

Replacement Announcement¹

Liontown and Tesla enter into a binding term sheet for supply of lithium

- Liontown and Tesla have signed a legally binding sales and purchase term sheet (“**Agreement**”) for the supply of Lithium Spodumene Concentrate from the new A\$473 million Kathleen Valley Lithium Project in Western Australia.
- Initial 5-year term expected to commence in 2024.
- Tesla 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 Agreement is conditional upon Liontown commencing commercial production at the Kathleen Valley Lithium Project by 2025.
- The Agreement is subject to the Parties completing negotiations and executing detailed definitive agreements by 30 May 2022 otherwise the Agreement will terminate (unless mutually extended).
- The Agreement provides further validation of the Tier-1 credentials of the Kathleen Valley Lithium Project, following the recent announcement of Liontown’s foundational offtake arrangement with LG Energy Solutions.
- The Agreement with Tesla is consistent with Liontown’s offtake strategy, which is targeting Tier-1 customers downstream in the global battery value chain.
- Liontown has now contracted over half of its expected production from the Kathleen Valley Lithium Project during the first five years of operation.
- Negotiations continue with other potential Tier-1 customers for remaining production.

Australian-based battery materials company Liontown Resources Limited (ASX: **LTR**) (“**Liontown**” or “**the Company**”) is pleased to announce that it has entered into a legally binding sales and purchase term sheet (“**Agreement**”) with electric vehicle manufacturer Tesla for the supply of spodumene concentrate.

¹ This announcement replaces the announcement dated 16 February 2022. The only change to this announcement is the title.

The Agreement is for the supply of up to 150,000 dry metric tonnes (“**DMT**”) per annum of spodumene concentrate to be produced at Liontown’s Kathleen Valley Lithium Project in Western Australia (“**Kathleen Valley**”) and is expected to commence in 2024, representing approximately one-third of the Project’s start-up SC6.0 production capacity of ~500ktpa.

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). A landmark Native Title Agreement was entered into with the Tjiwarl in November 2021, which provides the framework for collaboration during the development and operation of the Project.

Major construction of the A\$473 million project is scheduled to commence by Q4 CY2022 following the completion of a positive Definitive Feasibility Study (“**DFS**”) in late 2021 which outlined a post-tax NPV₈ of A\$4.2 billion and IRR of 57%. The Ore Reserve supports an initial ~23-year mine life, with Liontown targeting further expansions.

Liontown is well capitalised to forge ahead with development of Kathleen Valley following a A\$450 million equity raising completed in late 2021. The Company is also evaluating a pathway through the development of a value maximising Lithium Hydroxide Downstream Processing Facility in Western Australia, which is currently at the Pre-Feasibility Study level.

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 Agreement with Tesla is the second offtake arrangement secured for Kathleen Valley following the foundational offtake arrangement with LG Energy Solutions (refer ASX announcement, 12 January 2022). Together with the LG Energy Solutions arrangement, this means that more than half of Liontown’s planned production is now covered by long-term agreements with high-quality customers.

The Company continues to receive very strong interest from a range of parties for the remaining production from Kathleen Valley.

Under the Agreement with Tesla, pricing is determined by a formula-based mechanism linked to market prices for Lithium Hydroxide Monohydrate. Using today’s market pricing, 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 Agreement with Tesla will be determined by market prices at the time of each shipment.

Liontown and Tesla will now work together to complete the negotiation and execution of detailed definitive agreements which must be completed and executed by 30 May 2022. Liontown cautions investors that there is no assurance that the definitive agreements will be entered into by this date and as a result, the Agreement may be terminated unless extended by mutual agreement of Liontown and Tesla.

Commenting on the Agreement with Tesla, Liontown's Managing Director and CEO, Tony Ottaviano, said:

"Securing our second offtake sales agreement is another fantastic milestone for Liontown towards the development of the Kathleen Valley Lithium Project, and we are absolutely delighted to have signed this agreement with leading EV manufacturer, Tesla.

"Tesla is a global leader and innovator in electric vehicles and having it sign up to become a significant customer is a tremendous achievement and another huge vote of confidence in the quality of the Kathleen Valley Project. This means that we now have two of the premier companies in the global lithium-ion battery and EV space signed up as foundational customers, marking a significant step towards realising our ambition to become a globally significant provider of battery materials for the clean energy market. Our shareholders should be proud that future Tesla cars will be powered by Liontown lithium".

"We look forward to working with Tesla as long-term partners for many years to come.

"We are also continuing to progress discussions with additional potential customers for the remaining available production and we are looking forward to announcing additional arrangements in the weeks ahead as we continue to implement our strategy to develop the project and deliver value for our shareholders".

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