



16 December 2019

Lithium Australia secures A\$6.3 million funding agreement

HIGHLIGHTS

- **The Lind Partners have agreed to invest up to A\$6.3 million in Lithium Australia under a convertible security and share purchase funding agreement.**
- **Initial investment of A\$3 million will fund battery sales, battery recycling growth and working capital.**
- **Lithium Australia has the option to repay the convertible security in cash subject to Lind Partners' buy back conversion rights for up to 30% of the outstanding Face Value.**

ACN: 126 129 413
ASX: LIT

Level 1
675 Murray St
West Perth WA 6005

PO Box 1088
West Perth WA 6872

Phone +61 (0) 8 6145 0288
Fax +61 (0) 8 9475 0847

info@lithium-au.com
lithium-au.com

Lithium Australia NL (ASX: LIT, 'the Company' or 'LIT') is pleased to announce it has executed an agreement with The Lind Global Macro Fund, LP, an entity managed by The Lind Partners (together 'Lind' or 'Investor'), for an investment of up to A\$6.3 million ('Funding Agreement'). The initial funding commitment will be provided within seven days.

Lind's initial A\$3 million investment will be provided by way of a secured convertible security and a A\$100,000 share placement, the proceeds of which will be used, along with Lithium Australia's current cash, to fund:

- growth of the Soluna Australia battery business;
- commercialisation of the Company's cathode business, owned by its subsidiary VSPC Ltd;
- growth of the Company's battery recycling business, owned by its subsidiary Envirostream Australia Pty Ltd, and
- costs of the funding, as well as general working capital.

The Funding Agreement includes provisions that allow for conversion of securities outstanding to the Investor into fully paid ordinary shares in the capital of the Company ('Shares'), optional cash payments by the Company or early repayment, subject to Lind's buy back conversion rights for up to 30% of the outstanding Face Value.

Comment from Lithium Australia managing director Adrian Griffin

"During 2019, Lithium Australia has made a significant transition towards what is a more diversified, revenue producing business in one of the world's fastest growing sectors – batteries and battery minerals. This Funding Agreement will improve the Company's balance sheet, allowing us to grow our business in ways that are environmentally responsible and sustainable. The Lind Partners has been a long-time supporter of Lithium Australia and its directors, and we are pleased to continue our relationship with Jeff Easton and The Lind Partners."



Comment from Lind managing director Jeff Easton

“We have been following Lithium Australia since 2013. In that time we have seen Lithium Australia evolve from an explorer to a diversified battery and battery minerals Company with three distinct complimentary business units with excellent commercial potential. We are thrilled to invest in Lithium Australia and its management team to support the strategic plan of expanding operations into a diversified battery Company.”

Key aspects of the Funding Agreement

The Funding Agreement is underpinned by the ability to draw up to A\$6.3 million in a number of tranches from the Investor. The terms of the Funding Agreement expressly allow Lithium Australia to carry out additional private placements of equity or engage in other financing transactions.

The Investor will initially advance A\$3 million to the Company in two parts.

a) LIT will issue a zero-interest redeemable secured convertible security ('Convertible Security') with a face value amount of A\$3.3 million for an advance of A\$2.9 million. The difference between the amount advanced and the face value repayable reflects the financing charges associated with this facility and is inclusive of interest. Lithium Australia has the right to buy back the Convertible Security at any time with no pre-payment premium subject to Lind's buy back conversion rights for up to 30% of the outstanding Face Value.

Lind can convert the Convertible Security into Shares after an initial lock-up period at a price being the lower of A\$0.055 per Share or 92.5% of three consecutive daily VWAPs during a specified period of time ('Conversion Price'). Initially, Lind will be restricted to converting a maximum of A\$150,000 in any month, with this later increasing to A\$300,000 in any month. Additionally, the Company can redeem the entire outstanding amount at any time for no penalty, subject to Lind having the right to elect to convert 30% of the Face Value at the Conversion Price.

b) The Investor will also subscribe for Shares for up to AU\$3.4 million over 12 months by way of pre-payments ranging from A\$100,000 to A\$300,000 per month for 12 months, which can be extended for an additional 12 months by agreement between the parties. Simultaneous to funding the Convertible Security, the Investor will pre-pay the first tranche in the amount of A\$100,000. Thereafter, the Investor will purchase Shares from the Company on a monthly basis in the amount of A\$100,000 per monthly tranche. Upon mutual consent, the Company and the Investor may increase the amount of each tranche up to A\$300,000. The Company will have the right to reduce any tranche down to A\$25,000. The Investor will pre-pay each monthly tranche at the beginning of the month and the Company will issue the Shares to the Investor at the end of the month at the Purchase Price. The Purchase Price will be the lower of A\$0.055 per share or 92.5% of three consecutive daily VWAPs during a specified period of time ('Purchase Price').

ASX ANNOUNCEMENT



As part of the consideration payable for this Funding Agreement, the Company will issue 33.33 million LIT options to Lind with an exercise price of A\$0.055 per option and an expiry of three years from issue. Security will be provided to Lind by way a General Security Agreement and by way of the issue of 15 million collateral Shares that will be credited at the end of the Funding Agreement. Upon execution of the Funding Agreement, Lithium Australia will issue 15 million collateral Shares.

The parties have agreed that no more than 71,440,776 Shares ('Maximum Number') can be issued under the Convertible Security without shareholder approval. As the Maximum Number is within the Company's ASX Listing Rule 7.1 placement capacity, shareholder approval is not required for the issue of the Convertible Security. The Company will, at a general meeting to be called shortly, seek shareholder approval for the issue of a replacement Convertible Security that can convert into Shares without being subject to the Maximum Number and approve the issue to Lind of the 33.33 million LIT options. However even if the replacement Convertible Security is approved and issued, the Company's obligations in relation to the monthly tranches will remain subject to the Maximum Number.

Funds are expected to be received within 5 business days of execution of the agreement.

Authorised for release by the Board.

Barry Woodhouse

CFO and Company Secretary

Mobile +61 (0) 438 674 259

Barry.Woodhouse@lithium-au.com

Adrian Griffin

Managing Director

Mobile +61 (0) 418 927 658

Adrian.Griffin@lithium-au.com

About Lind

The Lind Partners (www.thelindpartners.com) is a New York-based institutional fund manager founded in 2011. Lind has an established reputation as a flexible and supportive capital partner to junior companies, having completed over 100 direct investments totalling over \$850 million in value. Through its three main funds - the Lind Global Macro Fund, the Australian Special Opportunity Fund and the Canadian Special Opportunity Fund - Lind invests in small- and mid-cap companies publicly traded in the US, Canada, Australia and the UK with an emphasis on mining and natural resources. Lind's core investment strategy is to provide new growth capital via direct investment with initial investments ranging from \$1 to US\$20 million plus follow-ons. Lind also invests in equity placements and selectively buys on the open market.



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

Media contacts

Adrian Griffin, Lithium Australia NL

08 6145 0288 | +61 (0) 418 927 658

Kevin Skinner, Field Public Relations

08 8234 9555 | +61 (0) 414 822 631

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