



MINING

RECOMMENDATION

Liontown

LTR:ASX
November 2024

GENERAL ADVICE ONLY - THIS RECOMMENDATION IS GENERAL ADVICE ONLY AND DOES NOT TAKE INTO ACCOUNT YOUR SPECIFIC CIRCUMSTANCES

MINING RECOMMENDATION - LITHIUM

Liontown Resources Limited LTR:ASX

Liontown Resources is an emerging lithium producer focused on developing and operating world-class lithium projects in Western Australia. The company's flagship asset is the Kathleen Valley Lithium Project, which achieved first production in July 2024.

Kathleen Valley is a Tier 1 asset with a substantial resource of 156 million tonnes at 1.4% Li₂O and a projected mine life of 26 years

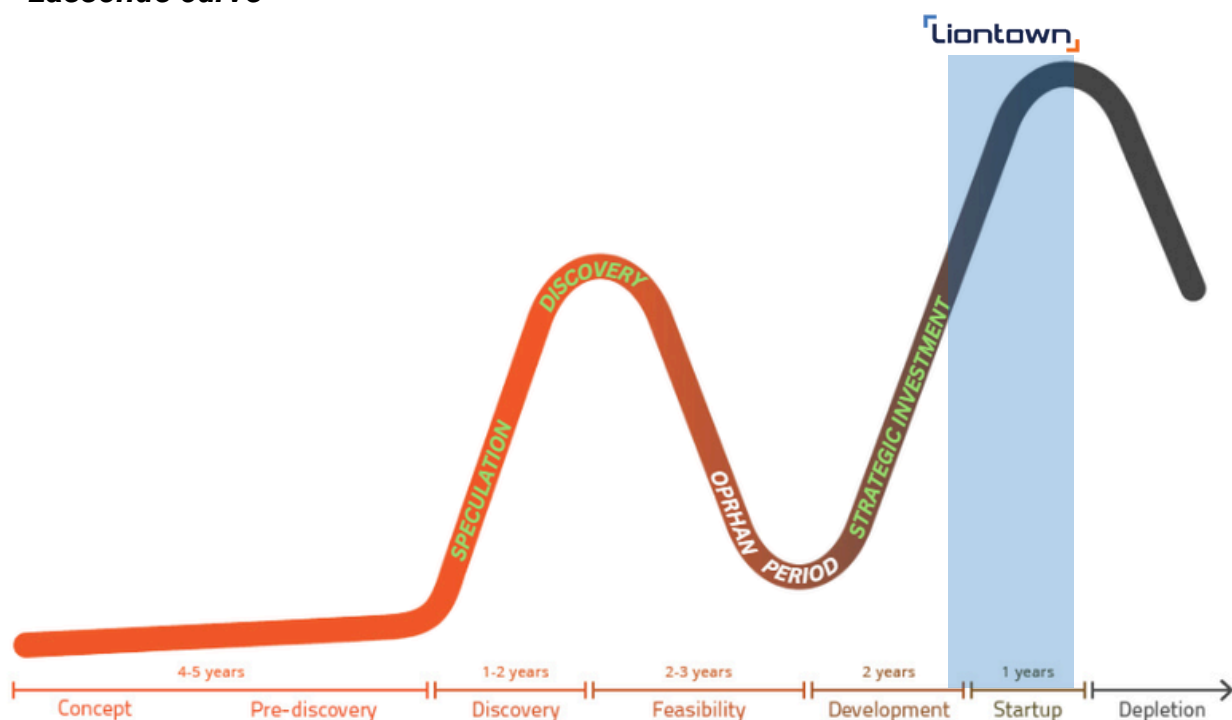
This project positions Liontown as a significant player in the global lithium market, capable of supplying high-quality spodumene concentrate to meet the growing demand for lithium in electric vehicle batteries and energy storage systems.

In addition to Kathleen Valley, Liontown is advancing the Buldania Lithium Project, an early-stage project with a resource of 15 million tonnes at 1.0% Li₂O

The company's strategic focus on lithium aligns with the global transition to clean energy and positions it to capitalize on the increasing demand for battery minerals.

Liontown has also demonstrated its commitment to sustainability and innovation, implementing advanced mining techniques and exploring opportunities for downstream expansion to enhance its value proposition in the lithium supply chain.

Stage - Lasso curve



INVESTMENT CONSIDERATIONS

Leadership

Liontown Resources is led by a highly experienced and capable management team, spearheaded by CEO Tony Ottaviano. With over 30 years of experience in the mining industry, including senior roles at BHP, Ottaviano brings a wealth of knowledge in project development, operations, and strategic leadership.

The board is chaired by Tim Goyder, a respected figure in the Australian mining sector with a track record of creating shareholder value. The company has recently strengthened its corporate governance by appointing Ian Wells as Lead Independent Director on September 26, 2024.

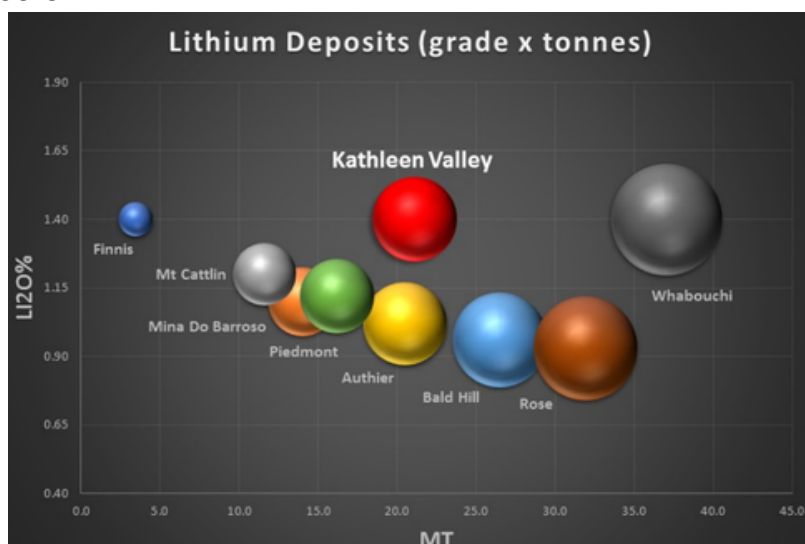
Valuation

At the current share price of \$0.965, Liontown Resources has a market capitalization of approximately \$2.3 billion. This valuation appears to significantly undervalue the company's potential, particularly considering the successful commencement of production at the Kathleen Valley Lithium Project. The company's total assets increased from \$655.1 million as of June 30, 2023, to \$1,384.9 million as of June 30, 2024, primarily due to the construction of the Kathleen Valley project.

While Liontown reported a net loss after tax of A\$64.9 million for FY24, this included exceptional items related to transaction costs and borrowing costs. The underlying net loss after tax was A\$39.6 million, which is expected for a company transitioning from development to production.

The company's valuation is supported by its long-life, low-cost Kathleen Valley operation, strong offtake agreements with industry leaders, and potential for downstream expansion. As production ramps up and the company begins generating revenue, we anticipate a significant re-rating of the stock.

Relative Value vs Peers



UNDERLYING - LITHIUM

Lithium is crucial for the global shift to clean energy, primarily used in lithium-ion batteries for electric vehicles (EVs), electronics, and energy storage. As sustainable energy adoption grows, lithium demand is expected to surge.

Key uses include:

- EV batteries (projected 80% of demand by 2030)
- Consumer electronics
- Grid-scale energy storage
- Ceramics and glass manufacturing
- Lubricating greases
- Aerospace alloys

Price forecasts:

After a 2023 decline, lithium prices may stabilize and recover gradually. Analysts expect \$11,000-\$12,000 per tonne in 2024-2025 due to oversupply, rising to an average of \$30,000 per metric ton from 2026-2030 as demand increases.

Long-term prices are likely to remain above historical averages.

Supply & Demand outlook:

Supply:

- Medium-term (2025-2027): Supply may lag demand, creating shortages
- Long-term (post-2028): Increased investments may help balance the market

Demand:

Demand is projected to reach 1.5 million metric tons of lithium carbonate equivalent (LCE) by 2025, over 3 million tons LCE by 2030, and potentially 3.8 million tons LCE by 2035, driven by EV growth.

In conclusion, the lithium market is poised for significant growth driven by the global energy transition. While short-term oversupply may pressure prices, the medium to long-term outlook remains bullish. Investors and industry stakeholders should closely monitor supply-demand balances, technological developments, and regulatory landscapes to navigate this dynamic market effectively.

RISKS

Investing in Liontown Resources carries several risks that potential shareholders should carefully consider:

Underlying prices - The most significant risk is the volatility of lithium prices, which can fluctuate based on global supply and demand dynamics. Any prolonged downturn in lithium prices could impact the company's profitability and valuation.

Operational - As a newly operational producer, Liontown faces potential challenges in ramping up production at the Kathleen Valley project. Any delays or technical issues could affect the company's ability to meet production targets and impact financial performance.

Competition - The lithium market is becoming increasingly competitive, with new projects coming online globally. Liontown must maintain its cost competitiveness and product quality to secure its market position.

Geopolitical risks - Geopolitical risks in the battery supply chain, including trade tensions or changes in government policies, could affect demand for Australian lithium.

Environmental and regulatory - Environmental and regulatory risks are also present, as any changes in mining regulations or environmental standards could impact operations or increase costs.

Single Sector - Finally, the company's current focus on a single commodity (lithium) exposes it to sector-specific risks, although this is somewhat mitigated by the growing demand for lithium in various applications beyond electric vehicles.

WHY HOLD THE COMPANY?

Investors should consider owning shares in Liontown Resources for several compelling reasons:

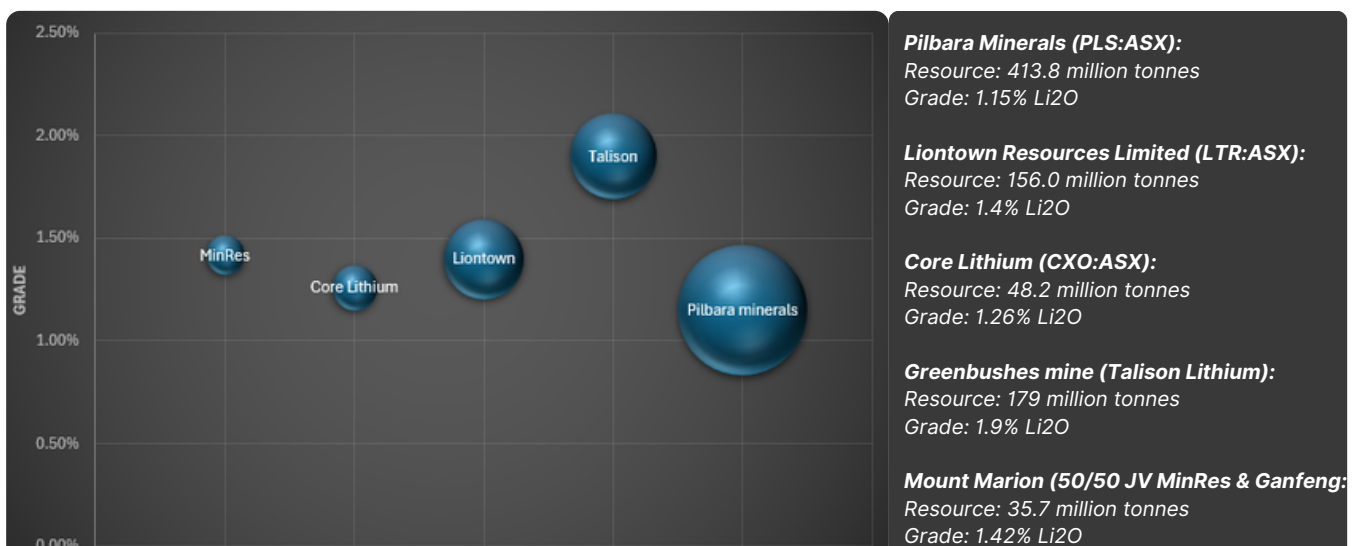
In production - With its world-class Kathleen Valley asset now in production, Liontown is well-positioned to capitalize on the increasing demand for high-quality lithium. The company's strong partnerships with major electric vehicle manufacturers and battery producers, including Tesla, Ford, and LG Energy Solution, provide a stable foundation for future revenue streams and validate the quality of Liontown's product

Experienced management team - led by CEO Tony Ottaviano, has demonstrated its ability to deliver major projects on time and navigate the challenges of transitioning from explorer to producer. This execution capability is crucial for realizing the full potential of the company's assets.

Downstream expansion - Liontown's focus on sustainability and potential for downstream expansion into battery-grade lithium hydroxide production could provide additional avenues for value creation in the future.

Undervalued - The current share price appears to undervalue the company's potential, offering an attractive entry point for investors seeking leveraged exposure to the lithium thematic. As production ramps up and the company begins to generate significant cash flow, there is potential for substantial share price appreciation.

Balance sheet - Liontown's strong balance sheet and strategic funding arrangements, including the recent convertible note issue to LG Energy Solution, provide financial flexibility to support growth initiatives



Glossary

[Click here to read our mining education articles](#)

[Glossary of Mining Terminology](#)

[Understanding Mining Methods: A Key to Successful Mining Investments](#)

[Understanding the Mining Investment Life Cycle – The Lassonde Curve](#)

Disclaimer



Our Commitment

recommendations, managed and presented by Milton Park Equities Pty Ltd (ABN 33 668 234 562), as a Corporate Authorised Representative of LeMessurier Securities Pty Ltd (ABN 43 111 931 849) (LemSec), holder of Australian Financial Services Licence No. 296877, offers insights and analyses formulated in good faith. Our evaluations and projections are grounded in the known facts at the time of creation and aim to provide a comprehensive view of the anticipated financial landscape in 2024. However, readers should be aware that these projections are estimates and may not fully materialize.

Scope and Application

The insights within MPC Markets are crafted for a broad audience and do not specifically cater to individual investment objectives, financial situations, or needs. Readers should consider the suitability of the advice in relation to their personal circumstances before making any investment decisions.

Research Integrity and Use

The research and content of MPC Markets are intended solely for our readers and should not be copied, distributed, or shared without proper attribution. While we strive to ensure accuracy and relevance, Milton Park Equities cannot guarantee the continuous updating or correction of the information or opinions expressed within the publication.

Disclaimer of Liability

Milton Park Equities, in its capacity as a Corporate Authorised Representative of LemSec, disclaims any responsibility for losses or damages arising from reliance on the opinions, advice, recommendations, or information—whether direct or implied—contained in the MPC Markets Discount Entry Note, notwithstanding any errors, omissions, or instances of negligence.

Analyst Objectivity

All research analysts contributing to the MPC Markets Discount Entry Note affirm that the views expressed represent their personal opinions regarding the subject companies and financial products covered in the publication.

Copyright and Usage Rights

The content of MPC Markets Discount Entry Note is the property of Milton Park Equities Pty Ltd, either through ownership or licensing agreements. Unauthorized reproduction, adaptation, linkage, framing, broadcasting, distribution, or transmission of this material is prohibited without express written permission from Milton Park Equities, except for personal use or as allowed by applicable laws.