

MOU SIGNED WITH THE MALI GOVERNMENT AND SALE OF ENTIRE PROJECT TO GANFENG

Memorandum of Understanding (MoU) signed with the Mali Government

- The MoU includes a US\$60 million settlement with the Mali Government resolving all outstanding issues
- Completion of the previously announced US\$65m sale for 5% of the Goulamina Lithium Project (Goulamina) to Ganfeng to fund the settlement
- Goulamina Project to migrate to the new 2023 Malian Mining Code, lifting potential Government project interest from the previous 20% up to 30%, plus a further 5% local stake

Ganfeng Sale Agreement for Remainder of Goulamina

- Executed Binding Sale and Purchase Agreement with Ganfeng for the sale of Leo Lithium's remaining 40% interest in Goulamina to Ganfeng for US\$342.7 million (equivalent to A\$ 0.43 per LLL share)
- Ganfeng to sole fund all remaining capital until first revenue
- Leo Lithium to novate management rights to Ganfeng, and will act as contractor to Ganfeng likely into Q4 2024 to ensure a smooth transition

Ganfeng to compensate Leo Lithium for termination of the Co-operation Agreement

- Previously agreed Co-operation Agreement which included offtake rights to be terminated
- Ganfeng to pay a 1.5% gross revenue fee over 20 years to Leo Lithium in exchange for the offtake and other rights given up with the termination of the Co-operation Agreement

Project Development

- Mali Government agreement to attend to all outstanding permits and approvals
- Goulamina Project remains on track for first spodumene production in Q3, 2024

Leo Lithium Limited (ASX: LLL) (**Leo Lithium** or the **Company**) announces that along with its joint venture partner GFL International Co., Ltd (**Ganfeng**), the Company has signed a Memorandum of Understanding (**MoU**) with the Government of Mali (**Government**) which resolves all outstanding issues.

Contemporaneously with reaching a settlement as part of the MoU and completing the previously announced 5% sale to fund the settlement, Leo Lithium has entered into a further binding share sale and purchase agreement (**SPA**) to sell its remaining 40% interest in the Goulamina Lithium Project (**Goulamina** or the **Project**) to Ganfeng for US\$342.7 million. Further details of these transactions are set out in this ASX release.

Sale of remainder of Goulamina

Having regard to the increasingly challenging sovereign and security risks in country, the expected economic impact from the adoption of the 2023 Malian Mining Code and the Company's financial position to fund the remaining working capital requirements, the Board of Leo Lithium believe it is in the best interests of shareholders to sell the Company's remaining interest in Goulamina.

The US\$342.7 million cash consideration payable by Ganfeng is structured as follows:

- US\$10.5 million non-refundable deposit to be paid within 10 days of executing the sale and purchase agreement;
- US\$161.0 million payable on completion of the transaction following satisfaction of (or waiver) of conditions precedent (**Tranche 1 Cash Consideration**);
- US\$171.2 million payable on 30 June 2025 or an earlier date (**Tranche 2 Cash Consideration**). Interest of SOFR + 2% to accrue on the unpaid Tranche 2 Cash Consideration from the completion date until the Tranche 2 Cash Consideration is paid in full to Leo Lithium. There are no penalties for early repayment.
- US\$342.7 million is equivalent to A\$ 0.43 per Leo Lithium share.

As at 31 March 2024, the Company's closing cash was A\$69.3 million and the Goulamina joint venture held cash of US\$21.8 million. Project construction remains on track, as detailed in the recent quarterly report.

Commencing process to lift suspension

This announcement will not automatically lift the ASX suspension in trading of shares in Leo Lithium. The Company will discuss with ASX the necessary next steps to lift the suspension of trading in shares of the Company. The lifting of the suspension will be at the discretion of the ASX and an update will be provided in due course.

Leo Lithium Managing Director, Simon Hay, commented:

"After a long period of discussions together with our JV partner Ganfeng, we have signed a MoU with the Mali Government, resolving all outstanding issues concerning the Goulamina Lithium Project.

Despite our best efforts to reach a viable agreement with the Mali Government and considering the increasing risks associated with operating in Mali, the impact of the new 2023 Mining Code and the Company's financial position for future funding, the Board of Leo Lithium has determined that a sale of the Company's remaining interest in Goulamina is in the best interests of Leo Lithium shareholders. The Board believes the executed Sale and Purchase Agreement with Ganfeng provides our shareholders with certain value under highly challenging circumstances.

Our relationship with Ganfeng remains strong, and we look forward to the next phase of our partnership. We have deeply appreciated our shareholders' patience and support whilst we worked to settle this issue with the Mali Government. Given the circumstances, we believe this

settlement and sale of the Project to Ganfeng represents the best outcome for all Goulamina stakeholders.”

Advisers

Barrenjoey acted as financial adviser and Thomson Geer acted as legal adviser in relation to the sale of Leo Lithium’s interest in the Project to Ganfeng.

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

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OVERVIEW

Outline of the dispute with the Government

The Company received correspondence from the Malian Ministry of Mines on 17 July 2023¹, covering several topics including direct shipping ore (**DSO**), the status of the Government free carry stake and the overall status of progress at Goulamina. The Government formed a commission to examine these items as well as issues surrounding the Morila Gold Mine in Mali (**Commission**), which is the subject of announcements by Firefinch Limited (**Firefinch**). Leo Lithium's senior management attended the Commission in person and addressed the issues raised in the correspondence by the Mali Government, as follows:

- immediately stopping DSO operations as directed by the Government;
- confirmed the joint venture partners had provided initial documents to the Government to effect the 10% project free carry stake; and
- proved that there was no corporate relationship between Leo Lithium and Firefinch, other than Firefinch holding a 17.6% shareholding in Leo Lithium.

The Company announced that the Government enquiries had been addressed and as such believed it was appropriate to commence trading on the ASX on 4 September 2023².

On 15 September 2023, the Company received further correspondence from the Mali Government that raised for the first time the following matters:

- an allegation that the transfer of the mining permit from a Firefinch entity to the Malian company which owns the Project, Lithium du Mali SA (LMSA) had not followed the relevant regulatory procedure and was therefore irregular;
- invited the parties to apply for a new exploitation permit for Goulamina; and
- to migrate the Project to the 2023 Mining Code.

Leo Lithium entered a trading halt on 15 September 2023, a voluntary suspension on 19 September 2023 and has been suspended from trading by the ASX since 3 October 2023 whilst it dealt with these matters. From receipt of the correspondence, Leo Lithium and Ganfeng engaged in good faith with the Government and provided information to the Commission and Government Ministers at a number of meetings in Bamako, Mali, during the second half of 2023 and first half of 2024. The Company also had a team of experienced Malian and international advisors assisting on this matter.

The allegations of an irregular licence transfer and demand to reapply for a new exploitation permit under the 2023 Mining Code were a surprise and disappointment to Leo Lithium. The Company's position that the licence was validly transferred and legally held meant, in the Company's view that the request to migrate to the 2023 Mining Code was not relevant or enforceable. Despite this, the Government continued to insist that the Project migrate to the 2023 Mining Code.

Over the course of these protracted discussions, the Government also renewed its contention that Leo Lithium and Firefinch were related and attempted to draw Leo Lithium into Firefinch's dispute with the Government over the Morila gold mine. The Company reiterated its position repeatedly

¹ Please refer to ASX announcement dated 20 July 2023 'Request for Voluntary Suspension'.

² Please refer to ASX announcement dated 4 September 2023 'Goulamina on schedule post discussions with Mali Government'.

that, following the demerger, there is no corporate relationship or common control between Leo Lithium and Firefinch and that Leo Lithium has nothing to do with the Morila dispute. This has not swayed the Government's position.

As the dispute progressed in late 2023 and into 2024, it became apparent that regular permits required for the operational phase of the Project were not being progressed and without these permits, production could not commence. Despite these challenges, the Leo Lithium and Project team in Perth and Mali supported by hundreds of Mali employees and contractors continued to advance construction. As the Project is now a matter of weeks away from commencing commissioning activities, the issuing of permits has become critical. The Government has also continued to levy customs duties and levies on the Project, since July 2023. Under the Project's existing exploitation permit the Project should have been exempted from these costs.

The 2023 Mining Code

The Mali Government promulgated a new Mining Code on 29 August 2023 that is significantly different from the existing mining code. Whilst the 2023 Mining Code has been promulgated, the Implementation Decree, which describes how the laws will work in practice, has yet to be issued by the Government. Therefore, much of the practical measures of the Code have yet to be determined by regulators or the joint venture partners. In the Company's view, if the application of the 2023 Mining Code is implemented as currently drafted, it would have a significant negative impact on the economics of the Project.

Settlement of the dispute

Across March-April 2024, the Government's position on all key matters of the dispute remained firm and unchanged and that without a settlement, it was increasingly likely that the Project would be unable to move into the operational phase. Therefore, the JV partners have agreed to settle the dispute with the following details:

- Leo Lithium, Ganfeng, Firefinch and the Government have signed a Memorandum of Understanding to settle all disputed matters between the parties;
- Leo Lithium will pay, or procure the payment of, US\$60 million to the Government immediately. Firefinch will contribute A\$11.5 million to Leo Lithium as detailed below;
- Firefinch will also transfer Morila SA shares to the Mali Government;
- The Project title is assured and the dispute over the irregularity of the transfer has been settled;
- The Government will facilitate the granting of any permit and authorisation necessary for the Project;
- The Government will immediately resume exempting the Project from customs duties and fees for the remaining construction phase of the Project;
- The Project will migrate to the 2023 Mining Code with some variations to be formalised between Ganfeng and the Government; and
- On submitting transfer deeds, the Government will approve the sale and indirect transfer of Leo Lithium's shares in the Goulamina holding company Mali Lithium BV (MLBV) to Ganfeng.

Pursuant to the MoU, Firefinch will transfer its shares in Morila SA to the Mali State owned mining company. Firefinch will seek shareholder approval for this transfer and upon shareholders approving the transfer, Firefinch will make the A\$11.5 million contribution to Leo Lithium.

The Company believes that ending the long running dispute with this settlement will allow the Project construction phase to be completed and for operations to commence as planned in Q3 2024.

Sale of 5% of Goulamina completed

On 19 January 2024, Leo Lithium announced that it had entered into a binding agreement to sell 5% of Goulamina to Ganfeng for US\$65 million (~A\$98 million). Under the sale agreement, Ganfeng will receive an additional 5% interest in the Goulamina holding company MLBV. The sale agreement was conditional (amongst other matters) upon a settlement being reached with the Mali Government. As a settlement has now been achieved, all of the conditions have been satisfied or waived and the 5% sale has now completed.

Leo Lithium's interest in Goulamina via MLBV is now 40% and Ganfeng's interest is now 60%. The Mali Government has yet to take an equity position in Goulamina.

Sale of Leo Lithium's remaining interests in the Project

The Company has entered into a binding SPA with Ganfeng to sell its remaining 40% interest in MLBV for a total cash consideration of US\$342.7 million (A\$517 million)³. The transaction is subject to several conditions including approval from Leo Lithium's shareholders and Chinese regulatory approvals. A Notice of General Meeting and Explanatory Statement with further details in relation to the transaction will be sent to Leo Lithium shareholders in due course.

The US\$342.7 million cash consideration is payable by Ganfeng in three instalments structured as follows:

- US\$10.5 million non-refundable deposit to be paid within 10 business days of executing the SPA;
- US\$161.0 million payable on completion of the transaction, following satisfaction (or waiver) of the conditions precedent for the SPA (Tranche 1 Consideration); and
- US\$171.2 million payable by 30 June 2025 or an earlier date (Tranche 2 Cash Consideration). Interest to accrue on the unpaid balance of the Tranche 2 Cash Consideration at a rate equal to SOFR + 2%, commencing from the completion date until the Tranche 2 Cash Consideration is paid in full to Leo Lithium.

Commencing immediately, Ganfeng has committed to sole funding all cash requirements of the Project.

Commencing process to assess trading suspension

This announcement will not automatically lift the ASX suspension in trading of shares in the Company. The Company will need to meet its statutory reporting requirements including lodging its 2023 financial accounts and holding an Annual General Meeting. The Company will discuss with the ASX the necessary next steps to lift the suspension of trading in shares of the Company. The lifting of the suspension will be at the discretion of the ASX and an update will be provided in due course.

³ Converted into AUD based on AUD:USD 0.66 as at 6 May 2024.

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Ganfeng to manage the Project

Leo Lithium is currently the manager and operator of the Project under a Management Agreement with LMSA. With Ganfeng moving to 60% majority ownership of the Project immediately and to buy Leo Lithium's remaining interest in the Project, the joint venture partners have agreed that Ganfeng will take over management responsibilities of the Project by 1 June 2024. The Management Agreement will be novated to Ganfeng and Ganfeng will engage Leo Lithium to continue to provide management services to the Project. Leo Lithium will be engaged as a contractor on arm's length terms whilst Ganfeng builds its own capability. Leo Lithium's activities will focus on the completion of construction and commissioning and ramp up of operational activities.

Sale of offtake rights

As Leo Lithium is selling its interest in Goulamina, it will also be terminating the Cooperation Agreement (first announced on 29 May 2023) with Ganfeng, including giving up the Company's contractual rights to offtake from the future expansions at Goulamina of Stage 2 and Stage 3. Ganfeng has agreed to pay the Company a trailing product sales fee (TPSF) in respect to termination of these offtake rights.

The TPSF will be paid to the Company upon commencement of first commercial production at Goulamina and is structured as follows:

- 1.5% of the gross revenue received from the sale of lithium products from Goulamina Stage 1, by reference to the Ganfeng offtake agreement, subject to volume cap of 500,000 tonnes of spodumene concentrate per annum; and
- valid over a 20 year period, commencing from first commercial shipment.

The below sensitivity table provides an indicative valuation range for the TPSF across a range of lithium spodumene concentrate prices:

SC6.0 Price (US\$/t)	900	1,000	1,100	1,200	1,300	1,400	1,500
NPV _{10%} (US\$m)	50	56	61	67	72	78	83
NPV _{10%} (A\$m) ³	75	84	92	101	109	117	126
NPV _{10%} (A\$/sh)	0.06	0.07	0.08	0.08	0.09	0.10	0.10

Table 1: Pre-tax value of the TPSF assuming a 10% real discount rate over 20 years

Timetable and next steps

The sale of Leo Lithium's remaining 40% interest in Goulamina will be subject to Leo Lithium shareholder approval. A Notice of General Meeting and Explanatory Statement will be distributed to shareholders in the coming weeks with the indicative timetable as follows:

Indicative Timetable	Indicative Timing
Announcement of the transaction	8 May 2024
Dispatch Notice of General Meeting and Explanatory Booklet to Leo Lithium shareholders	Mid June 2024
General Meeting of Leo Lithium shareholders to vote on the transaction	Mid July 2024
Receipt of regulatory approvals and satisfaction of conditions precedent to the transaction	August to October 2024
Completion of the transaction	End October 2024

The Company remains focused on completing the transaction and transitioning management of Goulamina from Leo Lithium to Ganfeng.