

Liontown Board approves development of Kathleen Valley Lithium Project

ASX Announcement

29/06/2022

Final Investment Decision clears the way for construction to commence at the world-class Kathleen Valley Lithium Project in Western Australia

Highlights

- With high-calibre foundational offtake agreements now in place with Ford, Tesla and LG Energy Solution, and financing commitments secured that will allow the project to be funded through to first production, the Liontown Board has made the Final Investment Decision (**FID**) to proceed to develop Kathleen Valley.
- First production of spodumene concentrate is scheduled for Q2 2024.
- In preparation for project delivery, the Company intends to award a series of major contracts (including EPCM, Power Purchase Agreement, freight logistics, bulk earthworks and open cut mining services) to established and high-quality contractors.
- Accommodation village design, build and construction has been awarded to ADD Business Group, with manufacture and site preparation works already underway.
- Early grade control drilling is well advanced at the planned two open pits ahead of anticipated pre-production mining commencing in Q1 2023.
- The capital cost estimate for the Project has been revised as part of the FID process.

Liontown Resources Limited (ASX: **LTR**) (**Liontown** or **the Company**) is pleased to announce that the Company's Board has endorsed the full development of its 100%-owned Kathleen Valley Lithium Project in Western Australia (**Kathleen Valley** or **the Project**).

The Final Investment Decision (**FID**) follows Liontown executing its third and final foundational offtake agreement, together with a A\$300 million debt facility (**Funding Facility**), with leading global automaker, Ford Motor Company (**Ford**) (refer to ASX Announcement 29 June 2022). It also follows the previously announced foundational offtake agreements with Tesla (refer to ASX announcement 6 June 2022) and LG Energy Solution (refer to ASX announcement 2 May 2022).

Liontown's offtake commitments (representing approximately 90% of Kathleen Valley's start-up SC6.0 production capacity of ~500ktpa), together with the Funding Facility and the proceeds from Liontown's A\$463 million capital raise in December 2021, supported the Board's decision to endorse the immediate commencement of Project execution.

In preparation for project delivery, the Company continues to progress a series of major contracts (including EPCM, Power Purchase Agreement, freight logistics, bulk earthworks and open cut mining services) with established and high-quality contractors. Work has also progressed across the construction scope and procurement is advancing for the remaining project activities in line with the development plan.

The Company has already awarded approximately 73% of mechanical equipment long lead items to high quality vendors, and awarded total process plant and non-process infrastructure packages with an estimated value of A\$83 million, ensuring that the Project remains on schedule.

Importantly the Company has awarded the contract for the design, build and construction of a high-quality modern accommodation village to assist in attracting and retaining employees. The village design has been finalised by ADD Business Group, with off-site manufacture of accommodation units underway and the commencement of early site works following approval of a Small Operations Mining Proposal. Permitting for the full Project continues to progress in line with schedule requirements.

Capital Cost Estimate

As part of the process of securing the balance of funding required for Kathleen Valley and Front-End Engineering Design (FEED) activities, further work was undertaken to finalise the engineering of the process plant and complete a value engineering exercise to optimise scope across the process plant design.

This work, undertaken in anticipation of making a FID for the Project, has refined the capital cost estimate. Further work is continuing to optimise underground mine designs and surface layout ahead of the commencement of mining in 2023.

As part of optimising the FEED scope, Liontown has revised its 2021 DFS pre-production capital cost estimate (including capitalised pre-production expenses) from A\$473 million to A\$545 million. The increase is driven primarily by optimisation and expansion of the FEED scope across a range of areas and general cost escalation.

The variations to the FEED scope will improve the Project's operational flexibility and include adjustments that, while increasing capital, are expected to deliver positive improvements on the Project's process control and operating costs over the life of the Project. Importantly, after accounting for these increases, the revised capital cost estimate remains consistent with the +/-15% tolerance for accuracy included in the Project's 2021 DFS capital cost estimates.

The Funding Facility and the proceeds from Liontown's A\$463 million capital raise in December 2021, provide for working capital of A\$93 million to support start-up and operational requirements, A\$54 million to support corporate and exploration costs to first production and up to A\$81 million in available remaining funding. Refer Figure 1.

As at the date of this Announcement, the Company continues to tender and award major construction, equipment and operational packages of work. The estimates above are given as at the date of this Announcement and remain subject to further revision in the future.

The Company will hold investor briefings and a webinar on Tuesday 5 July 2022 with details to be provided.

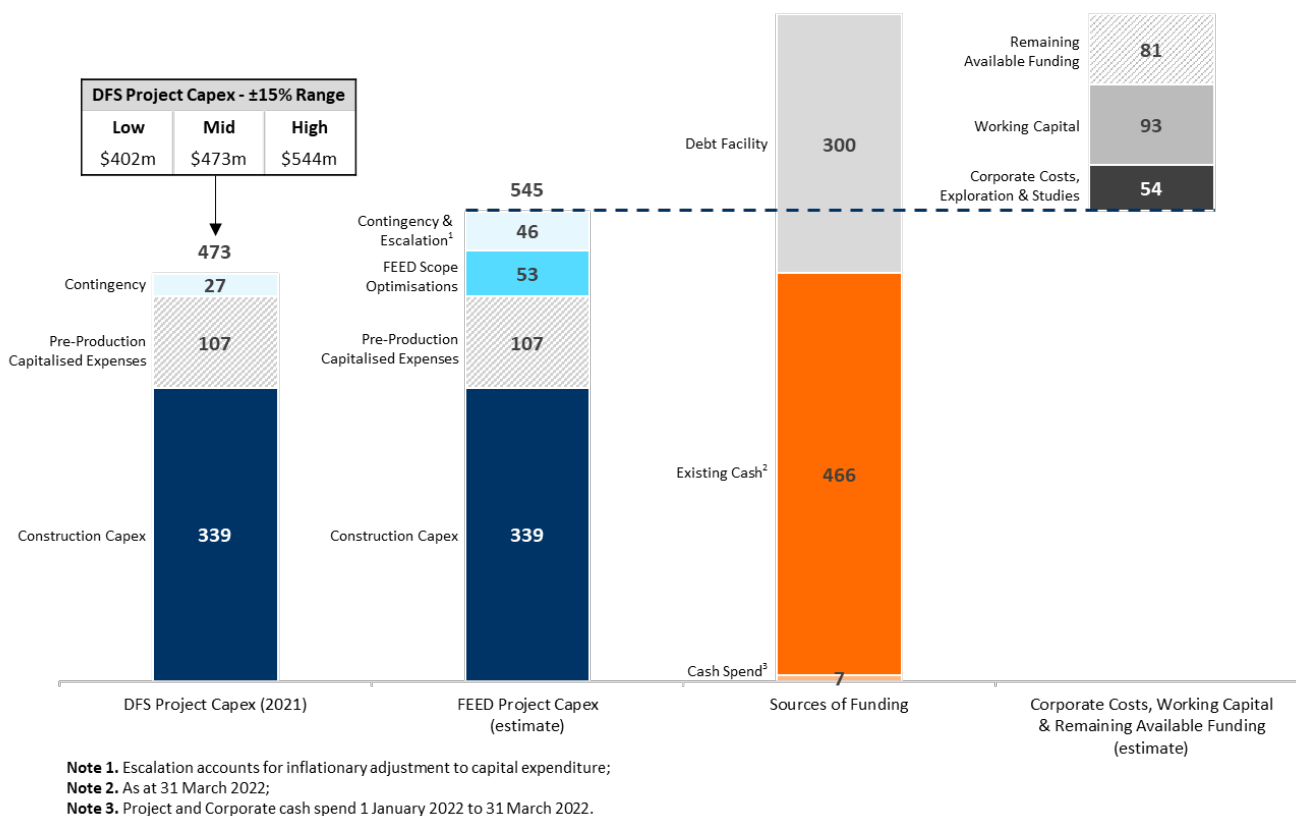


Figure 1 – Sources and Uses of Funds (A\$m)

Management Comments

Liontown’s Managing Director and CEO Tony Ottaviano commented:

"Announcing FID is a significant milestone and represents a major landmark for the Project's development. On the back of securing our third foundational offtaker and favourable debt financing arrangements, the Board has moved swiftly and decisively to make a FID, underscoring Liontown's collective determination to deliver Kathleen Valley as quickly as possible."

"Our rapid progress since completing the Definitive Feasibility Study in November 2021 is due to the hard work and dedication of the Liontown team and the ongoing support of shareholders."

"As always at Liontown we do not intend to stand still and, notwithstanding the significance of today’s announcement, Liontown’s central task lies ahead – safely building and commissioning our world-class Kathleen Valley Project. This process begins by immediately securing high-calibre contractors and business partners to ensure we can deliver the Project safely and efficiently. We remain on track to deliver first spodumene concentrate by Q2 2024."

"By realising this development, we hope to bring tangible benefits and positive outcomes for the people within our rapidly expanding business, as well as our shareholders and a range of other stakeholders including our valued Traditional Owners, the Tjiwarl, communities in the North-eastern Goldfields and, of course, the State of Western Australia and Australia."

"Kathleen Valley is set to become a Tier-1 second-generation lithium project, and I look forward to providing regular updates on our progress as we advance towards production in a systematic and measured way. This is an exciting time for everyone involved with the Company."

About Kathleen Valley

Kathleen Valley is a new, globally significant, lithium development project located 680km north-east of Perth in Western Australia's premier mining district. Underpinned by a world-class lithium deposit with a Mineral Resource Estimate of 156Mt at 1.4% Li₂O and 130ppm Ta₂O₅, Kathleen Valley is forecast to initially produce ~500ktpa of SC6.0 spodumene concentrate expanding to ~700ktpa in 2029. The project also has an integrated and value-adding ESG focus with greater than 60% renewable power supply planned at start-up and a strong working relationship with the Traditional Owners of the land (the Tjiwarl).

Greenhill & Co. is acting as financial adviser and Allens is acting as legal adviser to Liontown.

This announcement has been authorised for release by the Board of Directors.



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Competent person statement

The Information in this Announcement that relates to Production Target and DFS for the Kathleen Valley Project is extracted from the ASX announcement “Kathleen Valley DFS confirms Tier-1 global lithium project with outstanding economics and sector-leading sustainability credentials” released on 11 November 2021 which is available on www.ltresources.com.au.

The Information in this Report that relates to Mineral Resources for the Kathleen Valley Project is extracted from the ASX announcement “Strong progress with Kathleen Valley Definitive Feasibility Study as ongoing work identifies further key project enhancements” released on 8 April 2021 which is available on www.ltresources.com.au.

Kathleen Valley Project – Mineral Resource Estimate as at April 2021

Resource category	Million tonnes	Li ₂ O %	Ta ₂ O ₅ ppm
Measured	20	1.3	145
Indicated	109	1.4	130
Inferred	27	1.3	113
Total	156	1.4	130

- Notes:
- Reported above a Li₂O cut-off grade of 0.55%.
 - Tonnages and grades have been rounded to reflect the relative uncertainty of the estimate.

As detailed in this announcement, as part of the Final Investment Decision, the capital expenditure budget for the Kathleen Valley Project was increased to \$545 million. The Company confirms that it is not aware of any other new information or data that materially affects the information included in the original market announcements and the updated capital expenditure budget referenced in this announcement and that all material assumptions and technical parameters underpinning the estimates or production targets or forecast financial information derived from a production target (as applicable) in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.

Forward-looking statements

This report contains forward-looking statements which are identified by words such as ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘targets’, ‘expects’, or ‘intends’ and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this report, are considered reasonable. Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this report, except where required by law or the ASX listing rules