

# Liontown executes Binding Offtake Agreement with Ford

## ASX Announcement

29/06/2022

Liontown has secured a third foundational Offtake Agreement with leading global automaker Ford, together with a debt facility for the Kathleen Valley Lithium Project

### Highlights

- Liontown and Ford have executed a definitive binding full-form offtake agreement (**Offtake Agreement**), the third and final foundational offtake required to underpin development of Liontown's Kathleen Valley Lithium Project (**Kathleen Valley** or the **Project**).
- The Offtake Agreement for the supply of up to 150,000 dry metric tonnes (**DMT**) per annum will have an initial term of 5 years from the commencement of commercial production (expected in 2024).
- Ford and Liontown have also executed a binding full-form funding facility agreement (**Funding Facility**) with respect to a A\$300 million debt facility to be used for the Project's development.
- This Funding Facility, together with the proceeds from Liontown's A\$463 million capital raise in December 2021, paves the way for a Final Investment Decision for the Project.

Liontown Resources Limited (ASX: LTR) (**Liontown** or **the Company**) is pleased to announce that it has executed a binding Offtake Agreement and Funding Facility with leading global automaker Ford Motor Company.

The Offtake Agreement with Ford is for the supply of up to 150,000 DMT per annum of spodumene concentrate – a source of lithium essential in key EV battery chemistries. The spodumene concentrate will come from Liontown's flagship 100%-owned Kathleen Valley Lithium Project in Western Australia for five years.

The agreement represents Liontown's third and final foundational offtake required to underpin the development of Kathleen Valley – marking the culmination of the disciplined execution of its offtake strategy.

Together with the previously announced binding full-form offtake agreements with Tesla (refer to ASX announcement 6 June 2022) and LG Energy Solution (refer to ASX announcement 2 May 2022), Liontown's total offtake commitments now stand at up to 450,000 DMT per annum of spodumene concentrate, representing approximately 90% of Kathleen Valley's start-up SC6.0 production capacity of ~500ktpa. The remaining production from Kathleen Valley is intended to be retained for spot volume sales and/or discrete offtake agreements.

Supply to Ford is expected to commence in 2024, with volumes of 75,000 DMT of spodumene concentrate in year one of operations, increasing to 125,000 DMT in year two and 150,000 DMT for years three to five of the initial five-year term. The commercial terms of the Offtake Agreement reflect the continued strength in demand for spodumene concentrate and were not subsidised by the Funding Facility.

Under a separate Funding Facility, a Ford subsidiary will provide a A\$300 million debt facility to Liontown, with the proceeds to be used towards partially funding the development costs of Kathleen Valley. The Funding Facility, together with the A\$463 million raised by Liontown in December 2021, means that Liontown has now secured commitments for the required funds to support the full development of the Project through to first production.

The material terms of the Offtake Agreement and Funding Facility are provided in Appendix A.

The finalisation of debt funding, along with completion of foundational offtake arrangements, paves the way for a Final Investment Decision for the Project.

*"The signing of our third and final foundational offtake agreement is a momentous milestone for Liontown and the Kathleen Valley project, with approximately 90% of Kathleen Valley's start-up capacity now under secured long-term binding offtake agreements," said Liontown's Managing Director and CEO Tony Ottaviano. "Our disciplined approach to our offtake strategy has enabled us to build a customer base of Tier-1, globally significant customers in the EV battery supply chain, validating Kathleen Valley's status as a globally relevant lithium asset."*

*"In addition to the offtake, the A\$300 million funding facility from Ford, together with the capital raised last year, means that we have secured commitments for the funds required to support the full commercial development of Kathleen Valley through to first production."*

Ford's vice president of EV Industrialization, Lisa Drake added: *"Ford continues working to source more deeply into the battery supply chain to meet our goals of delivering more than 2 million EVs annually for our customers by 2026. This is one of several agreements we're working on to help us secure raw materials to support our plan to deliver EVs for customers around the world and meet our environmental, social and governance commitments."*

### **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% Li<sub>2</sub>O and 130ppm Ta<sub>2</sub>O<sub>5</sub>, 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 greater than 60% renewable power supply planned at start-up and a strong working relationship with the Traditional Owners of the land (the Tjiwarl).

### **About Ford Motor Company**

Ford Motor Company (NYSE: F) is a global company based in Dearborn, Michigan, that is committed to helping build a better world, where every person is free to move and pursue their dreams. The company's Ford+ plan for growth and value creation combines existing strengths, new capabilities and always-on relationships with customers to enrich experiences for and deepen the loyalty of those customers. Ford develops and delivers innovative, must-have Ford trucks, sport utility vehicles, commercial vans and cars and Lincoln luxury vehicles, as well as connected services. Additionally, Ford is establishing leadership positions in mobility solutions, including self-driving technology, and provides financial services through Ford Motor Credit Company. Ford employs about 182,000 people worldwide. More information about the company, its products and Ford Credit is available at [corporate.ford.com](http://corporate.ford.com).

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

This announcement has been authorised for release by Liontown's Board of Directors.

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For More Information:

Investors:

Tony Ottaviano

Managing Director

T: +61 8 6186 4600

info@ltresources.com.au

Media Inquiries:

Nicholas Read

Read Corporate

T: +61 8 9388 1474

nicholas@readcorporate.com.au

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## Competent person statement

The Information in this Announcement that relates to Production Target 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](http://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](http://www.ltresources.com.au).

### *Kathleen Valley Project – Mineral Resource Estimate as at April 2021*

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

- Notes:
- Reported above a Li<sub>2</sub>O 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 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

# Appendix A

## Material terms of Offtake Agreement

<b>Supply Term:</b>	5 years from commencement of commercial production ( <b>Supply Term</b> ). Either Ford or Liontown may terminate the Offtake Agreement if commercial production has not occurred prior to 1 September 2025.
<b>Extension:</b>	The Supply Term may be extended for a further 5 years by mutual agreement.
<b>Product:</b>	Spodumene concentrate with target specification 6% Li <sub>2</sub> O.
<b>Quantity:</b>	The Seller (a wholly owned subsidiary of Liontown Resources Limited) has agreed to supply and Ford has agreed to take: <ul style="list-style-type: none"> <li>Year 1 – 75,000 DMT (+/- 10%),</li> <li>Year 2 – 125,000 DMT (+/- 10%)</li> <li>Years 3 to 5 – 150,000 DMT (+/- 10%)</li> </ul>
<b>Pricing:</b>	Pricing is determined by a pricing mechanism based on market prices for lithium hydroxide monohydrate.

## Material terms of Funding Facility

<b>Facility:</b>	Senior-secured debt facility of A\$300,000,000.
<b>Conditions to draw down:</b>	Liontown having spent a defined threshold amount on the project and no continuing Default.
<b>Interest:</b>	Bank Bill Swap Rate (BBSW) plus a fixed margin of 1.5%. Interest to be capitalised until the earlier of the supply commencement date under the Offtake Agreement or 1 September 2025.
<b>Repayment:</b>	Quarterly from the supply commencement date, subject to an agreed schedule over a five year repayment period, including a balloon repayment of a portion of the facility amount on maturity. Additional voluntary repayments will also be made in certain circumstances including where the borrower (a wholly owned subsidiary of Liontown Resources Limited) distributes excess cashflow to Liontown Resources Limited.  If supply commencement date does not occur by 1 September 2025, then all amounts owing under the facility will be due and payable.
<b>Maturity:</b>	5 years from supply commencement date.
<b>Security:</b>	Senior security over the Kathleen Valley project assets and shares in the borrower (a wholly owned subsidiary of Liontown Resources Limited).