

Liontown signs foundational binding Offtake Term Sheet with premier global battery maker LG Energy Solution

Cornerstone offtake agreement provides strong market validation for the product quality and Tier-1 jurisdiction credentials of Liontown's Kathleen Valley Lithium Project

Highlights:

- Binding Lithium Spodumene Concentrate Offtake Term Sheet signed with South Korean-based LG Energy Solution (LGES). Foundation agreement underpins the development of Liontown's A\$473 million Kathleen Valley Lithium Project in Western Australia.
- Initial 5-year term expected to commence in 2024, with the ability to extend for a further 5 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 determined using a formula-based mechanism referencing market prices for Lithium Hydroxide Monohydrate.
- The landmark Offtake Term Sheet is strongly aligned with Liontown's offtake strategy, which is targeting Tier-1 customers downstream in the global battery value chain.
- Negotiations continue with several Tier-1 customers that will complement Liontown's offtake strategy of establishing a diverse portfolio of high-quality customers, defined both by geographic location and position within the global battery value chain.

Liontown Resources Limited (ASX: **LTR**) ("**Liontown**" or "**the Company**") is pleased to announce that it has taken a major step towards the development of its flagship Kathleen Valley Lithium Project (**Kathleen Valley**) in Western Australia after executing its first binding offtake term sheet (**Offtake Term Sheet**) with one of the world's premier battery manufacturers, LG Energy Solution, Ltd. (**LGES**).

The agreement with South Korean-based LGES is 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 global leader in delivering advanced lithium-ion batteries for electric vehicles (EVs), mobility & IT applications and energy storage systems (ESS).

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.

Liontown has been disciplined in executing its offtake strategy for Kathleen Valley, targeting large foundation agreements which aim to deliver diversification both by geographic location and customer position in the global battery value chain, while at the same time retaining some capacity to sell into the rapidly growing spot market.

The Company continues to receive very strong interest from a range of parties in long-term offtake from the Kathleen Valley Lithium Project.

The Offtake Term Sheet with LGES is the first offtake arrangement secured for Kathleen Valley and represents a significant milestone for Liontown and its offtake strategy.

It also represents LGES' first binding commitment to acquire Australian-sourced spodumene concentrate and is aligned with the commitment expressed recently by both Australia and South Korea to identify greater opportunities for both countries to trade with each other, as reported during the recent visit to Australia by the South Korean President.

As outlined in the Definitive Feasibility Study (DFS) completed in November 2021, Liontown expects first production from Kathleen Valley in Q2, 2024 with initial base production of 2.5Mtpa delivering ~500,000tpa of spodumene concentrate. Supply of spodumene concentrate under the Offtake Term Sheet represents approximately 30% of annual production after Year 1.

Under the Offtake Term Sheet, pricing is determined by a formula-based mechanism linked to market prices for Lithium hydroxide.

Using today's market pricing for Lithium hydroxide, the contract terms would deliver an SC6.0 price outcome for Liontown that is greater than the pricing assumptions used in the DFS. Notwithstanding this, investors should note that the pricing received by Liontown under the Offtake Term Sheet will be determined by market prices at the time of each shipment.

Liontown and LGES will now work together to enter a definitive full form binding offtake agreement.

Liontown is continuing to progress negotiations with other potential Tier-1 global customers which would complement its off-take strategy.

Commenting on the Offtake Term Sheet with LGES, Liontown's Managing Director and CEO, Tony Ottaviano, said: *"The signing of this historic first Offtake Term Sheet for Kathleen Valley represents a fantastic outcome for our shareholders and marks a very satisfying result for the Liontown Board and team. We have been steadfast in our strategy to negotiate terms that we believe accurately reflect the significance of our position in the global lithium market, as well as the quality and location of our Kathleen Valley resource to ensure that we extract the best value for our shareholders."*

"Not only is this Offtake Term Sheet consistent with our strategy, it also represents a strong validation for the Tier-1 credentials of the Kathleen Valley Project as one of the world's premier new spodumene projects. Having a customer of the calibre and standing of LGES endorse the Project, by signing up to become a foundation customer, represents a significant vote of confidence in Kathleen Valley and in Liontown's ambition to become a globally significant provider of battery materials for the clean energy market."

"We are very pleased to have reached agreement with LGES, a respected global leader in the lithium battery value chain, and look forward to working with them as long-term partners for many years to come."

Material terms of Offtake Term Sheet:

Parties:	LRL (Aust) Pty Ltd (a wholly owned subsidiary of Liontown Resources Limited) (Seller) and LG Energy Solution, Ltd (Buyer)
Offtake Agreement:	Parties to negotiate in good faith to enter a definitive full form offtake agreement no later than 28 February 2022 (unless extended). The Offtake Term Sheet will terminate upon the earlier of execution of the offtake agreement or 31 March 2022 (unless extended or terminated by mutual agreement).
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 30 June 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.

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.



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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.litresources.com.au.

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 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.