



Half Year Report 31 December 2020

Liontown Resources Limited
ABN 39 118 153 825



Liontown Resources Limited

Corporate Directory

Directors

Timothy Rupert Barr Goyder
David Ross Richards
Craig Russell Williams
Anthony James Cipriano
Steven John Micheil Chadwick

Chairman
Managing Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

Company Secretary

Craig Hasson

Principal Place of Business & Registered Office

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Web: www.ltresources.com.au
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Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH, WESTERN AUSTRALIA 6000

Share Registry

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Tel: 1300 557 010

Home Exchange

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Level 40, Central Park
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ASX Codes

Share Code: LTR

Liontown Resources Limited

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Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2020

Your directors submit the financial report for Liontown Resources Limited ("Liontown") and the entities it controlled as at and for the half-year ended 31 December 2020 ("the Group"). In compliance with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Timothy Goyder	Chairman
David Richards	Managing Director
Craig Williams	Non-Executive Director
Anthony Cipriano	Non-Executive Director
Steven Chadwick	Non-Executive Director

REVIEW OF OPERATIONS

1. Overview

During the half year ended 31 December 2020, Liontown Resources advanced technical and financial studies at its flagship Kathleen Valley Lithium-Tantalum Project and confirmed the potential for significant bedrock mineralisation at its Moora Gold-Copper-Nickel-PGE Project. Both Projects are 100%-owned and located in Western Australia.

At Kathleen Valley, an updated Pre-Feasibility Study (PFS) confirmed the technical and financial viability of a long life, high-grade mining and processing operation and a Definitive Feasibility Study (DFS) has commenced focussing on the production of a 6% Li₂O spodumene concentrate. The DFS is due for completion in Q4 2021.

A Downstream Scoping Study (DSS) investigating the production of either lithium hydroxide or lithium sulphate onsite at Kathleen Valley was also completed with results highlighting the potential to significantly enhance the financial returns for the Project. Further work on this concept is planned for the coming year.

Aircore drilling at Moora has defined a number of mineralised trends including potential ore grade copper and gold values coincident with a large magnetic anomaly interpreted to indicate a mafic/ultramafic intrusion obscured by shallow cover and strong weathering. Drilling and further geochemical sampling is in progress.

The Moora Project is located ~95km north of and in the same geological terrain as the world-class Julimar discovery and subsequent to the end of the period, Liontown more than doubled its exploration footprint in the region with the execution of a Joint Venture Agreement giving the Company the right to acquire up to 51% of the neighbouring Koojan Project.

2. Kathleen Valley Lithium Project, Western Australia (100% owned)

The Kathleen Valley Project is located in Western Australia, ~680km north-east of Perth and ~350km north-northwest of Kalgoorlie, within the Eastern Goldfields of the Archaean Yilgarn Craton. Liontown commenced work at Kathleen Valley in 2017 and has since defined a world-class Mineral Resource Estimate of 156Mt @ 1.4% Li₂O and 130ppm Ta₂O₅ and completed a Pre-Feasibility Study (PFS) which confirms the potential for a long-life, standalone mining and processing operation.

HALF YEAR ACHIEVEMENTS AND HIGHLIGHTS:

- Updated Pre-Feasibility Study (PFS) confirms the technical and financial viability of a standalone 2Mtpa mining and processing operation based on an updated Ore Reserve of **71Mt @ 1.4% Li₂O and 130ppm Ta₂O₅**.
- Ore Reserve underpins a 40-year mine life with average production of ~350ktpa 6% Li₂O spodumene concentrate (SC6.0) and 430tpa of 30% Ta₅O₅ concentrate.
- A Downstream Scoping Study (DSS) leveraging off the PFS demonstrates the significant financial upside of an integrated mining, processing and refining operation based on the production of lithium hydroxide (LHM) or lithium sulphate (LSM) using SC6.0 from Kathleen Valley as feedstock.
- Commencement of a Definitive Feasibility Study (DFS) focused on SC6.0 production that will review a number of opportunities to improve the Project's financial metrics.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2020

Updated Pre-Feasibility Study (PFS)

The PFS, which builds on the previous study completed in December 2019, delivered an updated Ore Reserve of **71Mt @ 1.4% Li₂O and 130ppm Ta₂O₅** which will underpin a 2Mtpa mining and processing operation over a 40-year mine life. The Ore Reserve was based on the May 2020 MRE of 156Mt @ 1.4% Li₂O and 130ppm Ta₂O₅.

The PFS evaluated a mining and processing operation delivering an average of 350ktpa of SC6.0 and 430tpa of a 30% Ta₂O₅ tantalum concentrate. Following conventional underground and open pit mining and delivery to the Run-of-Mine pad, ore will be processed by Whole of Ore Flotation (WOF) to produce spodumene and tantalum concentrates which will then be transported in bulk for delivery to downstream customers.

Updated Ore Reserve

Orelogy Consulting Pty Ltd (Orelogy) were responsible for the mining component of the PFS. As such, Orelogy prepared an Ore Reserve Estimate for the Kathleen Valley underground and open pit as at 9th October 2020, in accordance with the guidelines of the JORC Code 2012.

The summary of the Ore Reserve prepared by Orelogy is shown in **Table 1**.

Table 1: Kathleen Valley Project – Ore Reserve Estimate (October 2020)

Category	Tonnage (Mt)	Li ₂ O (%)	Li ₂ O (t)	Ta ₂ O ₅ (ppm)	Ta ₂ O ₅ (t)
Underground					
Proved	3.9	1.4	56,000	130	500
Probable	37.6	1.5	572,000	120	4700
Sub-Total	41.5	1.5	628,000	120	5100
Open Pit					
Proved	11.7	1.2	142,000	140	1,700
Probable	17.6	1.2	205,000	130	2,300
Sub-Total	29.3	1.2	346,000	130	3,900
TOTAL	70.8	1.4	974,000	130	9,100

Notes: Tonnages and grades are diluted and reported at Li₂O cut-off grade of 0.7-0.75% (open pit) and 1.2 -1.5% (Underground). Tonnages and grades have been rounded and therefore may not add correctly.

Mineral Resources were converted to Ore Reserves in line with the material classifications which reflect the level of confidence within the resource estimate. The Ore Reserve reflects that portion of the Mineral Resource which can be economically extracted by open pit and underground mining methods.

PFS Financial Outcomes

Based on a proposed 2Mtpa standalone mining and processing operation, the PFS has demonstrated strong financial metrics for the Project (**Table 2**).

Table 2: Kathleen Valley Project – PFS Base Case Key Metrics

Study Outcomes	PFS
Post-tax NPV_{8%} (real, post-tax)	A\$1.12B
Internal Rate of Return (IRR)	37%
Payback	3 years post-production
Life of mine (LOM)	~ 40 years
Pre-production capital cost	A\$325M (inc. A\$67M preproduction & A\$27M contingency)
Cash operating costs (1st 5years) ^{(1) (2)}	~US\$261/ <u>dmt</u> of SC6.0 (including tantalum credits)
Cash operating costs (1st 10years)⁽¹⁾⁽²⁾	~US\$283/ <u>dmt</u> of SC6.0 (including tantalum credits)
Cash operating costs (LOM) ^{(1) (2)}	~US\$310/ <u>dmt</u> of SC6.0 (including tantalum credits)
Cash operating costs (LOM) ^{(1) (3)}	~US\$377/ <u>dmt</u> of SC6.0 (including tantalum credits & Royalties)
Average steady state production	350 ktpa of SC6.0, 430 tpa of 30% Ta ₂ O ₅ concentrate

¹ Cash operating costs include all mining, processing, transport, freight to port, port costs and site administration & overhead costs. Excludes sustaining capital.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2020

²Royalties are predominantly sales price dependent hence not included, for a PFS Li₂O price of US\$739/t royalties equate to US\$62/t for the 1st 10 years and US\$67/t for LOM.

³ Includes royalties of US\$67/t for LOM.

The production targets and forecast financial information referred to in the PFS comprise Proven Ore Reserves (19.7%), Probable Ore Reserves (69.8%) and Inferred Mineral Resources (10.5%). The Inferred material included in the inventory is 8.28Mt @ 1.36% Li₂O & 121ppm Ta₂O₅. The Inferred material has been scheduled such that less than 1Mt is mined in the first ten years with 6.44Mt at the end of the underground mine life and a further 0.84Mt after Year 25 for the Open Pit.

The Inferred material does not have a material effect on the technical and economic viability of the project. The Reserve Estimate has been prepared by a Competent Person in accordance with the requirements of the 2012 JORC Code. All material assumptions on which the production targets and forecast financial information are based are disclosed in this announcement and in Liontown's ASX release dated 9th October 2020.

Metallurgy

Samples were collected from across the deposit as part of the metallurgical testwork. These samples include a range of grades and depths.

The metallurgical process proposed consists of 3-stage comminution including high-pressure grinding roll (HPGR), a sequential magnetic-gravity circuit for iron and tantalum extraction followed by WOF.

The process has been tested at a PFS level in the laboratory with a grade-recovery relationship established which results in an average metallurgical recovery of 76% Li₂O into SC6.0 (inc. losses for Ta₂O₅ extraction) based on the PFS mine schedule. A separable site Ta₂O₅ recovery of 56% will enable the production of a Ta₂O₅ concentrate grading 15% Ta₂O₅ (upgraded to 30% offsite resulting in an overall Ta₂O₅ recovery of 50%).

Further metallurgical test work on approximately 3 tonnes of material will also commence during Q2 2021 to provide DFS-level data for recovery, variability, grind size optimisation and comminution. A pilot program is also planned for 2021 to generate marketing sample for off-takers and further downstream test work.

A Process Comminution Study has also been completed which has confirmed the viability of further process optimisation, leading to possible capital savings and improved operability through the removal of one stage of crushing and increased grinding mill size. These changes will be incorporated into the DFS.

Downstream Scoping Study (DSS)

Liontown engaged Lycopodium Minerals Pty Ltd (Lycopodium) to evaluate the impact of integrating a downstream refinery with the mine and process plant ("Integrated Project") at Kathleen Valley to produce either battery-grade Lithium Hydroxide (LiOH "LHM") or Lithium Sulphate (Li₂SO₄ "LSM").

Lycopodium determined scoping-level operating and capital cost estimates (+/-30% accuracy) for a downstream facility capable of processing feed of ~380ktpa (noting WOF circuit average LOM production rate of 350k tpa) SC6.0 to produce 58ktpa of battery-grade LHM or 88ktpa LSM on-site.

As the financial analysis demonstrates (**Table 3**), an Integrated Project is a better commercial proposition, given the location of the Project relative to key infrastructure including power and gas, the supply of key consumables such as acid from the nearby mining and logistics centre of Kalgoorlie and, importantly, having a suitable area for storage of tailings. Reduced transport volumes of final product would also significantly reduce operating costs.

Based on a proposed 2Mtpa standalone mining, processing and refining operation, the DSS demonstrated strong financial metrics for the Integrated Project as outlined below (**Table 3**):

Table 3: Kathleen Valley Integrated Project – Key Metrics

	LHM	LSM
Post-tax NPV _{8%} (real, post-tax)	A\$4.8 B	A\$3.2 B
Internal Rate of Return (IRR) %	41%	35%
LOM Free Cashflow (post tax)	A\$19.5 B	A\$13.2 B
Payback period (years)	3	3
Average LHM/ LSM pricing Real Spot (2025-2041, US\$/t) ⁽⁷⁾	US\$14,079	US\$6,991
Average LOM cash operating costs (US\$/t) ^{(1) (5)}	US\$4,744	US\$2,649
Design production rate (ktpa)	58 ktpa LHM	88 ktpa LSM
Integrated Capex (SC6.0 Plant + Refinery A\$) ^{(2) (3) (4) (6)}	A\$1.1B	A\$0.9B
Life of mine (LOM years)	~40 years	~40 years

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2020

¹ Cash operating costs include all mining, processing, downstream refining, transport, state & private royalties, freight to port, port costs and site administration and overhead costs. Excludes sustaining capital.

² Integrated Capex for LHM production includes \$325M for the mine/ SC6.0 processing plant (PFS) and \$785M for the downstream refinery

³ Integrated Capex for LSM production includes \$325M for the mine/ SC6.0 processing plant (PFS) and \$625M for the downstream refinery

⁴ SC6.0 plant capital to PFS level +/-25% accuracy, DSS to +/-30% accuracy

⁵ PFS include no contingency on SC6.0 operating costs, DSS included no contingency on operating costs

⁶ PFS include 15% (\$27M) capital contingency, DSS included 20% (\$135M LHM & \$109M LSM) contingency on capital costs

⁷ LHM Pricing per Roskill September 2020 price estimates for years 2025-2040, LSM pricing scaled based on Roskill LHM price estimate.

Definitive Feasibility Study (DFS)

Following the positive results from the updated PFS, Liontown has commenced a DFS focussed on SC6.0 production which is due for completion in Q4 2021. A number of opportunities to improve the financial metrics for the Project are discussed below.

Throughput Options

Throughputs of 2Mtpa and 4Mtpa from a mining and a processing perspective were evaluated as part of the PFS. A staged approach to the plant development was considered prudent, however key considerations in both the mine and the processing plant have been included upfront to enable a throughput expansion with negligible impact on the 2Mtpa mining and processing presented in the PFS. Further throughput related optimisation will be undertaken as part of the DFS.

Production of Multiple Spodumene Concentrate Grades

The PFS was evaluated based on the production and sale of SC6.0. Based on the PFS testwork, the WOF flowsheet provides considerable flexibility for the production of much higher-grade concentrates (>6.5% Li₂O) for periods of the mine life when mining higher grade ore. The ability to produce higher concentrate grades may have sales and operating cost benefits. Further grade-related optimisation will be undertaken as part of the DFS.

Reserve/Resource Expansion

The PFS underground mine planning identified accessible Inferred material that potentially could be added to the Reserve if further drilling was undertaken.

The Company has since undertaken a geotechnical drilling program to acquire data required to complete the DFS. The geotechnical drilling comprised six diamond core holes totalling 1,312m with two of the geotechnical holes, KVDD0076 and KVDD0077, drilled into an Inferred part of the Mineral Resource.

Both holes intersected significant widths of high-grade lithium mineralisation, confirming the continuity of the system, i.e.,

KVDD0076	9.2m @ 1.6% Li ₂ O from 189.2m including 2m @ 2.2% Li ₂ O from 191m, and 13.4m @ 1.7% Li ₂ O from 269.6m including 8m @ 2.0% Li ₂ O from 274m
KVDD0077	14m @ 1.8% Li ₂ O from 186m including 4m @ 2.5% Li ₂ O from 195m, and 39.7m @ 1.6% Li ₂ O from 280.4m including 5m @ 2.4% Li ₂ O from 285m

The assay data from KVDD0076 and KVDD0077 will be used to upgrade parts of the Mineral Resource Estimate to the Indicated category, which will subsequently be available for conversion to Ore Reserves as part of the DFS.

The Kathleen Valley MRE also remains open at depth and along strike and the resource base could be grown with additional drilling.

Downstream Processing/Refinery

Ongoing metallurgical and process engineering work is envisaged in Q2, 2021 to further develop the DSS, given the compelling economic upside.

3. Moora Gold-Copper-Nickel-PGE Project, Western Australia (100%)

The Moora Project, which is located in south-west Western Australia approximately 150km north-east of Perth, comprises wholly-owned tenure applied for in 2018 and 2019 as part of Liontown's generative studies to acquire areas considered prospective for precious and battery-related metals. Geochemical exploration has defined strong Au-PGE-Ni-Cu anomalism coincident with geophysical features interpreted to be indicative of mafic-ultramafic intrusions similar to the unit that hosts the world-class Julimar discovery ~95km to the south.

Late in the 2020, Liontown commenced a maiden drilling program at Moora to test a number of geochemical targets defined by shallow (<1m) auger sampling.

The drilling program, which was completed subsequent to the end of the year, comprised 264 aircore drill holes for 10,349m and 14 Reverse Circulation (RC) drill holes for 1,946m.

The air-core drilling was designed to provide initial bedrock data beneath gold+PGE+nickel+copper anomalies defined by auger sampling. Holes were drilled to refusal, which is effectively the base of strong weathering and complete oxidation.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2020

The RC drilling tested beneath geochemical haloes in the weathered, oxidised profile, defined by the auger sampling and air-core drilling, that may be indicative of deeper, primary mineralisation in fresh bedrock.

Three mineralised zones have been defined coincident with the Mt Yule anomaly, a large, 7 x 2.5km, WNW-ESE trending magnetic feature interpreted to define a mafic/ultramafic intrusion obscured by transported cover and strong weathering.

The mineralised zones include:

- The Angepena prospect, located in the southwest part of the Mt Yule, where drilling has defined a +900m long zone of bedrock gold mineralisation with intersections up to **44m @ 1.6g/t gold**;
- A +2km long and up to 150m wide copper (>1,000ppm) – gold (>100ppb) *northern* zone with intersections up to **10m @ 1.9% copper and 12m @ 0.5g/t gold**; and
- A *south-eastern* zone defined by a single drill traverse with drill intersections of up to **37m @ 0.25g/t gold and 12m @ 0.22% copper**.

These zones are open and only partially defined, and further drilling is planned to delineate the limits of the mineralisation.

At the time of writing, assays were pending for 11 RC holes drilled beneath the northern copper-gold zone referred to above and 145 in-fill and first-pass aircore holes. Results from these holes are expected to define further targets for follow-up drilling.

Koojan Joint Venture

Subsequent to the end of the period, Liontown expanded its exploration footprint in the region to ~1,100km² with the execution of an binding agreement which gives Liontown the right to earn to up to 51% equity in the neighbouring Koojan Project from Lachlan Star Resources.

The Koojan Project, which adjoins the western boundary of the Moora Project, includes a number of magnetic anomalies also interpreted to indicate mafic/ultramafic intrusions and an auger drilling program comprising ~1,000 samples is planned to define targets for drill testing

4. Buldania Lithium Project, Western Australia (100% of Lithium Rights)

The Buldania Project is located in the Eastern Goldfields, approximately 600km east of Perth and 200km north of the regional port of Esperance. Historical mapping and exploration delineated a large spodumene-bearing pegmatite swarm that had not been previously assessed for lithium or associated rare metals. Drilling by Liontown has defined a maiden Mineral Resource Estimate of ~15Mt @ 1% Li₂O at the Anna pegmatite.

A Mining Lease application has been lodged over the Anna deposit and work is in progress to define potential resource extensions for drill testing.

CORPORATE

At 31 December 2020 the Group had net assets of \$16,178,791 (30 June 2020: \$6,519,674) and an excess of current assets over current liabilities of \$15,943,384 (30 June 2020: \$6,285,762). At 31 December 2020, cash at bank totalled \$16,360,699 (30 June 2020: \$5,257,849). During the period, the Company completed a placement to raise \$12,500,000 (before costs) by issuing 54,347,826 fully paid ordinary shares at an issue price of \$0.23 per share.

The Group reported a net loss for the period of \$4,959,489 (31 December 2019 net loss: \$8,047,982) which included \$3,336,010 in exploration and evaluation expenditure expensed in accordance with the Group's accounting policy (31 December 2019: \$6,202,667).

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 13 January 2021, 207,246 unlisted service rights were issued to Non-executive Directors in lieu of payment of cash fees otherwise payable for the quarter ending 31 March 2021.

On 27 January 2021, the Company announced it acquired the right to earn 51% equity in the Koojan Project from Lachlan Star Resources, which is located adjacent to the western boundary of the 100%-owned Moora Project.

In a separate transaction, Liontown also agreed to sell its Killaloe Project, located near Norseman in Western Australia, to Lachlan Star for 40,000,000 Lachlan Star shares.

On 29 January 2021, 612,273 unlisted service rights were exercised by several Directors and employees and converted into fully paid ordinary shares.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2020

On 11 February 2021, the Company announced the appointment of Tony Ottaviano as Chief Executive Officer and Managing Director, effective from on or about 1 May 2021 and that Mr David Richards will transition to the role of Technical Director. 7,500,000 unlisted options were issued to Tony Ottaviano as part of the appointment and 2,500,000 sign-on performance rights will be issued upon commencement of employment along with participation in Key management personnel performance rights.

On 24 February 2021, 3,000,000 unlisted options were exercised by a Non-Executive Director and converted into fully paid ordinary shares.

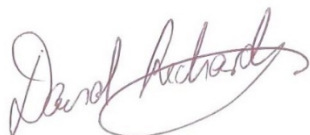
On 12 March 2021, a consulting agreement was entered into with Non-Executive Director, Anthony Cipriano.

There are no other significant events after balance date that required disclosure in this report.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 11 and forms part of this directors' report for the half-year ended 31 December 2020.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

A handwritten signature in blue ink, appearing to read 'David Richards', with a stylized flourish at the end.

David Richards
Managing Director

Dated at Perth this 15th day of March 2021

COMPETENT PERSON'S STATEMENT

The Information in this Report that relates to Mineral Resources for the Kathleen Valley Project is extracted from the ASX announcement "Kathleen Valley confirmed as a world-class lithium deposit as Mineral Resource increases to 156Mt @ 1.4% Li₂O" released on the 11th May 2020 which is available on www.ltresources.com.au.

The Information in this Report that relates to Ore Reserves, Production Target and Pre-Feasibility Study (PFS) for the Kathleen Valley Project is extracted from the ASX announcement "Updated Kathleen Valley Pre-Feasibility Study delivers substantial increase in NPV to A\$1.1 billion and mine life to ~40 years" released on 9th October 2020 which is available on www.ltresources.com.au.

The information in this Report that relates to the Downstream Scoping Study (DSS) is extracted from the ASX announcement "Downstream Scoping Study: Kathleen Valley Lithium-Tantalum Project" released on 22 October 2020 which is available on www.ltresources.com.au.

The information in this Report that relates to Exploration Results for the Kathleen Valley Project is extracted from the ASX announcement "Kathleen Valley Lithium-Tantalum Project Advancing to the Next Level with Definitive Feasibility Study Underway" released on 11th January 2021 which is available on www.ltresources.com.au.

The information in Report that relates to Exploration Results for the Moora Project is extracted from the ASX announcements "Initial assays of up to 2.5% copper and 1.1g/t gold from maiden drilling program at 100%-owned Moora Project, WA" and "Outstanding intercept of 44m at 1.6g/t gold in first Reverse Circulation drill hole at the Moora Project, WA" released on 19th January 2021 and 2nd March 2021 respectively which are available on www.ltresources.com.au.

The Information in this Report that relates to Mineral Resources for the Buldania Project is extracted from the ASX announcement "Liontown announces maiden Mineral Resource Estimate for its 100%-owned Buldania Lithium Project, WA" released on the 8th November 2019 which is available on www.ltresources.com.au.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

FORWARD LOOKING STATEMENT

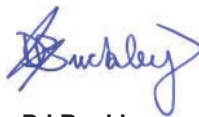
This report contains forward-looking statements which involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Liontown Resources Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
15 March 2021



D I Buckley
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Liontown Resources Limited
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

	Note	31 Dec 20 \$	31 Dec 19 \$
Continuing Operations			
Exploration and evaluation expenditure expensed	3(a)	(3,336,010)	(6,202,667)
Corporate administrative expenses	3(b)	(562,959)	(1,154,548)
Share based payments		(1,068,917)	(763,384)
Net finance income		8,397	72,617
Loss before income tax		(4,959,489)	(8,047,982)
Income tax expense		-	-
Net loss after tax		(4,959,489)	(8,047,982)
Other comprehensive income/(loss), net of tax			
<i>Items reclassified to profit or loss:</i>		-	-
Total comprehensive loss		(4,959,489)	(8,047,982)
Earnings per share from operations			
Basic loss per share (cents per share)		(0.28)	(0.49)
Diluted loss per share (cents per share)		(0.28)	(0.49)

The accompanying notes form part of these financial statements.

Liontown Resources Limited
Condensed Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 20 \$	30 Jun 20 \$
Current assets			
Cash and cash equivalents		16,360,699	5,257,849
Trade and other receivables		378,418	1,773,070
Total current assets		16,739,117	7,030,919
Non-current assets			
Financial Assets		76,813	76,812
Property, plant and equipment		128,039	123,146
Right-of-use assets		85,325	109,703
Total non-current assets		290,177	309,661
Total assets		17,029,294	7,340,580
Current liabilities			
Trade and other payables		592,351	553,101
Employee benefits		157,450	148,980
Lease Liabilities		45,932	43,076
Total current liabilities		795,733	745,157
Non-Current liabilities			
Employee benefits		3,792	1,512
Lease Liabilities		50,978	74,237
Total non-current liabilities		54,770	75,749
Total liabilities		850,503	820,906
Net assets		16,178,791	6,519,674
Equity			
Share capital	4	77,093,190	63,219,270
Accumulated losses		(63,117,883)	(58,996,115)
Reserves		2,203,484	2,296,519
Total equity		16,178,791	6,519,674

The accompanying notes form part of these financial statements.

Liontown Resources Limited
Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2019	45,228,551	(46,591,731)	1,206,001	139,091	(18,088)
Loss for the period	-	(8,047,982)	-	-	(8,047,982)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	(8,047,982)	-	-	(8,047,982)
Transactions with Owners in their capacity as Owners:					
Issue of shares (net of costs)	17,449,907	-	-	-	17,449,907
Share-based payments	-	-	763,384	-	763,384
Transfer between equity items	-	129,355	(129,355)	-	-
Balance at 31 December 2019	62,678,458	(54,510,358)	1,840,030	139,091	10,147,221
Balance at 1 July 2020	63,219,270	(58,996,115)	2,157,428	139,091	6,519,674
Loss for the period	-	(4,959,489)	-	-	(4,959,489)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	(4,959,489)	-	-	(4,959,489)
Transactions with Owners in their capacity as Owners:					
Issue of shares (net of costs)	13,549,689	-	-	-	13,549,689
Share-based payments	-	-	1,068,917	-	1,068,917
Transfer between equity items	324,231	837,721	(1,161,952)	-	-
Balance at 31 December 2020	77,093,190	(63,117,883)	2,064,393	139,091	16,178,791

The accompanying notes form part of these financial statements.

Liontown Resources Limited
Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2020

	31 Dec 20	31 Dec 19
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(856,404)	(1,192,076)
Payments for exploration and evaluation	(3,312,825)	(7,677,714)
Interest received	13,036	63,790
Interest Paid	(4,627)	-
Government Grants and Incentives	238,200	-
Net cash (used in) operating activities	(3,922,620)	(8,806,000)
Cash flows from investing activities		
Payments for plant and equipment	(20,926)	(55,238)
Proceeds from sale of exploration tenement	1,500,000	-
Net cash from/(used) in investing activities	1,479,074	(55,238)
Cash flows from financing activities		
Proceeds from issue of shares	14,152,000	18,354,750
Share application monies held on trust	-	(163,750)
Payments for share issue costs	(585,179)	(905,143)
Repayment of lease liabilities	(20,403)	(12,515)
Security deposits	-	(19,413)
Net cash from financing activities	13,546,418	17,253,929
Net increase in cash and cash equivalents	11,102,872	8,392,691
Effects of exchange rate fluctuations on cash held	(22)	15
Cash and cash equivalents at 1 July	5,257,849	3,363,269
Cash and cash equivalents at 31 December	16,360,699	11,755,975

The accompanying notes form part of these financial statements.

Liontown Resources Limited

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2020

1. Significant accounting policies

(a) Statement of compliance

The financial report was authorised for issue on 15th March 2021.

These interim condensed consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial statements comprise the condensed consolidated interim financial statements for the Group. For the purposes of preparing the condensed consolidated financial statements, the Group is a for-profit entity.

The interim financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that these interim statements be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Liontown Resources Limited during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half year, except for the impact of the new Standards and Interpretations effective disclosed in note 1(d). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) Basis of preparation

The interim report has been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for assets, goods and services. The Group is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

(c) Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2020, except for the impact of the new Standards and Interpretations effective 1 July 2020 as disclosed in note 1(d).

(d) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable for the half year ended 31 December 2020

In the period ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period. Their adoption has not had a material impact on the disclosures and/or amounts reported in these financial statements.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

Liontown Resources Limited

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2020

1. Significant accounting policies (continued)

(e) Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

2. Segment reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the allocation of costs; whether they are corporate related costs or exploration and evaluation costs. Results of both segments are reported to the Board of Directors at each board meeting.

	Exploration and Evaluation		Corporate		Total	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	\$	\$	\$	\$	\$	\$
Exploration and evaluation expenditure expensed	(3,336,010)	(6,202,667)	-	-	(3,336,010)	(6,202,667)
Corporate and administrative expenses	-	-	(562,959)	(1,154,548)	(562,959)	(1,154,548)
Share based payments	-	-	(1,068,917)	(763,384)	(1,068,917)	(763,384)
Net Financing Income	-	-	8,397	72,617	8,397	72,617
Loss before income tax	(3,336,010)	(6,202,667)	(1,623,479)	(1,845,315)	(4,959,489)	(8,047,982)
	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20
	\$	\$	\$	\$	\$	\$
Segment assets	61,241	58,836	352,799	1,859,632	414,040	1,918,468
Unallocated assets					16,615,254	5,422,112
Total assets					17,029,294	7,340,580
Segment liabilities	443,460	412,856	407,043	408,050	850,503	820,906
Total Liabilities					850,503	820,906

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2020

3. Revenue and expenses

The following expense items are relevant in explaining the financial performance for the half-year:

(a) Exploration and evaluation expenditure

Australia

- Kathleen Valley
- Buldania
- Moora
- Other

31 Dec 20	31 Dec 19
\$	\$
2,383,739	5,015,838
227,272	972,971
719,363	28,590
5,636	185,268
3,336,010	6,202,667

(b) Corporate administrative expenses

- Depreciation and amortisation
- Insurance
- Legal fees
- Office costs
- Personnel expenses (3(c))
- Promotions and investor relations
- Conferences and travel
- Regulatory and compliance
- Fixed assets written off
- Other

31 Dec 20	31 Dec 19
\$	\$
40,008	22,974
26,788	18,589
17,183	22,029
28,476	96,692
187,049	546,315
19,030	124,064
33,685	62,200
78,255	132,321
403	18,886
132,082	110,478
562,959	1,154,548

(c) Personnel expenses

- Directors' fees, wages and salaries
- Other associated personnel expenses
- Annual leave and long service leave

31 Dec 20	31 Dec 19
\$	\$
105,952	443,005
70,346	88,025
10,751	15,285
187,049	546,315

4. Issued capital

	6 months to 31 Dec 20		Year to 30 Jun 20	
	No.	\$	No.	\$
On issue at the beginning of the year	1,711,285,201	63,219,270	1,532,885,201	45,228,551
Rights issues and placements ¹	54,347,826	12,500,000	150,000,000	18,000,000
Issue of shares for unlisted options	39,500,000	1,652,000	28,400,000	900,250
Issue of shares for service rights	3,015,041	324,231	-	-
Less share issue costs	-	(602,311)	-	(909,531)
Movement during the period	96,862,867	13,873,920	178,400,000	17,990,719
Balance at end of period	1,808,148,068	77,093,190	1,711,285,201	63,219,270

¹ During the period, the Company completed a placement to raise \$12,500,000 (before costs) by issuing 54,347,826 fully paid ordinary shares at an issue price of \$0.23 per share.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2020

5. Share options and performance rights

Share options issued under Employee Incentive Scheme

The number and weighted average exercise prices of EIS share options under the Scheme is as follows:

	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
	6 months to 31 Dec 2020	6 months to 31 Dec 2020	Year to 30 June 2020	Year to 30 June 2020
At 1 July	0.082	70,150,000	0.030	57,500,000
Options granted	0.300	3,500,000	0.139	33,650,000
Options exercised	0.043	(35,500,000)	0.031	(21,000,000)
Options lapsed/expired	0.150	(750,000)	-	-
Total share options on issue at the end of the period	0.138	37,400,000	0.082	70,150,000
Exercisable at the end of the period	0.141	27,483,333	0.066	53,833,333

On 25 November 2020, 3,250,000 share options were granted to Directors following shareholder approval at the 2020 Annual General Meeting, vesting immediately. In addition, during the half year, a total of 250,000 share options with a 12-month vesting period were granted to employees under the terms of the Company's Employee Securities Incentive Plan.

The fair value of options granted was determined using a Black Scholes pricing model. The following table provides the assumptions made in determining the fair value of the options granted during the half year:

	6 months to 31 Dec 2020	Year to 30 Jun 20
Share price at grant date (weighted average)	\$0.271	\$0.088
Exercise price (weighted average)	\$0.30	\$0.139
Expected volatility (weighted average)	93%	112%
Expected life (years, expressed as weighted average used in the modelling under Black Scholes option pricing model)	3	3
Vesting period (years, weighted average)	0.07	0.64
Expected dividends	Nil	Nil
Risk-free interest rate (weighted average)	0.11%	0.61%

Refer to the table below for inputs to the Black Scholes option-pricing model for EIS options granted during the year:

Series	O19	O20
Grant Date	6/10/2020	25/11/2020
Dividend yield (%)	-	-
Expected volatility	90%	93%
Risk-free interest rate	0.17%	0.11%
Expected life of option (years)	3	3
Exercise price (cents)	0.30	0.30
Grant date share price \$	0.220	0.275

The weighted average contractual life remaining as at 31 December 2020 is 2.18 years (30 June 2020: 2.55 years).

The weighted average fair value of options granted during the period was \$0.151 (30 June 2020: \$0.052).

Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2020

Service Rights issued under Employee Securities Incentive Scheme

Service Rights are granted to Directors and Employees in lieu of payment of cash salary or fees otherwise payable. Service Rights are granted with a 3 month vest period from the start of the relevant quarter.

The number and weighted average exercise prices of EIS service rights under the Scheme is as follows:

	Number of Service Rights	Number of Service Rights
	6 months to 31 Dec 2020	Year to 30 June 2020
At 1 July	1,761,422	-
Service Rights granted	1,865,892	1,761,422
Service Rights exercised	(3,015,041)	-
Service Rights lapsed/expired	-	-
Total Service Rights on issue at the end of the period	612,273	1,761,422
Exercisable at the end of the period	612,273	1,761,422

The fair value of the service rights granted during the period was determined using the share price at grant date:

	SR2	SR3	Weighted Average
Grant date	3/07/2020	6/10/2020	
Service Rights granted	1,253,619	612,273	
Expected life of service right (years)	2	2	2
Grant date share price \$	0.105	0.220	0.143

Other Share Based Payments - Options

The number and weighted average exercise prices of Non-EIS options is as follows:

	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
	6 months to 31 Dec 2020	6 months to 31 Dec 2020	Year to 30 June 2020	Year to 30 June 2020
Outstanding at beginning of the period	0.041	7,900,000	0.035	14,900,000
Granted during the period	-	-	0.150	400,000
Exercised during the period	0.035	(4,000,000)	0.035	(7,400,000)
Outstanding at the end of the period	0.047	3,900,000	0.041	7,900,000
Exercisable at the end of the period	0.047	3,900,000	0.035	7,500,000

The weighted average contractual life remaining as at 31 December 2020 is 1.31 years (30 June 2020: 1.78 years).

Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

Other Share Based Payments - Performance Rights

No performance rights have been issued during the period. 1,000,000 performance rights lapsed on 13 September 2020. As at 31 December 2020 there were no performance rights outstanding.

Liontown Resources Limited

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2020

6. Related Parties

Key management personnel compensation is as follows:

	6 months to 31 Dec 20 \$	6 months to 31 Dec 19 \$
Short-term employee benefits	346,856	288,947
Post-employment benefits	25,049	23,111
Equity-settled transactions	984,091	676,026
	1,355,996	988,084

Other related parties transactions

The Group receives database management and field services from related parties of the Managing Director, Mr Richards. Amounts paid are on normal commercial terms. The total amount incurred during the period was \$61,551 (six months ended 31 December 2019: \$68,133).

The Company's Non-Executive Director, Mr Chadwick provides general metallurgical and technical advisory services to the Company through a consultancy agreement. There is no fixed remuneration component under the consultancy agreement for these services and those services are provided on an "as required basis" at a rate of \$2,000 per day. Either party may terminate the agreement by providing one months' notice and are payable under normal payment terms. The total amount incurred during the period was \$17,000 (six months ended 31 December 2019: \$29,000).

The Group received accounting services from a related party of the CFO, Mr Hasson. The total value of these services was \$5,650 (31 December 2019: nil).

Amounts payable to key management personnel at reporting date arising from related party transactions was \$8,858 (31 December 2019: \$77,437).

7. Events Subsequent to Reporting Date

On 13 January 2021, 207,246 unlisted service rights were issued to Non-executive Directors in lieu of payment of cash fees otherwise payable for the quarter ending 31 March 2021.

On 27 January 2021, the Company announced it acquired the right to earn 51% equity in the Koojan Project from Lachlan Star Resources, which is located adjacent to the western boundary of the 100%-owned Moora Project.

In a separate transaction, Liontown also agreed to sell its Killaloe Project, located near Norseman in Western Australia, to Lachlan Star for 40,000,000 Lachlan Star shares.

On 29 January 2021, 612,273 unlisted service rights were exercised by several Directors and employees and converted into fully paid ordinary shares.

On 11 February 2021, the Company announced the appointment of Tony Ottaviano as Chief Executive Officer and Managing Director, effective from on or about 1 May 2021 and that Mr David Richards will transition to the role of Technical Director. 7,500,000 unlisted options were issued to Tony Ottaviano as part of the appointment and 2,500,000 sign-on performance rights will be issued upon commencement of employment along with participation in Key management personnel performance rights.

On 24 February 2021, 3,000,000 unlisted options were exercised by a Non-Executive Director and converted into fully paid ordinary shares.

On 12 March 2021, a consulting agreement was entered into with Non-Executive Director, Anthony Cipriano.

There are no other significant events after balance date that required disclosure in this report.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2020

8. Exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. The amounts stated are based on the maximum commitments. The Group may in certain situations apply for exemptions under relevant mining legislation. These obligations are not provided for in the financial report and are payable:

	31 Dec 20
	\$
Within 1 year	846,550
Within 2 – 5 years	2,221,119
Later than 5 years*	3,398,381
	6,466,050

*Commitments predominantly relate to the Kathleen Valley mining licences with some expiry dates currently out to year 2041.

9. Contingent assets and liabilities

There has been no change in contingent assets and liabilities since the last annual reporting date.

10. Financial Instruments

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis approximate their carrying amounts at balance date.

Liontown Resources Limited

Directors' Declaration

For the half-year ended 31 December 2020

In the opinion of the directors of Liontown Resources Limited ('the Company'):

1. The accompanying interim financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year then ended; and
 - b. complying with Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The interim financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2020.

This declaration is signed in accordance with a resolution of the board of Directors.

Dated this 15th day of March 2021.



David Richards
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Liontown Resources Limited

Report on the Condensed Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of Liontown Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Liontown Resources Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
15 March 2021



D I Buckley
Partner