

2 August 2021

Liontown Further Enhances the Kathleen Valley Lithium Project After Reaching Agreement to Terminate Royalty

Elimination of the royalty is value accretive and supports ongoing project optimisation and growth initiatives

HIGHLIGHTS

- Liontown has agreed to pay Ramelius Resources Limited (“Ramelius”) A\$30.25M to terminate the Kathleen Valley Royalty held by Ramelius.
- The Kathleen Valley Royalty, which comprises 1% of gross sales and A\$0.50/t of ore mined and milled, was granted to Ramelius when Liontown acquired the Kathleen Valley Project in 2016.
- Based on the October 2020 Preliminary Feasibility Study (PFS)¹, the acquisition of the Kathleen Valley Royalty will be value-accretive to Liontown and is expected to result in a reduction in operating costs of approximately US\$10/t (USD:AUD 0.72) for 6% Li₂O concentrate over the Life-of-Mine (LOM).
- The benefits of terminating the Kathleen Valley Royalty will be further enhanced via future expansion of the production rate at Kathleen Valley and/or increases in the spodumene concentrate price.
- Liontown is well funded to be able to terminate the Kathleen Valley Royalty and continue to accelerate the Kathleen Valley Project. The benefits stemming from the termination of the Kathleen Valley Royalty are consistent with the Company’s objectives of reducing project operating costs and enhancing the economic profile of the, world class, Kathleen Valley Project.

Liontown Resources Limited (ASX:LTR, “Liontown” or “the Company”) is pleased to advise that it has executed a royalty termination deed under which Ramelius Resources Limited (ASX:RMS) (Ramelius) has agreed to terminate the Kathleen Valley Royalty (KV Royalty) it holds over the 100%-owned Kathleen Valley Lithium-Tantalum Project in Western Australia.

In consideration for terminating the KV Royalty, Liontown will pay Ramelius A\$30.25 million in cash.

Liontown granted the KV Royalty – equal to A\$0.50 per tonne of Rare Metal Pegmatite-Hosted Ore mined and milled from the Kathleen Valley Lithium-Tantalum Project (“Kathleen Valley” or “the Project”) and a sales royalty equal to 1% of Gross Sales – when it acquired the Project from Ramelius in 2016.

¹ ASX Announcement, 9 October 2020.

On Friday 23 July 2021, Liontown was invited by Ramelius to participate in a competitive bid process it was running to dispose of the KV Royalty. The closing date for the submission of bids was 28 July 2021, with the successful bidder being advised on 30 July 2021. Liontown was advised after close of market on 30 July that it was the successful bidder and documentation terminating the KV Royalty was executed on 31 July.

The opportunity to remove the financial obligations created by the KV Royalty aligns clearly with Liontown's stated objective of reducing the operating costs of the Project, while also optimising its overall economic profile.

On that basis, Liontown's Board considers that the termination of the KV Royalty is in the best interests of shareholders and, at present, is the most efficient way to optimise the Project's future operating costs. The termination payment will be settled from existing cash reserves which were boosted by the recent highly successful capital raising. The Company remains well funded, with approximately \$33m of cash and liquid assets available to continue to accelerate the development of the Kathleen Valley Project, post the settlement with Ramelius.

The termination of the KV Royalty is not subject to any conditions precedent and, as such, completion will occur shortly.

Commenting on the termination of the KV Royalty, Liontown Managing Director, Tony Ottaviano, said: *"The termination of this royalty is expected to enhance the NPV of Kathleen Valley and lower its position on the cost curve. It will further cement the Tier-1 credentials of the Kathleen Valley Project at a time when the outlook for the lithium market continues to improve. This is a value-accretive opportunity which removes a source of value leakage for the Project and lowers future operating costs."*

"This supports our ongoing strategy of improving the Project's financial metrics and enhancing its attractiveness and optionality as the only large, uncommitted, pre-development phase hard rock lithium asset in the developed world."

Post settlement with Ramelius, Liontown will remain well funded, with approximately \$33m in cash and liquid assets, to continue to accelerate the development of the KV Project and meet all of our previously stated objectives".

This announcement has been authorised for release by the Board.

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Forward Looking Statement

This announcement contains forward-looking statements which involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.