

Liontown and LG Energy Solution execute binding Offtake Agreement

ASX Announcement

2/05/2022

Foundational offtake with LG Energy Solution formalised with definitive full-form offtake agreement

Highlights

- Liontown and LG Energy Solution (LGES) have executed the definitive full-form Offtake Agreement for the supply of spodumene concentrate from the Kathleen Valley Lithium Project in WA.
- The full-form agreement expands the detail on the material terms agreed in the binding terms sheet announced on 12 January 2022 and also specifies the operational and logistical requirements for the delivery of product.
- Initial 5-year term expected to commence in 2024, with the ability to extend for a further five years.
- LGES to purchase 100,000 dry metric tonnes (DMT) in the first year, increasing to 150,000 DMT per year in subsequent years.
- Pricing is determined using a formula-based mechanism referencing market prices for battery-grade Lithium Hydroxide Monohydrate.
- LGES is a global leader in delivering advanced lithium-ion batteries for electric vehicles (EVs), mobility and IT applications and energy storage systems.

Liontown Resources Limited (ASX: LTR) (“Liontown” or “the Company”) is pleased to announce that it has completed negotiations with LG Energy Solutions (LGES) and executed its first definitive full form Offtake Agreement (**Offtake Agreement**) for the supply of spodumene concentrate from its flagship 100%-owned Kathleen Valley Lithium Project (**Kathleen Valley**).

The foundational Offtake Agreement with South Korean-based LGES is on terms materially consistent with the offtake terms sheet detailed in the ASX announcement on 12 January 2022 and outlined below. The Agreement provides for the supply of up to 150,000 dry metric tonnes (DMT) per annum of spodumene concentrate produced at Kathleen Valley expected to commence in 2024, representing approximately one-third of the Project’s start-up SC6.0 production capacity of ~500ktpa.

LGES is a major EV battery supplier for leading global automakers and is continuing to rapidly expand its business amid growing demand for lithium-ion batteries from the EV sector globally.

The completion of the full-form agreement with LGES marks another key milestone for Kathleen Valley, following the signing of an offtake terms sheet with leading EV manufacturer Tesla for the supply of up to 150,000 DMT per annum. Subject to long form documentation with Tesla being entered into, this means that more than half of Liontown’s planned production is now covered by long-term agreements with high-quality customers. Liontown continues to progress negotiations with other potential Tier-1 global customers which would complement its off-take strategy.

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. The Project also has an integrated and value-adding ESG focus with 60% renewable power at start-up and a strong working relationship with the Traditional Owners of the land (the Tjiwarl).

Liontown’s Managing Director and CEO Tony Ottaviano commented:

“We are delighted to have concluded negotiations with LG Energy Solution allowing us to execute our first full form Spodumene Concentrate Offtake Agreement for up to 30% of our production. This establishes the foundation for a long-term partnership and we are proud that we will be supplying lithium from the Kathleen Valley Project to LGES, a respected global leader in the lithium battery value chain.”

LG Energy Solution’s Vice President, Strategic Procurement, Mr KY Lee, said

“The Offtake Agreement with Liontown provides for a long-term supply partnership, with Kathleen Valley representing the opportunity to diversify our sources of Lithium with spodumene concentrate from a Tier-1 project in a world-class mining jurisdiction. We look forward to continuing to work with Liontown through project development and operation.”

This announcement has been authorised for release by the Managing Director, Tony Ottaviano.



TONY OTTAVIANO
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Material terms of Offtake Agreement:

Parties:	LRL (Aust) Pty Ltd (a wholly owned subsidiary of Liontown Resources Limited) (Seller) and LG Energy Solution, Ltd (Buyer)
Supply Term:	5 years from commencement of commercial production to supply. Buyer may terminate the offtake agreement if commercial production has not occurred prior to 1 September 2025 (Supply Term).
Extension:	The Supply Term may be extended for a further 5 years by mutual agreement.
Product:	Spodumene Concentrate with target specification 6% Li ₂ O.
Quantity:	The Seller has agreed to supply and the Buyer has agreed to take: Year 1 – 100,000 DMT (+/- 10%), Years 2 to 5 – 150,000 DMT (+/- 10%)
Pricing:	Pricing is based on market prices for Lithium Hydroxide Monohydrate.
Payment:	Irrevocable letter of credit.
Suspension Rights:	The Seller shall be relieved of its obligation to supply Product when the Project is under force majeure or placed on care and maintenance on commercially reasonable grounds.

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Appendix A

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.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements 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 announcement 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.

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