

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Liontown Resources Limited (ASX: LTR)
Flash Note - World Class Kathleen Valley Li-Ta
Mineral Resource Continues to Grow

May 14, 2020

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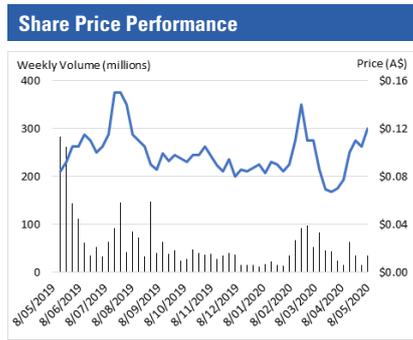


Note: This note is based on information provided by the company as at 14 May, 2020.

Investment Profile	
Share Price - 13 May, 2020	A\$0.105
12 month L/H	A\$0.053/ 0.180
Issued Capital:	
Ordinary Shares	1,694 m
Unlisted Options	93.4 m
Inc In Money Options	71.3 m
Diluted for In Money Options	1,765 m
Market Capitalisation - UD	A\$177.9 m
Current Cash	A\$5.83 m
Potential Cash From Option Conversion	A\$2.99 m
Cash Including Option Conversion	A\$8.82 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	
Mr Adam Smits: Chief Operating Officer	
Mr Craig Hasson: Finance Manager/Company Secretary	

Major Shareholders	
Mr Tim Goyder	17.3%
Board and Management	20.4%
Top 20	35.8%



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KATHLEEN VALLEY RESOURCE UPGRADE DOUBLES AN ALREADY WORLD CLASS LITHIUM RESOURCE

- ◆ The most recent Mineral Resource Estimate ("MRE") for Kathleen Valley has delivered a world-class Resource of 156 Mt @ 1.4% Li₂O and 130 ppm Ta₂O₅, for 2,100 kt of contained Li₂O - this is over a 7x increase in tonnes of contained Li₂O from the September, 2018 initial MRE of 21.2 Mt @ 1.37% Li₂O, and more of a doubling of the July 2019 MRE of 74.9 Mt @ 1.3% Li₂O.
- ◆ The Project is largely located over granted mining leases in a well serviced mining district of Western Australia ~350 km NNW of Kalgoorlie - Western Australia is the dominant producer of spodumene concentrates in the Western World.
- ◆ Kathleen Valley is ranked in the top tier of all deposits globally in terms of tonnage, grade and contained lithium; it is also one of the largest Resources globally 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 grade to the Resources of current Australian mining operations (including those on care and maintenance), including (ranked on contained Li₂O):
 - Pilgangoora, Altura Mining - 45.7 Mt @ 1.06% Li₂O, 480 kt Li₂O,
 - Mt Marion, MinRes/Jianxi - 71.4 Mt @ 1.37% Li₂O, 980 kt Li₂O,
 - **Kathleen Valley - Liontown - 156 Mt @ 1.35% Li₂O, 2,100 kt Li₂O,**
 - Pilgangoora, Pilbara Resources - 223 Mt @ 1.26% Li₂O, 2,810 kt Li₂O
 - Wodgina, MinRes/Albemarle - 237 Mt @ 1.19% Li₂O, 2,820 kt Li₂O; and,
 - Greenbushes, Talison - 120.6 Mt @ 2.4% Li₂O, 2,890 kt Li₂O.
- ◆ Mineralisation, which outcrops and is fresh from surface, is open along strike to the north and down dip, and thus there is the potential for expansions with further drilling.
- ◆ Importantly, metallurgical test work to date has produced potentially saleable concentrates with grades of up to 6.1% 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.
- ◆ A positive and robust Pre-Feasibility Study ("PFS") was completed in December 2019, based on the July 2019 MRE; this will now be updated in view of the recent MRE - given the effect of the COVID-19 virus it has been decided to update the PFS rather than proceed directly to a Definitive Feasibility Study ("DFS").
- ◆ The PFS upgrade will incorporate the results of the ongoing metallurgical testwork and mining studies (both open cut and underground) that will improve on and optimise the production scenario as presented in the December 2019 study - the PFS is planned for completion by the end of 2020, with this then to progress to a DFS.
- ◆ The success of the lithium strategy, and the concomitant results from Kathleen Valley has seen Liontown's market capitalisation increase ~14-fold from ~A\$14 million in early 2017 to A\$194 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 on the development studies.
- ◆ Although this note is focussed on Kathleen Valley, the Company also has a significant ground holding at Moora, some 150 km NNE of Perth, in the same emerging Ni-Cu-PGE province as Chalice Gold Mines' (ASX: CHN) recent Julimar discovery.
- ◆ Initial work at Moora has included auger geochemical sampling and gravity surveying for which very encouraging results have been received, including coincident geophysical and polymetallic (Ni-Cu-PGE-Au) geochemical anomalies which have defined a number of areas for follow up work, highlighting the prospectivity for intrusive related Ni-Cu-PGE-Au mineralisation.

IIR'S COMMENTS

Our view is that the release of the updated MRE for Kathleen Valley highlights the world class quality of the Project, and places the Project in the top ranks of projects globally.

Although some limited surface work had 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, 2019 and 2020, with the results of work confirming the success of the Company's lithium strategy.

The MRE (Table 1) is based on 63,068 m of reverse circulation ("RC") and ~22,889 m of diamond drilling, and has defined 18 flat-lying to gently dipping parallel zones at Kathleen Corner, which coalesce into two steeply dipping pegmatites at Mt Mann in the south-west - mineralisation is open along strike to the north and down dip (Figures 1 and 2), with the potential to increase the Resources with additional drilling. The thick and high grade nature of the steeply dipping pegmatites at Mt Mann also raises the potential for underground mining.

What is also apparent is the presence of coherent blocks of higher grade mineralisation (Table 2 and Figure 3), with this providing flexibility in potential development plans.

Table 1: Kathleen Valley MRE - 0.55% Li₂O cut-off

Kathleen Valley MRE - 0.55% Li ₂ O cut-off			
Resource Category	Million tonnes	Li ₂ O %	Ta ₂ O ₅ ppm
Measured	20	1.3	140
Indicated	105	1.4	130
Inferred	32	1.3	110
Total	156	1.4	130

Source: Liontown, note rounding

Table 2: Kathleen Valley MRE at different cut-off grades

Kathleen Valley MRE at different cut-off grades			
Cut-off Li ₂ O%	Million tonnes	Li ₂ O %	Ta ₂ O ₅ ppm
0.4	158	1.34	126
0.55	156	1.35	128
0.6	155	1.35	128
0.8	148	1.39	129
1.0	130	1.45	131
1.2	100	1.56	132
1.4	64	1.70	131

Source: Liontown.

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, with Kathleen Valley now in the top tier of projects - this is shown in Figure 3.

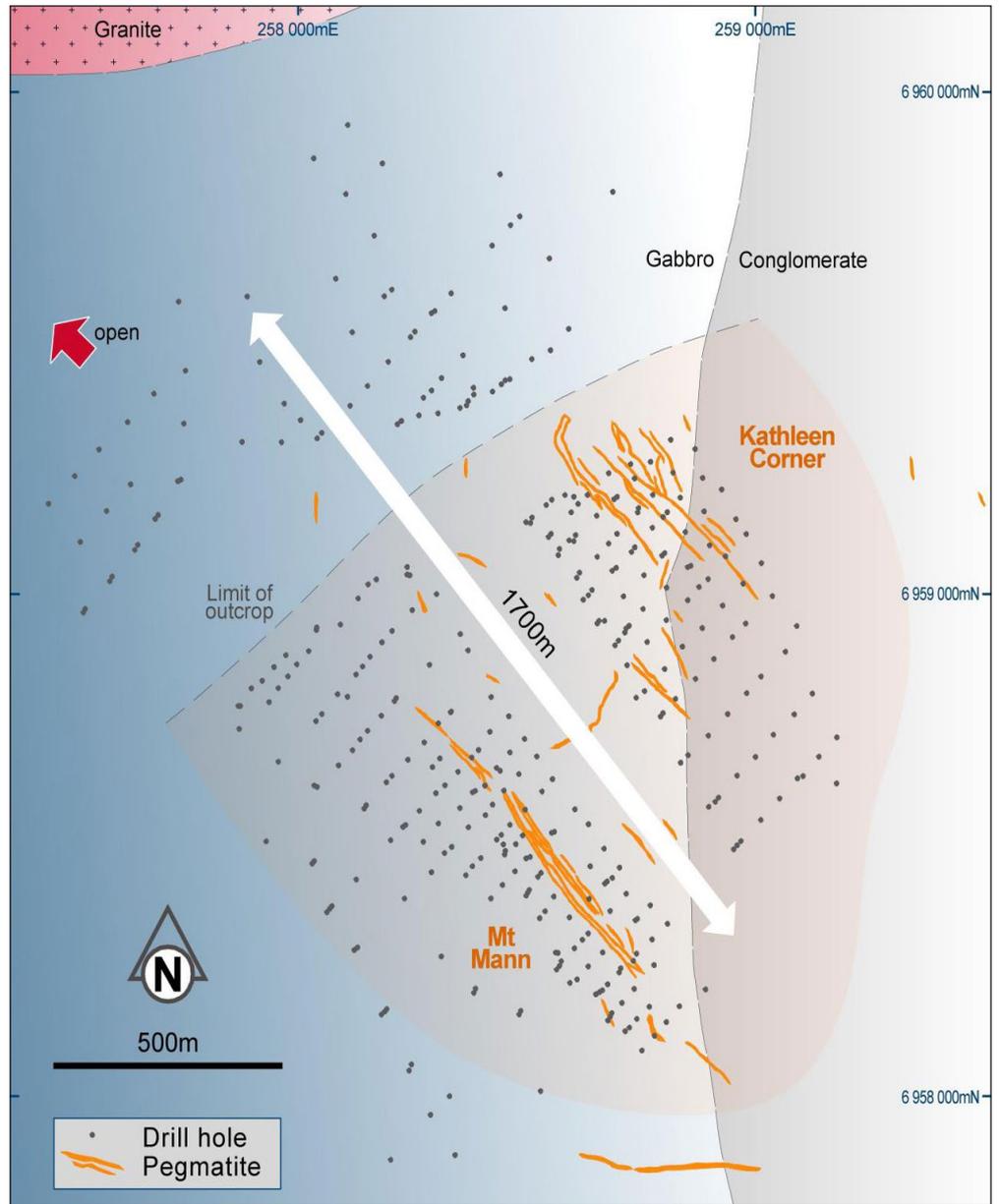
However, it is not only size and grade that counts, it is also the quality of the end product, with the potential quality of Kathleen Valley being confirmed by the results of preliminary and ongoing metallurgical testwork.

Metallurgy for the December 2019 PFS included 81 composited drill core samples covering a range of grades and depths across the deposit- work included grinding using high pressure grinding rolls ("HPGR"), and separation using dense media separation ("DMS") and flotation, processes typical of those used in Western Australian hard rock lithium mines. This produced a concentrate grading at 6.1% Li₂O and 1.42% Fe₂O₃ - the only iron removal included low intensity magnetic separation prior to flotation - these are within acceptable limits for saleable chemical grade spodumene concentrate.

The PFS metallurgical testwork however is to be considered as preliminary only, with optimisation work ongoing, including on recovery, removal of deleterious elements (including iron) and looking at further flowsheet development through a research and development programme.

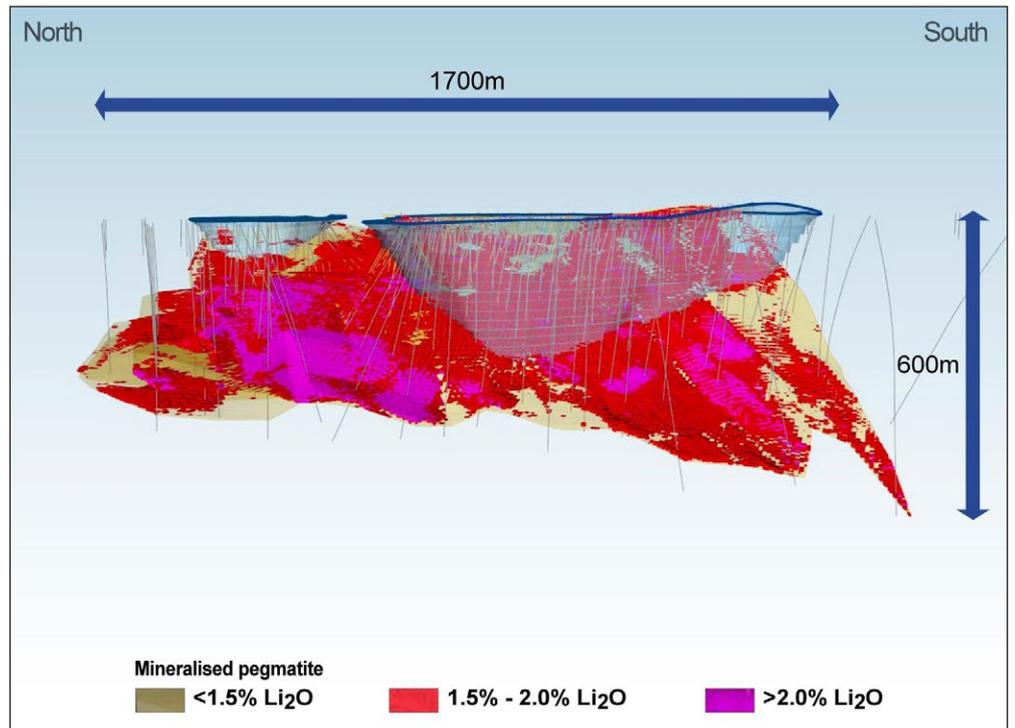
In summary, our view is that the results of work to date confirm Kathleen Valley as a world class hard rock lithium project, and we expect positive news flow to continue with ongoing activities. We also look forward to ongoing results from Moora, for which initial exploration results have been very positive.

Figure 1: Kathleen Valley plan showing drilling and geology.



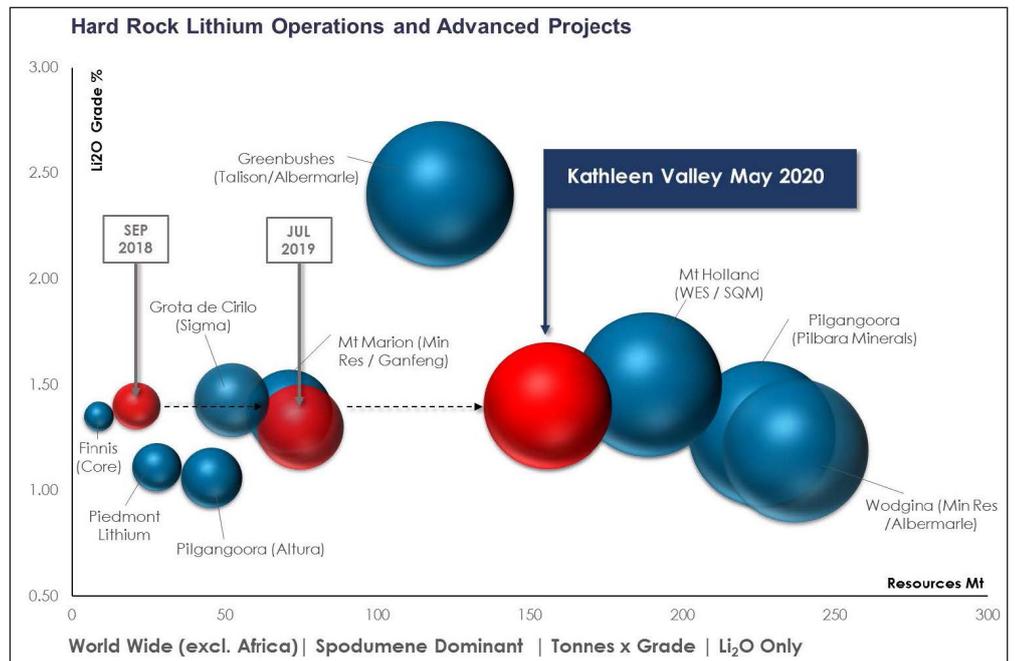
Source: Liontown

Figure 2: Kathleen Valley block model looking east - this shows the December 2019 PFS conceptual pits



Source: Liontown

Figure 3: Comparison of spodumene dominant lithium deposits and growth in Kathleen Valley Resource



Source: Liontown - data verified by IIR.

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