
- The Company raised \$4.9M during the half year: \$2.7M via partly paid share redemptions and option exercise and \$2.2M net via placement.

SUBSEQUENT EVENTS

- (a) On 19 January 2022, the Company issued 1,871,283 fully paid ordinary shares upon the receipt of consideration for the full payment of 1,871,283 partly paid shares (at \$0.05 fully paid).
- (b) On 31 January 2022, shareholders approved the change of status from no liability (exploration) to a company limited by shares to reflect the change of focus to battery materials. This change of status will become effective during the current period.
- (c) On 02 February 2022, the Company issued 2,125,807 fully paid ordinary shares upon the receipt of consideration for the full payment of 2,125,807 partly paid shares (at \$0.05 fully paid).

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Hall Chadwick, to provide the directors of the Consolidated Entity with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2021.

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



Adrian Griffin
Managing Director

Dated at Perth this 10th day of March 2022

To the Board of Directors

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit director for the review of the financial statements of Lithium Australia NL for the period ended 31 December 2021, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated this 10th day of March 2022
Perth, Western Australia

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2021

	Note	6 months ending	6 months ending
		31-Dec-21	31-Dec-20
		\$	\$
Continuing Operations			
Sales		1,036,724	516,253
Cost of Sales		(2,515,610)	(706,071)
Gross Profit/(Loss)		(1,478,886)	(189,818)
Revenue		16,220	17,477
Other Revenue	2	3,521,712	2,444,403
Unrealised gain/(loss) on embedded derivative at fair value			
Occupancy costs		(107,046)	(142,452)
Professional fees		(453,242)	(332,157)
Corporate fees		(244,116)	(177,151)
Laboratory/Plant/R&D expenses		(1,269,922)	(545,129)
Warehouse expenses		(14,136)	(2,909)
Employee benefits expense		(3,195,341)	(3,392,513)
Administration costs		(497,080)	(422,895)
Depreciation and amortisation		(1,468,687)	(1,122,870)
Exploration and evaluation costs		(19,755)	(4,801,307)
Finance Costs		(711)	(1,534,370)
Impairment of goodwill		-	(283,365)
Bad debt written off		(6,746)	-
Profit/(Loss) before income tax		(5,217,736)	(10,485,056)
Income tax expense		-	-
Profit/(Loss) from continuing operations		(5,217,736)	(10,485,056)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign currency		866	86,428
Net other comprehensive income that may be reclassified subsequently to profit or loss:		866	86,248
Items that will not be reclassified subsequently to profit or loss:			
Net gain/(loss) on equity instruments at fair value through other comprehensive income		3,238,238	110,437
Net other comprehensive income that will not be reclassified subsequently to profit or loss:		3,238,238	110,437
Other comprehensive income/(loss), net of tax		3,239,104	196,865
Total comprehensive income/(loss) for the year		(1,978,632)	(10,288,191)
Profit/(Loss) for the year attributable to:			
Members of the controlling entity		(4,829,432)	(10,310,145)
Non-controlling interest		(388,304)	(174,911)
		(5,217,736)	(10,485,056)
Total comprehensive income/(loss) attributable to:			
Members of the controlling entity		(1,590,328)	(10,113,280)
Non-controlling interest		(388,304)	(174,911)
		(1,978,632)	(10,288,191)
Basic Loss per share (cents per share)		(0.53)	(1.41)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31-Dec-21	30-Jun-21
		\$	\$
Current Assets			
Cash and cash equivalents		11,782,336	11,369,696
Trade and other receivables	3	1,571,000	762,303
Inventory	4	749,871	720,879
Financial assets	5	335,694	230,376
Capitalised exploration expenditure – assets held for sale		-	336,000
Total Current Assets		14,438,901	13,419,254
Non-Current Assets			
Financial assets	5	6,945,676	2,392,943
Capitalised exploration expenditure	6	144,000	144,000
Intangible assets	7	14,142,558	14,607,581
Right of Use asset	8	2,097,584	756,238
Property, plant, and equipment		1,898,446	1,232,468
Total Non-Current Assets		25,228,264	19,133,230
TOTAL ASSETS		39,667,165	32,552,484
Current Liabilities			
Trade and other payables		3,267,535	2,464,249
Lease liability	8	710,466	395,802
Provisions	9	5,752,190	5,694,862
Total Current Liabilities		9,730,191	8,554,913
Non-Current Liabilities			
Lease liability	8	1,433,724	397,724
Other payables		16,906	-
Total Non-Current Liabilities		1,450,630	397,724
TOTAL LIABILITIES		11,180,821	8,952,637
NET ASSETS		28,486,344	23,599,847
Equity			
Issued capital	10	88,718,435	81,069,029
Reserves	11	4,205,852	2,138,017
Accumulated losses		(62,665,044)	(58,222,604)
Controlling entity interest		30,259,243	24,984,442
Non-controlling interest		(1,772,899)	(1,384,595)
TOTAL EQUITY		28,486,344	23,599,847

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2021

31-Dec-20	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Other Reserves ^(a)	Accumulated Losses	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	62,225,017	2,194,879	63,308	452,534	(40,236,731)	(115,713)	24,583,294
Loss for the period	-	-	-	-	(10,310,145)	(174,911)	(10,485,056)
Other comprehensive income							
Translation of foreign currency	-	-	86,428	-	-	-	86,428
Net gain/(loss) on equity instruments at fair value	-	-	-	110,437	-	-	110,437
Total comprehensive loss for the period	-	-	86,428	110,437	(10,310,145)	(174,911)	(10,288,191)
Transaction with owner, directly recorded in equity:							
Issue of shares	10,687,409	-	-	-	-	-	10,687,409
Capital raising costs	(408,667)	-	-	-	-	-	(408,667)
Exercise of performance rights	18,800	(18,800)	-	-	-	-	-
Movement in performance rights	-	124,574	-	-	-	-	124,574
Issue of performance rights	-	1,149,390	-	-	-	-	1,149,390
Acquisition of shares in controlled entity	-	-	-	-	-	(283,367)	(283,367)
Balance at 31 December 2020	72,522,559	3,450,043	149,736	562,971	(50,546,876)	(573,991)	25,564,442

^(a) Other reserves consist of investment revaluation reserve, equity reserve and convertible note reserve

31-Dec-21	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 period	-	-	-	-	(4,829,432)	(388,304)	(5,217,736)
Other comprehensive income							
Translation of foreign currency	-	-	866	-	-	-	866
Net fair value gain/(loss) on financial assets	-	-	-	3,238,238	-	-	3,238,238
Total comprehensive loss for the period	-	-	866	3,238,238	(4,829,432)	(388,304)	(1,978,632)
Transaction with owner, directly recorded in equity							
Issue of shares	4,918,298	-	-	-	-	-	4,918,298
Call on partly paid shares	1,043,175	-	-	-	-	-	1,043,175
Capital raising costs	(175,635)	-	-	-	-	-	(175,635)
Shares held in trust	(15,100)	-	-	-	-	-	(15,100)
Exercise of performance rights	1,217,165	(1,217,165)	-	-	-	-	-
Expiry of options	-	(72,000)	-	-	72,000	-	-
Issue/amortisation of performance rights	-	649,778	-	-	-	-	649,778
Transfer from investment revaluation reserve	-	-	-	(314,992)	314,992	-	-
Acquisition of shares in controlled entity	-	-	-	-	-	-	-
Options exercised	-	-	-	(216,890)	-	-	(216,890)
Options converted	661,503	-	-	-	-	-	661,503
Balance at 31 December 2021	88,718,435	616,138	37,907	3,551,807	(62,665,044)	(1,772,899)	28,486,344

^(a) Other reserves consist of investment revaluation reserve, equity reserve and convertible note reserve

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2021

	6 months ending 31- Dec-21	6 months ending 31-Dec-20
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	1,086,765	445,508
Payments to suppliers and employees	(7,034,142)	(4,190,296)
Payments for exploration and evaluation	(24,625)	(41,520)
Proceeds from Government grants and tax incentives	829,359	824,656
Proceeds from JobKeeper, apprentice subsidy and cashflow boost	-	569,000
Interest received	16,851	17,160
Interest expense	(2,249)	(4,920)
Net cash used in operating activities	(5,128,041)	(2,380,412)
Cash Flows from Investing Activities		
Cash acquired from acquisition	-	10,606
Purchase of property, plant, and equipment	(1,140,630)	(384,276)
Proceeds from sale of property, plant, and equipment	51,203	-
Payment for intangible assets	(590,176)	(118,066)
Proceeds from sale of financial assets	635,504	605
Proceeds from disposal of interest in tenements	100,000	72,700
Payments for other financial assets	(135,318)	(119,980)
Cash flows from loans to other entities	-	178,416
Net cash used in investing activities	(1,079,417)	(359,995)
Cash Flows from Financing Activities		
Proceeds from issue of shares	7,178,047	9,649,871
Payment for capital raising costs	(175,635)	(413,668)
Payment of borrowings	(372,321)	(152,096)
Transaction costs related to loans and borrowings	(16,972)	(203,958)
Payment of convertible note	-	(1,703,835)
Net cash generated by financing activities	6,613,119	7,176,314
Net increase in cash held	405,661	4,435,907
Cash and cash equivalents at the beginning of the period	11,369,696	3,739,382
Effects of exchange rates on consolidation	6,979	76,062
Cash and cash equivalents at the end of the period	11,782,336	8,251,351

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

These consolidated financial statements and notes represent those of Lithium Australia NL and its controlled entity (the “Consolidated entity”). Lithium Australia NL is a no liability company, incorporated and domiciled in Australia.

The Consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements for the period ended 31 December 2021 were approved and authorised for issue by the Board of Directors on 10 March 2022.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The half-year financial report is a general-purpose financial statement, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The half-year financial report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report of Lithium Australia NL as at 30 June 2021 and any public announcements made by the Consolidated Entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The half-year financial statements have been prepared in accordance with the accounting policies adopted in the consolidated entity’s last annual financial statements for the year ended 30 June 2021.

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.

During the half year ended 31 December 2021, the Group incurred a loss of \$5,217,736 (31 Dec 2020: \$10,485,056) and net cash outflows from operating and investment activities of \$6,207,458 (31 Dec 2020: \$2,740,407 outflows). As at balance date the Group had a working capital surplus of \$4,708,710 (30 June 2021: \$4,864,341).

The directors have prepared a cash flow forecast, which indicates that the Company 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. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021 (continued)

2. OTHER REVENUE

	6 months ending 31-Dec-21	6 months ending 31-Dec-20
	\$	\$
Government grants and tax incentives	1,593,000	1,402,456
JobKeeper, PAYG cashflow boost and apprentice subsidies	-	479,000
Tenement option fees	1,684,000	105,700
Reversal of loan impaired	-	377,877
Profit on asset disposal	11,440	484
Costs recovered	173,785	67,731
Administration fee	29,391	11,155
Miscellaneous income	30,096	-
	3,521,712	2,444,403

3. TRADE AND OTHER RECEIVABLES

	31-Dec-21	30-Jun-21
	\$	\$
Other debtors	624,488	335,101
GST receivable	269,732	96,939
Government grants and tax incentives	281,358	-
Prepayments	395,422	330,263
	1,571,000	762,303

4. INVENTORY

	31-Dec-21	30-Jun-21
	\$	\$
Battery packs	160,407	303,687
Finished goods	42,798	203,841
Work in progress	110,748	98,328
Collection units	435,918	115,023
	749,871	720,879

5. FINANCIAL ASSETS

	31-Dec-21	30-Jun-21
	\$	\$
Current		
Fixed term deposits	335,694	230,376
	335,694	230,376
Non-Current		
Australian listed shares – Level 1 fair value	6,870,211	2,355,338
Canadian listed shares – Level 1 fair value	75,465	37,605
	6,945,676	2,392,943

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021 (continued)

6. CAPITALISED EXPLORATION EXPENDITURE

	31-Dec-21	30-Jun-21
	\$	\$
Opening balance	480,000	5,519,371
Impairments/Revaluations:		
Tin International/Sadisdorf	-	(3,609,851)
Greenbushes	-	(102,090)
E27/562	-	(36,684)
P63/2063	-	(105,746)
Lake Johnston (i)	(336,000)	(1,185,000)
Closing balance	144,000	480,000
Split between:		
Current – assets held for sale	-	336,000
Non-current	144,000	144,000

(i) During the half year ended 31 December 2021, the Company sold 70% of its interests/rights and retained 30%.

7. INTANGIBLE ASSETS

31-Dec-21	Patents	Development Costs	Intellectual Property	Total
	\$	\$	\$	\$
Opening balance	335,396	10,060,954	4,211,231	14,607,581
Expenditure during the period (i)	132,943	349,761	-	482,704
Less: Amortisation of intangible asset	(33,325)	-	(914,402)	(947,727)
Closing balance	435,014	10,410,715	3,296,829	14,142,558

(i) During the period, the company spent \$421,389 on development and patent costs relating to the new lithium technology, cathode technology and battery recycling.

30-Jun-21	Patents	Development Costs	Intellectual Property	Total
	\$	\$	\$	\$
Opening balance	238,224	9,251,745	6,020,156	15,510,125
Expenditure during the period	146,509	809,209	-	955,718
Less: impairment of intangible asset	(15,187)	-	-	(15,187)
Less: Amortisation of intangible asset	(34,150)	-	(1,808,925)	(1,843,075)
Closing balance	335,396	10,060,954	4,211,231	14,607,581

8. LEASES

Operating leases relate to the lease of the following commercial premises:

Location	Commencement date	Term (months)	Option (months)	Expiry
West Perth, WA	01/10/2020	36	24	30/09/2025
Wacol, QLD	01/01/2020	36	-	31/12/2022
Campbellfield, VIC	01/07/2020	23	-	31/05/2022
Campbellfield, VIC	01/04/2020	24	24	31/03/2024
Kew, VIC	06/12/2021	36	-	05/12/2024
Laverton North, VIC	01/07/2021	55	-	31/01/2026

Right-of-use assets		31-Dec-21	30-Jun-21
Buildings		\$	\$
Cost		2,783,133	1,089,340
Accumulated Depreciation		(685,549)	(333,102)
Carrying Amount		2,097,584	756,238

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021 (continued)

8. LEASES (continued)

Amounts recognised in profit and loss

Buildings	6 months ending	6 months ending
	31-Dec-21	30-Dec-20
	\$	\$
Depreciation expense on right-of-use asset	352,447	137,816
Interest expense on lease liabilities	15,909	7,793
	368,356	145,609

Right-of-use liabilities

	31-Dec-21	30-Jun-21
	\$	\$
Current	710,466	395,802
Non-current	1,433,724	397,724
Total	2,144,190	793,526

9. PROVISIONS

	31-Dec-21	30-Jun-21
	\$	\$
Employees annual leave and long service leave provisions	684,121	626,793
Remediation (i)	5,043,069	5,043,069
Rehabilitation provision (ii)	25,000	25,000
	5,752,190	5,694,862

- (i) Envirostream Australia Pty Ltd, a subsidiary of the Company, has been served writs regarding 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 company and the Company expects some or all of the provision to be reimbursed. The Company has not recognised a separate asset and will only do so when the reimbursement is virtually certain.
- (ii) The Company's rehabilitation programs are ongoing on two areas at its Ravensthorpe Project. As at 31 December 2021, the Company estimated the cost of the rehabilitation programs at \$25,000 which has been recognised as a provision.

10. ISSUED CAPITAL

	31-Dec-21		30-Jun-21	
	Number	\$	Number	\$
Fully Paid Ordinary Shares				
Opening Balance	906,580,816	79,490,871	605,437,066	60,641,065
Issue of shares to directors and staff (i)	1,659,657	223,924	7,299,151	377,065
Issue of shares in lieu of payment (ii)	425,099	55,455	3,423,751	180,933
Issue of shares (iii)	47,975,000	2,360,635	-	-
Issue of shares on conversion of performance rights (iv)	19,050,000	1,217,165	8,700,000	458,639
Issue of shares on conversion of options	7,225,941	661,503	42,405,912	4,873,902
Issue of shares on full payment of partly paid shares	45,656,993	4,209,668	57,945,036	2,897,251
Issue of shares	-	-	181,369,900	10,455,584
Shares unissued	-	(15,100)	-	15,100
Transaction costs	-	(175,635)	-	(408,668)
Closing Balance	1,028,573,506	88,028,486	906,580,816	79,490,871

- (i) 1,659,657 shares were issued to staff.
- (ii) 425,099 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021 (continued)

10. ISSUED CAPITAL (continued)

(iii) On 28 July 2017, the Company had entered into a Controlled Placement Agreement with Acuity Capital Investment Management Pty Ltd. Pursuant to the Controlled Placement Agreement the Company issued the following shares:

- 05 August 2021 15,000,000 fully paid ordinary shares at net \$0.1183 per share;
- 05 August 2021 30,000,000 fully paid ordinary shares were issued as collateral¹ for \$nil consideration;
- 13 September 2021 2,975,000 fully paid ordinary shares at net \$0.1378 per share;

¹ As collateral for the Controlled Placement Agreement, the Company agreed to place 30,000,000 shares from its LR7.1 capacity, 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).

(iv) During the period, the Company issued 19,050,000 fully paid ordinary shares upon conversion of performance rights.

	31-Dec-21		30-Jun-21	
	Number	\$	Number	\$
Partly-paid contributing shares				
Opening Balance	113,968,755	1,578,158	171,913,791	1,583,952
Issue of shares	-	-	-	-
Proceeds from partly paid share	-	1,043,175	-	-
Redemption of LITCE/LITCF	(45,656,993)	(1,931,384)	(57,945,036)	(5,794)
Closing Balance (i)	68,311,762	689,949	113,968,755	1,578,158

(i) Closing balance is made up of 68,311,762 LITCF shares.

11. RESERVES

	31-Dec-21	30-Jun-21
	\$	\$
Option reserve	61,175	350,065
Investment revaluation reserve	3,487,571	564,325
Foreign currency translation reserve	37,907	37,041
Performance rights reserve	616,138	1,183,525
Equity reserve	3,061	3,061
	4,205,852	2,138,017
Option Reserve:		
Opening Balance	350,065	3,054,758
Expiry of options	(72,000)	(1,870,501)
Exercise of options	(216,890)	(834,192)
Issue of options	-	-
Closing Balance	61,175	350,065
Investment Revaluation Reserve:		
Opening Balance	564,325	(662,784)
Net gain/(loss) arising on revaluation of financial assets	2,923,246	1,227,109
Closing Balance	3,487,571	564,325

Upon disposal of financial assets, the Group transfers all accumulated gains or losses in the financial asset reserve pertaining to the financial asset to retained earnings.

Foreign Currency Translation Reserve:

Opening Balance	37,041	63,308
Exchange differences arising on translating foreign subsidiary	866	(26,267)
Closing Balance	37,907	37,041

Performance Rights Reserve

Opening Balance	1,183,525	252,378
Issue/amortisation of performance rights	649,778	1,389,786
Performance option rights achieved/exercised	(1,217,165)	(458,639)
Closing Balance	616,138	1,183,525

Equity Reserve:

Opening Balance	3,061	3,061
Closing Balance	3,061	3,061

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021 (continued)

12. SEGMENT INFORMATION

Segment performance

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 mineral exploration and technology development which includes lithium processing, cathode active materials and recycling. Operating segments are considered to have similar economic characteristics.

Types of reportable segments:

(i) Battery Recycling

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. Envirostream, a 90% owned subsidiary of the Company, shreds and recycles all types of end-of-life batteries at its Melbourne plant. Its proprietary process involves recovery of energy metals as a mixed metal dust ('MMD'), which is then exported for further refining.

(ii) Battery Materials

The research and development of advanced, world-leading battery materials including lithium ferro phosphate ('LFP'), as well as the sale of battery energy storage systems is reported in this segment.

(iii) Chemicals

The research and development of a suite of extraction and refining technologies for the recovery of lithium chemicals from various materials, including lithium micas, spodumene and end of life lithium-ion batteries.

(iv) Raw Materials

The exploration of current projects and the evaluation of new ones are reported in this segment.

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. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated.

Unallocated items

The following items of revenue, expense, assets, and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- Interest revenue;
- Revenue and expenditure directly related to corporate activities and/or not considered part of the core operations of any segment;
- Realised gains/(losses) on assets;
- Income tax expense;
- Deferred tax assets and liabilities;
- Investments in financial assets;
- Intangible assets;
- Income tax expense;
- Deferred tax assets and liabilities.

12. SEGMENT INFORMATION (continued)

(i) Segment revenues and results

6 months ending 31-Dec-21	Battery Recycling	Battery Materials	Chemicals	Exploration	Total
	\$	\$	\$	\$	\$
Revenue	1,407,124	826,796	429,618	1,684,000	4,347,538
Expenses	(3,787,733)	(1,535,352)	(424,690)	(71,670)	(5,819,445)
Total segment profit/(loss)	(2,380,609)	(708,556)	4,928	1,612,330	(1,471,907)

Unallocated items

- Interest revenue	19,657
- Other revenue	199,458
- Realised gains/(losses) on assets	11,440
- Personnel	(1,626,962)
- Administration	(1,707,660)
- Other expenses	(641,762)

Net profit/(loss) from continuing operations

(5,217,736)

6 months ending 31-Dec-20	Battery Recycling	Battery Materials	Chemicals	Exploration	Total
	\$	\$	\$	\$	\$
Revenue	243,688	895,003	374,482	105,700	1,618,873
Expenses	(1,086,151)	(1,065,728)	(125,216)	(4,801,307)	(7,078,402)
Total segment profit/(loss)	(842,463)	(170,725)	249,266	(4,695,607)	(5,459,529)

Unallocated items

- Interest revenue	17,484
- Other revenue	591,328
- Realised gains/(losses) on assets	484
- Personnel	(2,172,946)
- Administration	(1,020,388)
- Other expenses	(918,770)
- Finance costs	(1,522,719)

Net profit/(loss) from continuing operations

(10,485,056)

(ii) Segment Assets

31-Dec-21	Battery Recycling	Battery Materials	Chemicals	Exploration	Total
	\$	\$	\$	\$	\$
Segment assets	4,635,336	1,258,958	140,269	171,800	6,206,363

Unallocated items

- Cash and cash equivalents	11,150,567
- Trade and other receivables	630,076
- Other	21,680,159

Total company assets

39,667,165

30-Jun-21	Battery Recycling	Battery Materials	Chemicals	Exploration	Total
	\$	\$	\$	\$	\$
Segment assets	1,994,767	1,086,459	33,901	480,000	3,595,127

Unallocated items

- Cash and cash equivalents	11,067,774
- Trade and other receivables	402,254
- Other	12,858,848

Total company assets

27,924,003

12. SEGMENT INFORMATION (continued)

(iii) Segment Liabilities

31-Dec-21	Battery Recycling	Battery Materials	Chemicals	Exploration	Total
	\$	\$	\$	\$	\$
Segment liabilities	7,808,303	442,298	29,142	32,808	8,312,551

Unallocated items

- Trade and other payables 2,715,361
- Loans and leases 152,909

Total company liabilities **11,180,821**

30-Jun-21	Battery Recycling	Battery Materials	Chemicals	Exploration	Total
	\$	\$	\$	\$	\$
Segment liabilities	3,805,039	751,740	136,628	1,552	4,696,959

Unallocated items

- Trade and other payables 4,024,027
- Loans and leases 231,651

Total company liabilities **8,952,637**

13. SUBSEQUENT EVENTS

- (a) On 19 January 2022, the Company issued 1,871,283 fully paid ordinary shares upon the receipt of consideration for the full payment of 1,871,283 partly paid shares (at \$0.05 fully paid).
- (b) On 31 January 2022, shareholders approved the change of status from no liability (exploration) to a company limited by shares to reflect the change of focus to battery materials. This change of status will become effective during the current period.
- (c) On 02 February 2022, the Company issued 2,125,807 fully paid ordinary shares upon the receipt of consideration for the full payment of 2,125,807 partly paid shares (at \$0.05 fully paid).

14. COMMITMENTS

(a) Exploration Expenditure

The Consolidated entity has certain obligations with respect to tenements and minimum expenditure requirements in Australia, as follows:

	31-Dec-21	31-Dec-20
	\$	\$
Within 12 months	8,280	288,783
12 Months or longer and not longer than 5 years	8,280	288,78330
Longer than 5 years	-	-
Total	16,560	577,566

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Consolidated Group has no contingent assets or contingent liabilities as at 31 December 2021.

16. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade and other receivable and trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

Financial assets

The Group's Held for trading financial assets are level-1 financial instruments and valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

DIRECTORS' DECLARATION

The directors of Lithium Australia NL declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards AASB 134: *Interim Financial Reporting*; and
 - (b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2021 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 Consolidated entity 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.



Adrian Griffin
Managing Director

Dated at Perth this 10th day of March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LITHIUM AUSTRALIA NL

Conclusion

We have reviewed the accompanying half-year financial report of Lithium Australia NL (“the Company”) and Controlled Entities (“the Consolidated Entity”) which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors’ declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lithium Australia NL and Controlled Entities does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity’s financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s review report.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated the 10th day of March 2022
Perth, Western Australia