

Steaming ahead amid lithium price softness: construction & first production!

Company/ASX Code	Liontown Resources / LTR
AGM time and date	11.00 am (AWST) Wednesday, 27 November 2024
Location	The Swan Room, Parmelia Hilton Perth, 14 Mill Street, Perth WA 6000
Registry	Computershare
Type of meeting	Physical
Monitor	Matthew Whelan
Pre-AGM Meeting	Yes: Jennifer Morris (Chair of Remuneration Committee), Clint McGhie (Company Secretary), Emma Coulthard (Executive GM Human Resources), Leanne Kite (Investor Relations Manager)

Monitor Shareholding: The individual involved in the preparation of this voting intention has a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
1	Remuneration Report	For
2	Re-election of Mr Timothy Goyder as Director	For
3	Re-election of Ms Jennifer Morris	For
4	Election of Mr Ian Wells	For
5	Ratification of issue of Unlisted Convertible Notes to LG Energy Solution	For
6	Approval to issue LTI Rights to Mr Antonino Ottaviano	For
7	Renewal of Employee Securities Incentive Plan	For

2. Summary of Issues and Voting Intentions for AGM

- Remuneration Report:** The Remuneration Framework is broadly consistent with prior years (refer Appendix 1). In the 2022 pre-AGM meeting between ASA and LTR Chair, it was discussed that the remuneration committee undertook a comprehensive review of KMP remuneration in late FY22 that included the external benchmarking of executives to comparator companies. The Remuneration Committee Chair further advised that a similar exercise had also been conducted this year engaging a third part consultant.

- The level of disclosure in the annual report is considered adequate, and performance metrics appropriate, spanning Financial, Operational, Strategic and ESG related metrics. CEO remuneration is substantially linked to the LTI, which spans a 3-year period.
- During the pre AGM call, ASA inquired into the additional Incentive payments to certain employees including the CFO during the Albemarle takeover activity. It was explained that it was to recognise the heavy workload (e.g. Due Diligence support) of certain individuals as part of the potential Albemarle takeover in a time of increased uncertainty for certain roles and a buoyant labour market. A paper was prepared and put forward to the Remuneration Committee, which was approved.
- **Re-election of Mr Timothy Goyder as Director** Mr Goyder has been Chair of the Company since February 2006 and is a seasoned mining magnate and integral to the long-term success of the business, both historic and future. ASA is therefore voting any open proxies for this resolution.
- **Re-election of Ms Jennifer Morris as Director** who has served as NED since November 2021. Ms Morris is well credentialed as former partner of Deloitte, complimented with mining industry experience. ASA will therefore vote in favour of this resolution.
- **Election of Mr Ian Wells as Director** Mr Wells is well credentialed having served as the CFO of Fortescue Metals Group. Mr Wells' appointment effectively replaces Mr. Cipriano, who was the lead Independent NED, Audit Committee Chair. ASA, while recognizing the historic contributions of Mr Cipriano, had raised concerns over the size of his share ownership in the Company (16m shares) and potential conflict with role of Lead Independent Director; this point is now resolved with the retirement and the appointment of Mr Ian Wells. ASA views this step positively and is therefore voting for this resolution.
- **Ratification of issue of Unlisted Convertible Notes to LG Energy Solution** Five-year US\$250 million (A\$379 million¹) Convertible Notes secured at a conversion price of A\$1.80 per share and coupon equal to a reference rate based on the Secured Overnight Financing Rate (the Investor Relations Manager indicated in the pre AGM call that this is circa 4% at the moment). These funds will be used predominantly for working capital going forward, as operations scale.

As part of this arrangement, the existing LG Energy Solution offtake agreement was extended by 10 years (15 years in total), further cementing the strategic partnership with LG Energy, securing demand and derisking Revenue. ASA perceives this Agreement positively and is therefore voting for this resolution.

- **Approval to issue LTI Rights to Mr Antonino Ottaviano** subject to obtaining Shareholder approval, to issue up to a maximum of 1,800,000 LTI Rights to Mr Antonino Ottaviano (or his nominees); a maximum long-term incentive (performance rights). This issuance is considered in line with the LTI plan (refer Appendix 1); ASA therefore intends to vote for this resolution.
- **Renewal of Employee Securities Incentive Plan** to give the Company the flexibility to issue Equity Securities to attract, motivate and retain key directors, employees and consultants and participate in the future Growth of the Company. The Company Secretary indicated

during the pre AGM call that while the percentage is limited to 10% it is not expected to exceed 5%. ASA intends to vote for this resolution.

3. Matters Considered

Financial performance

(As at FYE)	2024	2023	2022	2021	2020	2019
NPAT (\$m)	-64.9	-22.2	40.9	-10.6	-12.8	-12.7
Share price (\$)	0.89	2.83	1.055	0.85	0.11	0.10
Dividend (cents)	0	0	0	0	0	0
Simple TSR (%)	-69%	168%	24%	710%	5%	260%
EPS (cents)	-2.8	-1	20	-0.6	-76.6	-101.8
CEO total remuneration, actual (\$m)	2.7	2.7	2.1	1.0	n/a	n/a

- **Albermarle takeover bid:** With various offers over a number of months from the initial March 2023 \$2.50 per share offer, culminating in a \$3.00 offer supported by the board; Albermarle did not complete the transaction after a 19.9% stake was taken by Gina Rhinehart’s Hancock Prospecting.
- **Lithium price volatility and recent softening:** The spodumene concentrate price hit all-time highs of up to US\$8,000 late 2022, however, has softened significantly to around \$1,000 as of the date of this report (refer Appendix 4).
 - **Impact on the economic viability of the Company:** The Definitive Feasibility Study (DFS) to proceed with the development of the Kathleen Valley assumed spodumene concentrate prices of US\$1,392 per tonne (as per the 2022 Annual Report); ASA inquired into the overall economic viability of the Company’s plans as a result of this significant softening. The company indicated that this risk is being managed via:
 - **Offtake agreements secured (with Tesla, Ford, LG Energy)**
 - **Margin and Cost Optimisation:** Plan announced Nov24 amid lithium price softening, to focus on higher margin ore and fixed cost base reduction, working to an ~US\$800 per tonne scenario.
- **Operations:**
 - **Production:** First spodumene produced Jul24 with shipment Sep ‘24 as per plan;
 - **Construction:** Plant and facility construction at the Kathleen Valley ~99% complete with the company updating 2 Oct that mill throughput performance is above expectations

- **Financing:** ~\$1bn being raised from debt and equity (ASA understands in response to a capital injection not being likely from Abermarle as a result of the takeover bid stalling); the intention is to: i) replace the existing \$300m Ford debt facility, ii) fund Kathleen Valley development costs, iii) Working capital and liquidity through production and beyond. The equity capital raising was priced at \$1.80 per share, a ~35% discount to the ~\$2.80 price at the time of the capital raising announcement on or around 19 October 2023. The share price was ~\$1.40 before the initial Albermarle bid and was back at \$1.40 at the time the SPP closed November 20.
 - **Equity ~\$400m:**
 - **Institutional placement:** \$365m at \$1.80 per share announced as completed 20 Oct 2023; the issue is within the 15% cap per listing rule 7.1 per 12 months
 - **Share Purchase Plan: SPP of \$14m (announced cap was \$45m)** at \$1.80 per share to eligible shareholders, closing 20 Nov 2023 (up to \$30k cap). While there are ~30,000 shareholders, considering the distribution with only ~1,000 with holdings > \$100k and subject to the \$30k cap, the \$45m size of the SPP is reasonable. The SPP closed at **\$14m** at \$1.47 at a ~2% discounted price per share to eligible shareholders.
 - **Conditional Placement to Chair: \$10.8m** Mr Timothy Goyder (Chair) to purchase 6 million shares at \$1.80 (i.e. \$10.8m), subject to shareholder approval at the AGM.
 - **Debt \$550m (later cancelled and replaced with the lower US\$250m convertible bonds investment from LG)**
 - \$550m debt facility from a lending syndicate comprising domestic and international lenders to replace the debt funding from Ford; this facility was subsequently cancelled and replaced with the US\$250m investment secured from LG Energy (as per resolution #5). The company reported cash reserves of \$263m as of Sep24. During the pre AGM call it was indicated that this is considered adequate funding based on the current financial scenario ~\$US800 per tonne price level (as per the 11 November 2024 announcement).

Key board or senior management changes

- **Retirements**
 - i. Craig Williams NED (founding director in 2006); retired Dec '23
 - ii. Anthony Cipriano NED (joined the board 2014; lead Independent NED, Audit Committee Chair - retired Mar '24. ASA, while recognizing the contributions of Mr Cipriano, had raised concerns over the scale of share ownership in the Company and potential conflict with role of Lead Independent Director; this point is now resolved with this retirement.

- **Appointments**

- i. Ian Wells (Joined as NED Jan '24), and comes as highly credentialed as former CFO of Fortescue Metals Group.

Sustainability/ESG

- **ESG policies adopted:**

- (NTA) with Tjiwarl signed November 2021. 5.8 million awarded to Tjiwarl contractors (well exceeding target); Tjiwarl Employment Engagement plan; employment and apprenticeship opportunities.
 - Carbon emissions: Hybrid power station ~31,000 solar panels installed and commissioned. The Annual Report indicated, in a first for the mining industry, renewable energy was used to power the final construction and, notably, commissioning of the project.
 - Gender: Good diversity at the board and company level: 33% and 22% female, respectively.

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Appendix 1: Remuneration framework

STI framework considered reasonable and in line with prior year; performance achieved 2024

FY24 Short Term Incentive				
Performance Category	Performance Pillar	Weighting	Performance Outcome	Weighted Outcome
Company Metrics (80%)	Cost	25%	112.5%	28.125
	Production	25%	75%	18.75%
	Safety	10%	150%	15.0%
	ESG	5%	150%	15.0%
		5%		
	People	5%	125%	6.25%
	Growth	5%	150%	8.0%
Total Company Metrics				90%
Individual Metrics (20%)		20%	100%	20.0%
FY24 STI Performance Outcome				110%

LTI Framework considered reasonable and consistent with prior year

FY24 Long Term Performance

Performance Condition Category	Performance Condition Criteria	Performance Metric	Weighting
Stakeholder Return Metrics	Absolute TSR	<ul style="list-style-type: none"> <50% TSR = 0% performance Between 50% and 100% TSR = prorata performance >100% TSR = 100% Performance 	25%
	Relative TSR	<ul style="list-style-type: none"> < 50th percentile = 0% Performance Between 50th and 75th percentile = prorata performance >75th percentile = 100% performance 	25%
Strategic and Commercial Achievements	<ul style="list-style-type: none"> Offtake arrangements Downstream opportunities Project funding Final Investment Decision (FID) Board approval 	Board discretion to be applied in assessing performance.	35%
ESG and Health and Safety Milestones	<ul style="list-style-type: none"> Permits and licences for commencement of Kathleen Valley operation Lost time injury frequency rates ESG objectives 	Board will exercise its discretion to reduce the allocation of any incentive commensurate with the nature and severity of any performance condition breach.	15%
TOTAL LTI			100%

Appendix 2: Director Share Sales

No unusual items noted...

Changes in Director and Management Holdings ⁱ							
Date	Name	Transaction	Security Type	QTY Traded	Value \$	Post-Trade Holdings	Change %
30/08/2024	Mr Tony Ottaviano	Expiry	Related Securities	49,120		3,919,655	-1.24
17/07/2024	Ms Adrienne Parker	Buy	Shares	10,100	9,898.00	10,100	100.00
16/07/2024	Ms Jennifer Morris	Buy	Shares	55,000	53,350.00	116,924	47.04
08/05/2024	Mr Timothy Goyder	Transfer	Shares	12,000,000	15,600,000.00	335,699,175	-3.45
02/04/2024	Mr Tony Ottaviano	Buy	Shares	1,250,000		6,592,447	18.96
02/04/2024	Mr Tony Ottaviano	Exercise	Related Securities	1,250,000		3,968,775	-23.95
31/01/2024	Mr Tony Ottaviano	Exercise	Options	2,500,000		0	-100.00
31/01/2024	Mr Tony Ottaviano	Buy	Shares	1,221,217		5,342,447	22.86
22/12/2023	Mr Tony Ottaviano	Sell	Shares	821,933	1,269,114.00	4,121,230	-16.63
05/12/2023	Mr Tony Ottaviano	Issued	Related Securities	1,114,242		5,218,775	21.35
05/12/2023	Mr Timothy Goyder	Issued	Shares	6,000,000	10,800,000.00	335,699,175	1.79
27/11/2023	Mr Shane McLeay	Buy	Shares	20,409	30,000.00	180,409	11.31
27/11/2023	Ms Jennifer Morris	Buy	Shares	20,409		61,924	32.96
27/11/2023	Mr Tony Ottaviano	Buy	Shares	20,409	30,000.00	4,943,163	0.41
27/11/2023	Mr Timothy Goyder	Buy	Shares	20,409	30,000.00	329,699,175	0.01
31/08/2023	Mr Tony Ottaviano	Expiry	Related Securities	206,554		4,104,533	-4.79
30/06/2023	Mr Tony Ottaviano	Exercise	Related Securities	1,643,866		4,311,087	-27.61
30/06/2023	Mr Tony Ottaviano	Buy	Shares	1,643,866		4,922,734	33.39
09/02/2023	Mr Tony Ottaviano	Exercise	Options	2,500,000	1,344,750.00	2,500,000	-50.00
09/02/2023	Mr Tony Ottaviano	Buy	Shares	1,654,196	1,344,750.00	3,278,888	50.45
20/01/2023	Mr Timothy Goyder	Buy	Shares	1,145,000	1,499,461.00	329,678,766	0.35

Source: Stock Doctor

Appendix 3: Board Composition

Board composition considered to be well balanced...

Director	Role	Independent	Year Appointed	Share Ownership
Tim Goyder	Chair	No	2006	335,699,175
Jennifer Morris	NED	Yes	2021	114,619
Shane McLeay	NED	Yes	2022	180,409
Adrienne Parker	NED	Yes	2022	10,100
Ian Wells	NED*	Yes	2024	190,000
Tony Ottaviano	MD/CEO	No	2021	6,592,447

Appendix 4: Lithium Price

Lithium price high level of volatility, with recent softening...

