Leo Lithium Secures A$106m Strategic Placement and transformational Cooperation Agreement with Ganfeng Lithium

Leo Lithium executes a strategic placement and agreement to enter into a transformational cooperation agreement with China's largest lithium producer, Ganfeng. The cooperation agreement encompasses a range of key strategic benefits to Leo Lithium, including a commitment to expand the capacity at Goulamina to 1mpta, a framework for further cooperation on a downstream conversion facility and other beneficial business opportunities.

- **Strategic Placement to Ganfeng to raise A$106.1 million from the issue of 131 million new shares, representing 9.9% of Leo Lithium's total pro-forma shares on issue.**

- **Strategic Placement Offer Price of $0.81 per share based on a 6.5% premium to Leo Lithium's 5-day VWAP (Leo Lithium's all time share price high is $0.82).**

- **Proceeds from the Strategic Placement ensure Leo Lithium is fully-funded for its share of Goulamina Stage 1 development and operational ramp-up costs, in addition to being well-positioned to progress its various co-commitments with Ganfeng as part of the Cooperation Agreement.**

- **The Cooperation Agreement is expected to deliver several long-term strategic benefits to Leo Lithium, both at Goulamina and beyond. These include:**

    - **Conducting a study into raising planned Stage 2 capacity to 500ktpa, lifting overall planned capacity at Goulamina to 1mtpa;[1]**
    - **Jointly studying the concept of co-investing in a downstream conversion facility in Europe or other suitable region within a reasonable distance of West Africa;**
    - **Amending the offtake agreement for Goulamina Stage 2 for the potential future downstream conversion facility to produce lithium hydroxide; and**
    - **Establishing and jointly funding an exploration joint venture to focus on opportunities in Australia.**

- **Upon settlement of the Strategic Placement, Leo Lithium will be well-capitalised with pro forma 31 March 2023 cash of A$177 million, in addition to US$93 million cash and US$40 million undrawn debt held within the Goulamina JV.**

- **The Strategic Placement is subject to the granting of regulatory approvals in China, as well as the execution of a binding Cooperation Agreement.**

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[1] 65% of the Stage 2 Capacity is a production target as detailed in the Replacement Prospectus dated 6 May 2022 available at leolithium.com. The remainder is not a production target pursuant to the ASX Listing Rules, as it is an aspirational statement and Leo Lithium does not yet have reasonable grounds to believe the statement can be achieved.

Leo Lithium Limited (**ASX: LLL**) (**Leo Lithium** or the **Company**) is pleased to announce that it has entered into a binding agreement (**Subscription Agreement**) with GFL International Co., Ltd (**Ganfeng**) to raise A$106.1 million through the issue of 131 million new fully paid ordinary shares in Leo Lithium (**New Shares**), representing 9.9% of Leo Lithium's total pro-forma shares on issue, at an offer price of A$0.81 per New Share (**Offer Price**) (**Strategic Placement**).

The Strategic Placement and key terms underpinning the proposed Cooperation Agreement is a strong endorsement of Goulamina and the excellent working relationship that Leo Lithium has established with Ganfeng as joint-venture partners at Goulamina.

Leo Lithium Managing Director, Simon Hay, commented:

"*The Strategic Placement and terms of the proposed Cooperation Agreement with Ganfeng represent a transformational opportunity for Leo Lithium and provide further validation of the tier-1 quality of Goulamina, including the significant potential upside of our development pathway.*

The Strategic Placement was priced at an attractive premium to recent trading levels, being a 6.5% premium to Leo Lithium's 5-day VWAP, and 1 cent off our all-time share price high. Upon settlement, the Company will be fully-funded for its share of Goulamina Stage 1 development costs and operational ramp-up, and well-positioned to progress its various co-commitment activities with Ganfeng.

As a Condition to the Strategic Placement, Leo Lithium and Ganfeng will enter into a binding Cooperation Agreement. The Cooperation Agreement will deliver a range of key strategic benefits to Leo Lithium, including a commitment to expand the capacity at Goulamina Stage 2, as well as a framework for further cooperation on a downstream conversion facility and other business opportunities.

The proposed tolling arrangement with Ganfeng provides Leo Lithium with a highly beneficial, low-risk solution to gain exposure to lithium hydroxide production and the attractive margins that are available from moving further downstream. Ganfeng has long operated a number of conversion facilities in China and is already producing a large volume of high-quality battery grade product that is being supplied to tier 1 OEMs. By utilising the tolling arrangement with Ganfeng, Leo Lithium stands to benefit from Ganfeng's existing strong market relationships and technical reputation, enabling enhanced cost savings and operational efficiencies in tolling the Goulamina Stage 2 product to lithium hydroxide.

This is an exciting chapter for Leo Lithium with a number of near-term deliverables also underway, including our first spodumene product in 2024 and accelerated revenue from Direct Shipped Ore with shipments planned in the fourth quarter of this year.

We are proud to be partnering with Ganfeng, who are a recognised global leader across the lithium value chain and look forward to continuing to build on our strong existing relationship."

Strategic Placement Details

The Subscription Agreement includes the key terms upon which Ganfeng will be issued with the New Shares, including (among others):

- Customary notification rights for Ganfeng ahead of future equity issuances;
- New Shares to be escrowed for a period of 6 months from the date of issue; and
- A standstill period where Ganfeng cannot generally acquire additional shares in Leo Lithium for 12 months from the date the New Shares are issued.

The Strategic Placement is subject to the satisfaction of the conditions precedent (**Conditions**), including:

- Regulatory approvals in China; and
- Execution of the Cooperation Agreement.

Following satisfaction or waiver of the Conditions, Ganfeng will be issued 131 million New Shares, representing 9.9% of Leo Lithium's pro-forma shares on issue, at an Offer Price of A$0.81 per share (for gross proceeds to Leo Lithium of A$106.1 million). The Offer Price represents a 6.5% premium to Leo Lithium's 5-day volume weighted average price (**VWAP**) of A$0.76 per share up to and including Friday, 26 May 2023.

It is intended that New Shares will be issued in a single tranche pursuant to the Company's existing placement capacity in accordance with ASX Listing Rule 7.1. New Shares will rank *pari passu* with the Company's existing fully paid ordinary shares on issue.

Upon completion of the Strategic Placement, Ganfeng will be a substantial shareholder of Leo Lithium with a total shareholding of 9.9%. Firefinch Limited, being the only other substantial shareholder of Leo Lithium, will have a total shareholding of 15.9%.

Cooperation Agreement Details

Leo Lithium and Ganfeng have agreed to a number of key co-commitments that will be documented in the Cooperation Agreement. Key commitments include:

<u>1. Goulamina Stage 2 Capacity Expansion</u>

- Leo Lithium and Ganfeng agree to undertake a study into expanding the production capacity for Goulamina Stage 2 to approximately 500,000 tonnes per annum, which would take the combined capacity of Goulamina Stages 1 and 2 to 1.0 million tonnes per annum[2];
- Leo Lithium and Ganfeng will jointly fund the study, with the study to be conducted in Australia; and

[2] 65% of the Stage 2 Capacity is a production target as detailed in the Replacement Prospectus dated 6 May 2022 available at leolithium.com. The remainder is not a production target pursuant to the ASX Listing Rules, as it is an aspirational statement and Leo Lithium does not yet have reasonable grounds to believe the statement can be achieved.

- Leo Lithium and Ganfeng will examine opportunities to accelerate the timing of Goulamina Stage 2.

2. Leo Lithium and Ganfeng to Study Downstream Cooperation

- Leo Lithium to conduct and manage a feasibility study into a joint downstream conversion facility in Europe or region within a reasonable distance to West Africa;
- Leo Lithium and Ganfeng to jointly fund the study, with the study to be conducted in Australia (or such other jurisdiction as agreed); and
- Leo Lithium and Ganfeng will jointly participate in the study with the following specialist areas:
  - Leo Lithium will be responsible for searching for suitable locations, identifying and engaging with potential partners, shortlisting and introducing potential partners, and economic analysis;
  - Ganfeng will be responsible for analysing conversion technology, considering the application of Ganfeng's existing technology to the downstream facility, and to take the lead on engineering and design for the construction of the downstream facility.

3. Goulamina Offtake[3]

Goulamina Stage 2

With an enlarged Goulamina Stage 2 capacity and potential for a downstream conversion facility, Leo Lithium and Ganfeng have agreed to clarify and vary the Lithium Offtake Agreement with regard to Stage 2 product. Based on Goulamina Stage 2 capacity of 500,000 tonnes per annum, the parties have agreed:

- Offtake rights:
  - Ganfeng to have offtake rights to 350,000 tonnes per annum for life of mine; and
  - Leo Lithium to have offtake rights to 150,000 tonnes per annum for life of mine.
- Product outlets:
  - Ganfeng will process 150,000 tonnes per annum of its offtake in China, on a permanent basis;
  - Ganfeng's remaining 200,000 tonnes per annum will be processed in China until a joint downstream conversion facility with Leo Lithium is established in Europe or elsewhere. Once available, this product will be processed at the downstream conversion facility;
  - Leo Lithium's 150,000 tonnes per annum will be tolled in China by Ganfeng until the downstream conversion facility is available to process product, then the product will be processed there; and
  - In the event that agreement is not reached on a downstream conversion facility within 5 years from the date of this agreement then Leo Lithium is free to deal with its 150,000 tonnes per annum offtake from Goulamina Stage 2 as it sees fit.

[3] In relation to the offtake proposals, 65% of the Stage 2 Capacity is a production target as detailed in the Replacement Prospectus dated 6 May 2022 available at leolithium.com. The remainder of the offtake proposals is not a production target pursuant to the ASX Listing Rules, as it is an aspirational statement and Leo Lithium does not yet have reasonable grounds to believe the statement can be achieved.

Goulamina Stage 3

Subject to the Ore Reserve Estimate for Goulamina being upgraded sufficiently in Q3 2023 and potentially in future upgrades, Leo Lithium and Ganfeng have agreed to investigate the opportunity for a further expansion of Goulamina in a third stage:

- In the event of a Goulamina Stage 3 expansion, Leo Lithium and Ganfeng will have offtake rights to 50% of the incremental product for life of mine respectively.

4. Lithium Exploration JV

- Leo Lithium and Ganfeng agree to form a jointly funded exploration JV, to focus on Australia initially; and
- The arrangement is not exclusive and will not interfere with Ganfeng's existing exploration ventures.

Leo Lithium expects to move expeditiously towards the execution of the Cooperation Agreement with Ganfeng.

Barrenjoey Markets Pty Ltd acted as Financial Adviser and Lead Arranger to the Strategic Placement. Thomson Geer acted as Legal Adviser to the Company.

This announcement has been approved for release to the ASX by the Board.

Wang Xiaoshen, Vice Chairman and President of Ganfeng Lithium Group with Simon Hay, Managing Director Leo Lithium in Shanghai last week.

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Leo Lithium (ASX:LLL) is developing the world-class Goulamina Lithium Project (**Goulamina**) in Mali. Goulamina represents the next lithium project of significant scale to enter production. The hard rock lithium project will be the first of its kind in West Africa. Construction is underway and first production targeted for H1 2024.

Globally significant project: Forecast spodumene concentrate production of 506ktpa, increasing up to 831ktpa under Stage 2[4], positions Goulamina amongst the world's largest spodumene projects.

Development underway and substantially funded: One of a limited number of lithium development projects globally which are substantially funded. Ganfeng have provided US$130 million in equity funding and a US$40 million debt facility to the JV.

Large scale, high grade orebody: World-class, high grade hard rock lithium deposit with a Mineral Resource of 142.3Mt at 1.38% Li_2O (3.9Mt LCE) and Ore Reserve of 52Mt at 1.51% Li_2O (1.9Mt LCE). Drilling is underway targeting increases to the current resources and reserves.

Quality product: High quality spodumene concentrate with test work validating 6% Li_2O with low impurities and having been successfully converted to battery grade lithium hydroxide.

World-class partner: Project being developed in 50/50 partnership with Ganfeng, the world's largest lithium chemical producer by production capacity, providing funding, offtake and operational support to de-risk development.

Decarbonisation thematic: Providing an essential raw material to the lithium-ion battery value chain for a clean energy future.

Ore Reserves, Mineral Resources and Production Targets

The information in this announcement that relates to production targets and Ore Reserves is extracted from the Company's replacement prospectus dated 6 May 2022 (Prospectus) which is available at leolithium.com. The information in relation to Mineral Resources is extracted from the ASX announcement dated 17 January 2023 (Announcement). The Company confirms that all material assumptions and technical parameters underpinning the production targets, Mineral Resources and Ore Reserve estimates in the Prospectus and Announcement continue to apply and have not materially changed and it is not aware of any new information or data that materially affects the information included in the Prospectus or Announcement.

4. Based on first 5 years of steady state Stage 2 production.

Forward Looking Statements

This announcement contains forward-looking statements which are statements that may be identified by words such as "may", "will", "would", "should", "could", "believes", "estimates", "expects", "intends", "plans", "anticipates", "predicts", "outlook", "forecasts", "guidance" and other similar words that involve risks and uncertainties. These statements are based on, among other things, an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this announcement, are expected to take place.

Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and the directors and management of the Company. The Company cannot and does not give any assurance that the results, events, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur, and readers of this announcement are cautioned not to place undue reliance on these forward-looking statements.

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