

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Liontown Resources Limited (ASX: Flash Note - Kathleen Valley Delivers World-Class Li-Ta Mineral Resource

July 9, 2019

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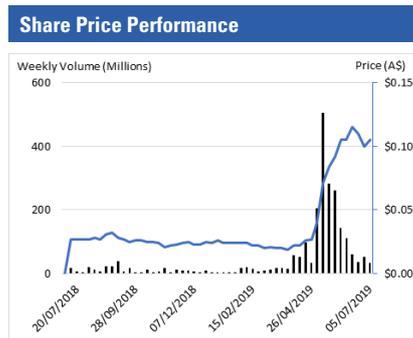


Note: This note is based on information provided by the company as at 9 July, 2018

Investment Profile	
Share Price - 8 July, 2019	A\$0.105
12 month L/H	A\$0.019/ 0.125
Issued Capital:	
Ordinary Shares	1,532 m
Unlisted Options	72.4 m
Inc In Money Options	72.4 m
Diluted for In Money Options	1,606 m
Market Capitalisation - UD	A\$160.9 m
Current Cash	A\$3.3 m
Potential Cash From Option Conversion	A\$2.2 m
Cash Including Option Conversion	A\$5.5 m

Board and Management	
Mr Tim Goyder: Chairman	
Mr David Richards: Managing Director	
Mr Craig Williams: Non-Executive Director	
Mr Anthony Cipriano: Non-Executive Director	
Mr Stephen Chadwick: Non-Executive Director	
Mr Richard Hacker: Chief Financial Officer	
Ms Kym Verheyen: Finance Manager/Company Secretary	

Major Shareholders	
Mr Tim Goyder	18.4%
Board and Management	20.8%
Top 20	45%



Senior Analyst – Mark Gordon

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KATHLEEN VALLEY RESOURCE UPGRADE DELIVERS WORLD CLASS LITHIUM PROJECT

- ◆ The updated Mineral Resource Estimate (“MRE”) for Kathleen Valley has delivered a world-class Resource of 74.9 Mt @ 1.3% Li₂O and 140 ppm Ta₂O₅, for 970 kt of contained Li₂O - this is a 353% increase in tonnes on the September, 2018 initial MRE of 21.2 Mt @ 1.37% Li₂O.
- ◆ The Project is located over granted mining leases in a well serviced mining district of Western Australia, the dominant producer of spodumene concentrates in the Western World.
- ◆ Kathleen Valley is highly ranked globally in terms of tonnage, grade and contained lithium; it is also one of the largest Resources in terms of contained Li₂O that is either not currently supporting an operation or being developed.
- ◆ The deposit compares very favourably with regards to size and/or grade to deposits of current Australian mining operations, including (ranked on contained Li₂O):
 - Mt Cattlin, Galaxy Resources - 16.7 Mt @ 1.28% Li₂O, 210 kt Li₂O,
 - Bald Hill, Alliance Mineral Assets - 26.5 Mt @ 1.00% Li₂O, 270 kt Li₂O,
 - Pilgangoora, Altura Mining - 50.5 Mt @ 1.01% Li₂O, 510 kt Li₂O),
 - Kathleen Valley - Liontown - 74.9 Mt @ 1.3% Li₂O, 970 kt Li₂O,
 - Mt Marion, Mineral Resources/Jianxi - 71.3 Mt @ 1.37% Li₂O, 980 kt Li₂O,
 - Wodgina, Mineral Resources/Albemarle - 236.9 Mt @ 1.20% Li₂O, 2,820 kt Li₂O,
 - Pilgangoora, Pilbara Resources - 226 Mt @ 1.30% Li₂O, 2,870 kt Li₂O; and,
 - Greenbushes, GAM - 120.6 Mt @ 2.4% Li₂O, 2,890 kt Li₂O.
- ◆ Mineralisation, which outcrops and is fresh from surface, is open along strike and down dip, and thus there is the potential for expansions with further drilling.
- ◆ Importantly, preliminary metallurgical test work undertaken to date has produced potentially saleable concentrates with grades of up to 6.2% Li₂O, with this work, including optimisation test work, ongoing - metallurgy is a key factor in the success or otherwise of spodumene operations, and the ability to produce a +6% Li₂O premium concentrate has a significant effect on the revenue of any potential operation.
- ◆ Activities are now concentrated on an ongoing Pre-Feasibility Study (“PFS”), which will incorporate the recent results, and is due for completion by the end of 2019 - this should see continuing positive news flow over coming months.
- ◆ The success of the lithium strategy has seen Liontown’s market capitalisation increase ~12-fold from ~A\$14 million in early 2017 to A\$161 million.
- ◆ In summary, our view is that the results of work to date confirm Kathleen Valley as a world class hard rock lithium project, and we expect positive news flow to continue with ongoing activities.

IIR’S COMMENTS

Our view is that the release of the updated MRE (and the results of metallurgical test work to date) for Kathleen Valley highlights the world class quality of the Project, and provides very positive comparisons with the Mineral Resources of current operations and other advanced projects.

Although some limited surface work has historically been carried out for pegmatite hosted Li/Ta/Sn mineralisation on the tenements, Liontown was the first to target the pegmatites in drilling, with an initial programme in 2017, and follow up programmes in 2018 and 2019, with the results of work confirming the success of the Company’s lithium strategy.

The MRE (Table 1) is based on ~45,000 m of reverse circulation (“RC”) and ~4,500 m of diamond drilling, and has defined a series of flat-lying to gently dipping parallel zones coalescing down dip to the south-west - mineralisation is open along strike and down dip (Figures 1 and 2), with the potential to increase the Resources with additional drilling. For further details of the geology please refer to the Company’s release of July 9, 2019.

The Company has used two cut-off grades - 0.5% Li₂O for potential open cut resources to 200 mRL (~300 m to 350 m depth), and 0.7% Li₂O for potential underground Resources (below 200 mRL), with potentially open pittable Resources making up 93% of the total (Table 1).

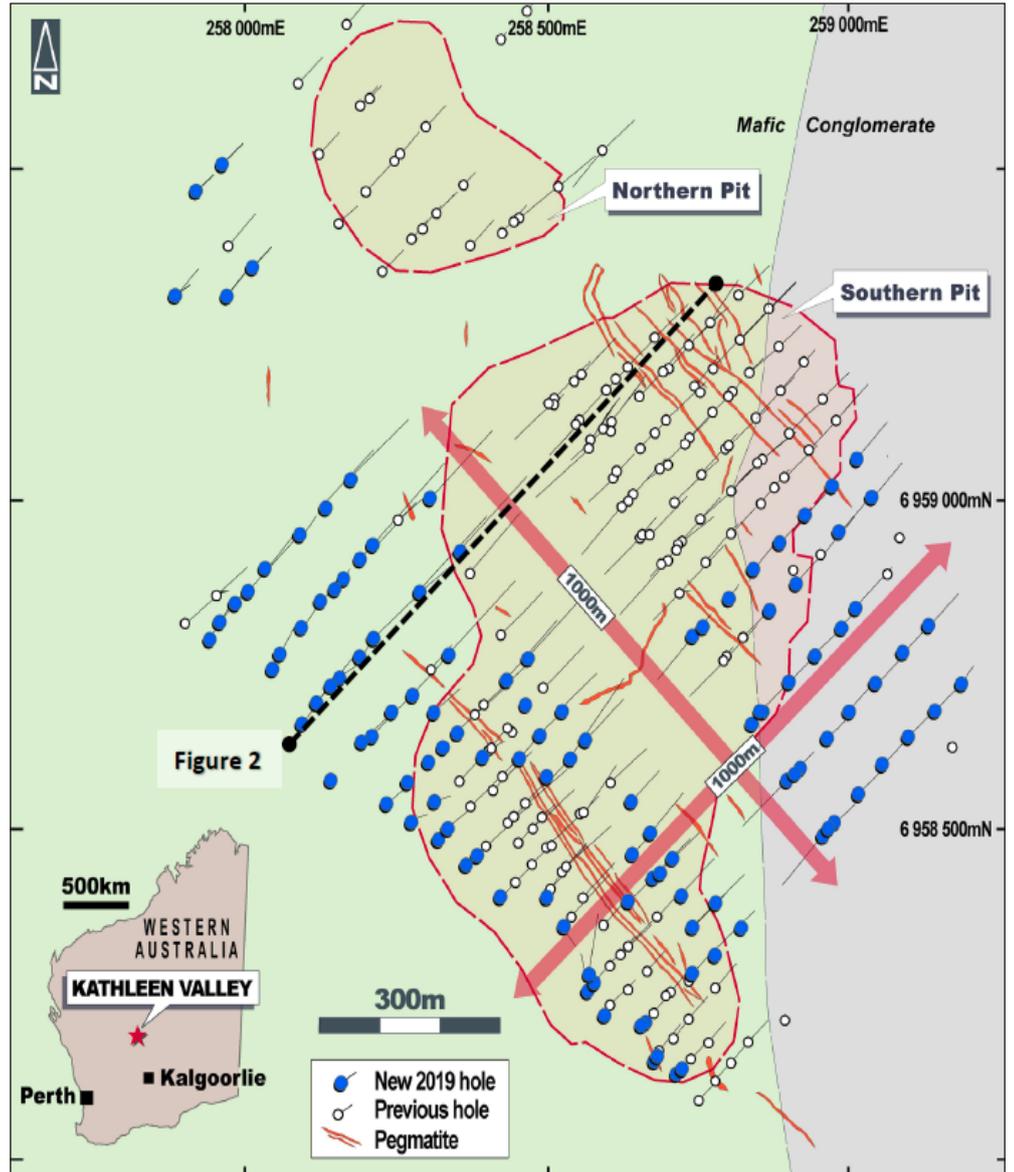
Table 1: Kathleen Valley MRE

Kathleen Valley MRE				
Cut-off grade Li₂O%	Resource Category	Million tonnes	Li₂O %	Ta₂O₅ ppm
0.5	Measured	17.6	1.3	160
	Indicated	42.2	1.3	140
	Inferred	10.1	1.1	150
	Sub-total	69.9	1.3	150
0.7	Indicated	2.5	1.4	120
	Inferred	2.5	1.3	110
	Sub-total	5.0	1.4	110
Total		74.9	1.3	140

Source: Liontown, note rounding

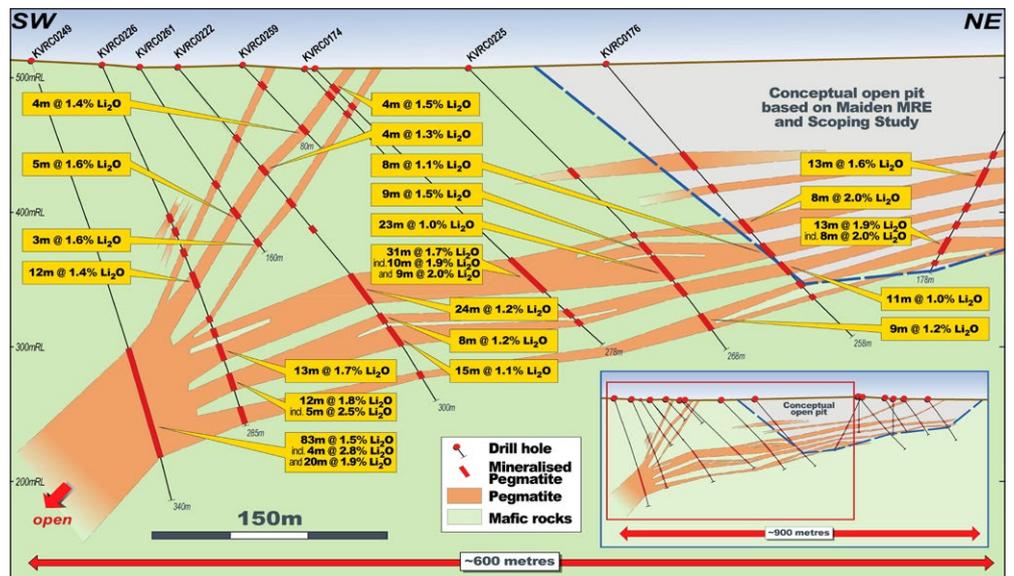
- ◆ One of the key take-outs from the MRE is the very positive comparison of the size and grade of Kathleen Valley with other spodumene-dominant hard rock projects - we have shown this in Figure 3.
- ◆ In regards to the group of deposits with the exception of the "Big 4", Kathleen Valley is at the upper end with regards to tonnage, grade and contained Li₂O; it is also comparable in grade to the larger deposits.
- ◆ However, it is not only size that counts, it is also the quality of the end product, with the potential quality of Kathleen Valley being confirmed by the results of preliminary and ongoing metallurgical testwork.
- ◆ Initial testwork was undertaken in late 2018 on 300 kg of material from six diamond core holes - key results, as listed below showed that a saleable concentrate could be produced:
 - 5.9% Li₂O from Dense Media Separation concentrate,
 - 36% mass rejection with two-stage Dense Media Separation,
 - 5.5% Li₂O from flotation concentrate,
 - Low iron (Fe₂O₃) content of <0.5%,
 - Predicted recovery of 79% Li₂O; and,
 - Preliminary Ta₂O₅ concentrate.
- ◆ Further test work is ongoing on core collected from a further 33 diamond holes, with results to date including:
 - 6.2% Li₂O from Dense Media Separation concentrate;
 - 41% Li₂O recovered to Dense Media Separation concentrate;
 - 15% mass rejection with two-stage Dense Media Separation;
 - <2% Li₂O loss to coarse tailings; and
 - Comminution data that indicates moderate competency.
- ◆ Flotation and preliminary Ta₂O₅ recovery test work is in progress, with the results of the metallurgy to be used in finalising the processing flow sheet to be used in the PFS, due for completion in Q4, 2019.
- ◆ **In summary, our view is that the results of work to date highlight Kathleen Valley as a world class hard rock lithium project, and we expect positive news flow to continue with ongoing activities.**

Figure 1: Kathleen Valley plan showing drilling and pit outlines based on the 2018 MRE.



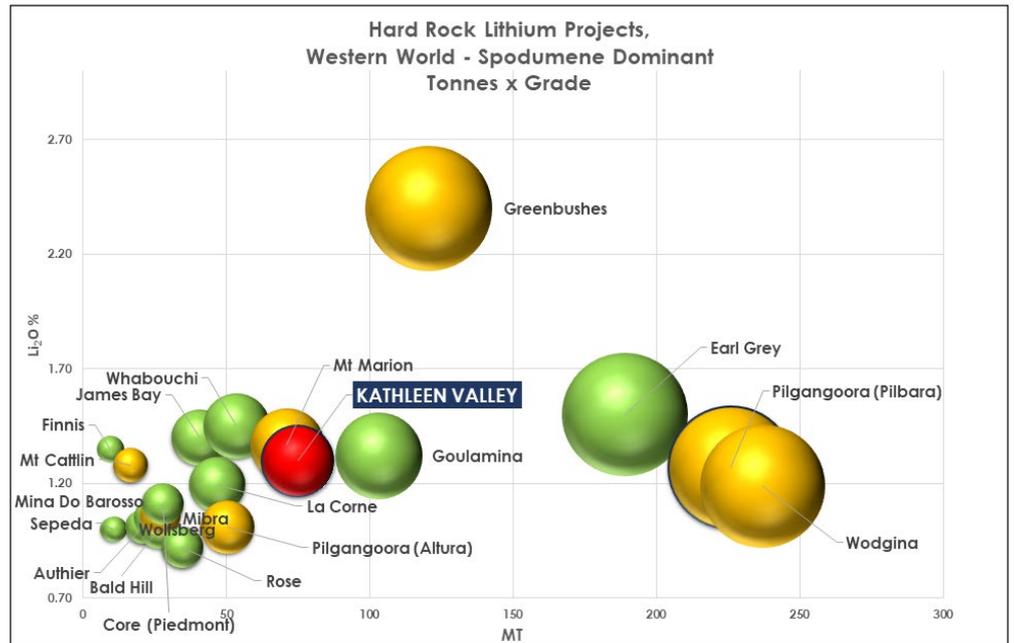
Source: Liontown

Figure 2: Cross section looking NW - section line is shown on Figure 1.



Source: Liontown

Figure 3: Comparison of spodumene dominant lithium deposits.



Source: Company reports. Deposits supporting current operations are coloured in orange.

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