



A C N 1 1 8 1 5 3 8 2 5

**2017
NOTICE OF ANNUAL GENERAL MEETING
AND EXPLANATORY MEMORANDUM**

The Annual General Meeting of the Company will be held at the office of Liontown Resources Limited, Level 2, 1292 Hay Street, West Perth, Western Australia, on Tuesday 28 November 2017 at 10.00 am (WST)

CONTENTS

| | |
|---|----|
| Notice of Annual General Meeting (setting out the proposed Resolutions) | 4 |
| Explanatory Memorandum (explaining the proposed Resolutions) | 6 |
| Glossary | 13 |
| Proxy Form | 15 |

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Liontown Resources Limited (**Liontown** or **the Company**) to which this Notice of Meeting relates will be held at 10.00 am (WST) on Tuesday 28 November 2017 at:

Liontown Resources Limited, Level 2, 1292 Hay Street, West Perth, Western Australia.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

All Shareholders who are entitled to attend and vote at the Meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Shareholder. Shareholders holding two or more shares can appoint either one or two proxies. If two proxies are appointed, the appointing Shareholder can specify what proportion of their votes they want each proxy to exercise.

To vote by proxy, please complete and sign the Proxy Form enclosed and either send it:

- (a) by post to Liontown Resources Limited, GPO Box 2890, Perth, WA 6001; or
- (b) by facsimile (within Australia) to (08) 9322 5800 and (outside Australia) +618 9322 5800,

so that it is received **no later than 10.00 am (WST) on 26 November 2017**, being not less than 48 hours prior to the commencement of the Meeting. Proxy Forms received later than this time will be invalid. Where a Proxy Form is executed under power of attorney, the power of attorney must be lodged in the same way as the Proxy Form.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- (c) if the proxy is the Chairman of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the Chairman – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (b) the appointed proxy is not the Chairman of the meeting;
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,

the Chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BODIES CORPORATE – CORPORATE REPRESENTATION

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at the Meeting. The appointment may be a standing one. A “Certificate of Appointment of Corporate Representative” is attached.

VOTING ENTITLEMENTS

The board has determined that, for the purpose of voting at the meeting, Shareholders are those persons who are registered holders of the Company’s shares at 4 pm (WST) on 27 November 2017.

ENQUIRIES

The Company welcomes enquiries in respect of matters covered in this Notice of Meeting and Explanatory Memorandum and the attendance of Shareholders at the Annual General Meeting. Should you require further information please contact:

The Company Secretary

Kym Verheyen

Phone: (+61 8) 9322 7431

Fax: (+61 8) 9322 5800

Email: kverheyen@ltresources.com.au

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting of the Shareholders of Liontown Resources Limited (**Liontown or the Company**) will be held at the office of Liontown Resources Limited, Level 2, 1292 Hay Street, West Perth, Western Australia on Tuesday 28 November 2017 at 10.00 am (WST).

AGENDA

ORDINARY BUSINESS

FINANCIAL REPORT

To receive and consider the Company's Financial Report and the reports of the directors and auditors for the year ended 30 June 2017.

Copies of these reports have been sent to requesting Shareholders and are available on the Company's website - www.ltresources.com.au.

RESOLUTION 1 – REMUNERATION REPORT

To consider and, if thought fit, to pass as an ordinary resolution:

“That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2017”

Note: The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

In accordance with section 250R of the Corporations Act votes must not be cast and the Company will disregard any vote cast on Resolution 1 by, or on behalf of:

- a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- b) a Closely Related Party of those persons,

unless the vote is cast by a person as a proxy for a person entitled to vote in accordance with a direction on the Proxy Form or by the Chairman as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit even if Resolution 1 is connected directly or indirectly with remuneration of a member of the Key Management Personnel. The Chairman intends to vote all available proxies in favour of Resolution 1.

RESOLUTION 2 – RE-ELECTION OF MR CRAIG WILLIAMS AS A DIRECTOR

To consider and, if thought fit, to pass as an ordinary resolution:

“To re-elect as a Director of the Company, Mr Craig Williams who retires by rotation in accordance with clause 14.4(a) of the Company's Constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election.”

The Chairman intends to vote all available proxies in favour of Resolution 2.

RESOLUTION 3 – RATIFICATION OF SHARE ISSUE - PLACEMENT

To consider and, if thought fit, to pass as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify the allotment and issue of 126,000,000 Shares at 2 cents per Share on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any vote cast on Resolution 3 by any person or entity or any of their associates that participated in the placement.

However the Company need not disregard a vote if:

- a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman intends to vote all available proxies in favour of Resolution 3.

RESOLUTION 4 – APPROVAL OF ISSUE OF INCENTIVE OPTIONS TO DIRECTORS

To consider and, if thought fit, to pass with or without amendment, each as a **separate** ordinary resolution the following:

“That, for the purposes of sections 195(4) and 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the issue of Incentive Options to Directors (or their nominees) as follows:

- (a) up to 4,000,000 Incentive Options to Mr Tim Goyder;
- (b) up to 8,000,000 Incentive Options to Mr David Richards;
- (c) up to 2,000,000 Incentive Options to Mr Anthony Cipriano; and
- (d) up to 2,000,000 Incentive Options to Mr Craig Williams.”

Voting Exclusion Statement

The Company will disregard any vote cast on this Resolution by any Directors who are eligible to participate in the Employee Share Option Plan and their respective associates.

However the Company need not disregard a vote if:

- a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement

In accordance with section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party.

However, the above prohibition does not apply if:

- a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- b) it is not cast on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party.

Further, in accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- a) the proxy is the Chairman; and
- b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Please note: If the Chairman is a person referred to in the section 224 Corporations Act voting exclusion statement above, the Chairman will only be able to cast a vote as proxy for a person who is entitled to vote if the Chairman is appointed as proxy in writing and the Proxy Form specifies how the proxy is to vote on this Resolution.

The Chairman intends to vote all available proxies in favour of Resolution 4.

Company Secretary

17th October 2017

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of Liontown Resources Limited (ACN 118 153 825) (**Liontown** or **the Company**) in connection with the business to be transacted at the Annual General Meeting of the Company to be held on 28 November 2017.

At the Annual General Meeting, Shareholders will be asked to consider the following Resolutions:

- (a) the adoption of the Remuneration Report;
- (b) the re-election of Mr Craig Williams as a Director;
- (c) the ratification of a share issue; and
- (d) the issue of Incentive Options to Directors.

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass these Resolutions. It explains the Resolutions and identifies the Board's reasons for putting them to Shareholders. The Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting.

FINANCIAL STATEMENTS AND REPORTS

The Corporations Act at section 317 requires the Company to lay before the Annual General Meeting the Annual Report, which includes the Financial Report, Directors' Report (including the Remuneration Report) and the Auditor's Report for the last financial year that ended before the Annual General Meeting.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at www.ltresources.com.au/financial-reports;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the Company's auditor questions relevant to:
 - (i) the conduct of the audit;
 - (ii) the preparation and content of the Auditor's Report;
 - (iii) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
 - (iv) the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the content of the Auditor's Report to be considered at the Meeting; and
- (b) the conduct of the audit of the Annual Report to be considered at the Meeting,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

RESOLUTION 1 – REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with section 250R(2) of the Corporations Act. The Remuneration Report details the Company's policy on the remuneration of the Company's Key Management Personnel, being its non-executive Directors, executive Directors, the Managing Director and senior executives and is set out in the Company's 2017 Annual Report.

In accordance with section 250R(3) of the Corporations Act, the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Part 2G.2, Division 9 of the Corporations Act provides Shareholders with the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2016 annual general meeting. Accordingly, Part 2G.2, Division 9 of the Corporations Act is not relevant for this Annual General Meeting.

Shareholders will be provided with a reasonable opportunity to ask questions and to make comments on the Remuneration Report at the Annual General Meeting.

Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

- (a) If you appoint a member of the Key Management Personnel (other than the Chairman) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy.

You must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

- (b) If you appoint the Chairman as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).

You do not need to direct your proxy how to vote on this Resolution. If you do not direct the Chairman how to vote, you will be taken to expressly authorise the Chairman to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.

- (c) If you appoint any other person as your proxy.

You do not need to direct your proxy how to vote on this Resolution, and you do not need to mark any further acknowledgement on the Proxy Form.

Recommendation

The Board unanimously recommends that Shareholders vote in **favour** of Resolution 1.

RESOLUTION 2 – RE-ELECTION OF MR CRAIG WILLIAMS AS A DIRECTOR OF THE COMPANY

Clause 14.4(a) of the Company's Constitution provides that at each Annual General Meeting one-third of the Directors or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third, must retire from office. The Directors to retire are those that have been in office the longest since their last election, in this instance being Mr Craig Williams.

In accordance with clause 14.4(b) of the Company's Constitution, Mr Williams will retire and seek re-election at this Annual General Meeting.

Mr Williams is a Geologist with over 40 years' experience in mineral exploration and development. He has been directly involved in several significant discoveries, including the Ernest Henry Deposit in Queensland and a series of gold deposits in Western Australia. In addition to his technical capabilities, he also has extensive corporate management and financing experience.

Mr Williams co-founded Equinox Minerals in 1993 and was President, Chief Executive Officer and Director prior to Barrick Gold's takeover of Equinox. Mr Williams is currently Chairman of OreCorp Limited and has been a Director of the Company since 2006.

Mr Williams is an independent non-executive Director in accordance with Box 2.3 of the *Corporate Governance Principles and Recommendations 3rd Edition*, and is a member of the Audit Committee.

Mr Williams, being eligible, has offered himself for re-election as a Director of the Company in accordance with clause 14.4(c) of the Constitution.

Recommendation

The Board (except Mr Williams) unanimously recommends that Shareholders vote in **favour** of Resolution 2.

RESOLUTION 3 – RATIFICATION OF SHARE ISSUE - PLACEMENT

ASX Listing Rule 7.1 prohibits a company from issuing equity securities (which includes ordinary shares and options) representing more than 15% of its share capital in any 12 month period without shareholder approval (subject to certain exceptions). ASX Listing Rule 7.4 allows a company to seek subsequent approval for the issue if the issue did not breach ASX Listing Rule 7.1. The effect of such ratification is that the issue is then deemed to have been one to which shareholder approval has been obtained thus not counting towards the 15% referred to in this paragraph.

Resolution 3 seeks ratification of the placement of 126,000,000 Shares issue to sophisticated investors on 31 January 2017 at 2 cents per Share raising \$2,520,000 before issue costs ("the Placement Shares"). The funds raised were used to undertake drilling and exploration at the Company's Kathleen Valley, Lake Percy and Bynoe Lithium Projects and for working capital purposes.

Pursuant to ASX Listing Rule 7.5 the following additional information is advised in relation to the Placement Shares:

- (a) 126,000,000 Shares were issued;
- (b) the Shares were issued on 31 January 2017;
- (c) the Shares were issued at an issue price of 2 cents per Share raising \$2,520,000 before issue costs;
- (d) the Shares ranked equally from the date of issue with all existing Shares in the Company;
- (e) the Shares were issued to sophisticated investors. None of the subscribers are related parties of the Company; and
- (f) the purpose of the issue was to raise funding to undertake drilling and exploration at the Kathleen Valley, Lake Percy and Bynoe Lithium Projects in Australia and for working capital purposes.

Recommendation

The Directors **unanimously recommend** that Shareholders vote in **favour** of Resolution 3.

RESOLUTION 4 – APPROVAL OF ISSUE OF INCENTIVE OPTIONS TO DIRECTORS

General

The Company is proposing, subject to obtaining Shareholder approval, to issue a total of 16,000,000 Incentive Options under the Company's Employee Share Option Plan (**Plan**) in the amounts and to the Directors (or their nominees) as follows:

| Director | Incentive Options |
|------------------|-------------------|
| Tim Goyder | 4,000,000 |
| David Richards | 8,000,000 |
| Anthony Cipriano | 2,000,000 |
| Craig Williams | 2,000,000 |
| TOTAL | 16,000,000 |

The Company is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue seeks to align the efforts of the Directors in seeking to achieve growth of the Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivising with Incentive Options is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Incentive Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market.

Resolutions 4(a), (b), (c) and (d) seek Shareholder approval for the issue of the Incentive Options under the Plan to the Directors (or their nominees). Shareholder approval is required under Listing Rule 10.14 where an entity issues, or agrees to issue, securities to a director (or associate of a director) under an employee incentive plan.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rules 7.1 or 10.11 is not required.

Chapter 2E of the Corporations Act

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Incentive Options constitutes giving a financial benefit and Messrs Goyder, Richards, Cipriano and Williams are related parties of the Company by virtue of being Directors.

The Company is seeking approval for the purposes of Chapter 2E of the Corporations Act in respect of the Incentive Options proposed to be issued to the Directors pursuant to Resolutions 4(a), (b), (c) and (d).

Information requirements for Chapter 2E of the Corporations Act

In compliance with the information requirements of section 219 of the Corporations Act, Shareholders are advised of the information below. Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 4(a), (b), (c) or (d).

(a) Identity of the related parties to whom Resolutions 4(a), (b), (c) and (d) permit financial benefits to be given

The Incentive Options will be issued to Messrs Goyder, Richards, Cipriano and Williams, or their respective nominees.

(b) Nature of the financial benefit

Resolutions 4(a), (b), (c) and (d) seek approval from Shareholders to allow the Company to issue the Incentive Options in the amounts specified in under the heading "General" above to the Directors or their nominees. The Incentive Options are to be exercisable at \$0.02 each on or before 31 October 2022, and otherwise otherwise on the terms and conditions of the Plan.

The exercise price of \$0.02 represents a premium of 122% to the closing price of the Company's Shares on the date the Board resolved to issue the Incentive Options (subject to Shareholder approval).

The Shares to be issued upon conversion of the Incentive Options will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares. The Company will apply for official quotation of the Shares on ASX.

(c) **Valuation of financial benefit**

Using a Black & Scholes valuation model, the Company's valuation of the Incentive Options is in Schedule 1, with a summary for each Director below:

| Director | Value of Incentive Options |
|------------------|-----------------------------------|
| Tim Goyder | \$23,144 |
| David Richards | \$46,288 |
| Anthony Cipriano | \$11,572 |
| Craig Williams | \$11,572 |
| TOTAL | \$92,576 |

(d) **Dilution**

The issue of the Incentive Options to the Directors will have a diluting effect on the percentage interest of existing Shareholders holdings if the Incentive Options vest and are exercised. The exercise of the Incentive Options will result in a dilution of all other Shareholders' holdings in the Company of 1.58% based on issued Shares as at the date of this Notice (being 990,340,635) and 1.56% on a fully diluted basis (assuming all Options are exercised). The actual dilution will depend on the extent that additional Shares are issued by the Company.

(e) **Remuneration of Directors**

The total annual remuneration arrangements current for each of the Directors as at the date of this Notice are set out below:

| Director | Salary and fees (excluding superannuation) |
|------------------|---|
| Tim Goyder | \$32,110 |
| David Richards | \$205,479 |
| Anthony Cipriano | \$32,110 |
| Craig Williams | \$32,110 |
| TOTAL | \$301,809 |

(f) **Existing relevant interests**

At the date of this Notice, the Directors hold the following relevant interests in Equity Securities of the Company:

| Director | Relevant interests in Equity Securities of the Company | |
|-----------------|---|-----------------|
| | Shares | Options* |
| Tim Goyder | 226,184,982 | 2,000,000 |
| David Richards | 3,431,500 | 2,000,000 |

| | | |
|------------------|------------|-----------|
| Anthony Cipriano | 6,370,479 | 1,000,000 |
| Craig Williams | 14,663,122 | 1,000,000 |

* Exercisable at \$0.035 each on or before 31 March 2021.

Assuming that:

- Resolutions 4(a), (b), (c) and (d) are approved by Shareholders;
- all of the Incentive Options are issued;
- each Director exercises all of the Incentive Options to be granted to him pursuant to Resolutions 4(a), (b), (c) and (d) respectively and all other Options they hold; and
- no other Equity Securities are issued or exercised,

the respective interests of the Directors in the Company would be as follows:

- Mr Goyder's interest would represent approximately 22.94% of the Company's expanded capital;
- Mr Richards's interest would represent approximately 1.33% of the Company's expanded capital;
- Mr Cipriano's interest would represent approximately 0.93% of the Company's expanded capital; and
- Mr Williams's interest would represent approximately 1.74% of the Company's expanded capital.

It is important to note that any issues of Shares to Mr Goyder or his associates will be subject to such issue falling within the scope of an exception in section 611 of the Corporations Act, for so long as he holds a relevant interest in the Company of above 20% and below 90%

(g) Trading history

Over the past 12 months prior to the date of this Notice, the lowest recorded closing price of Shares traded on ASX was \$0.008 on 5 October 2017 and the highest closing price was \$0.037 on 18 October 2016. At the close of trading on 9 October 2017 the Share price on the ASX was \$0.009.

(h) Corporate Governance

The Board acknowledges the grant of the Incentive Options to the non-executive Directors is contrary to Recommendation 8.2 of the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. However, the Board considers the grant of Incentive Options to the non-executive Directors reasonable in the circumstances for the reasons described above under the heading "General".

(i) Taxation consequences

There are no taxation consequences for the Company arising from the issue of the Incentive Options (including fringe benefits tax).

(j) Director recommendations

The Directors decline to make a recommendation to Shareholders in relation to Resolutions 4(a), (b), (c) and (d) due to their personal interests in the outcome of the Resolutions.

Specific information required by Listing Rule 10.15

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to the proposed issue of the Incentive Options to the Directors:

- (a) the Directors are Tim Goyder, David Richards, Anthony Cipriano and Craig Williams;
- (b) the maximum number of Incentive Options to be issued to the Directors (or their nominees) is 16,000,000 as set out above;

- (c) the Incentive Options are being issued to the Directors under the Plan for nil cash consideration, and are to be exercisable at \$0.02 each on or before 31 October 2022, and otherwise otherwise on the terms and conditions of the Plan;
- (d) 6,000,000 unlisted options have been issued under the Plan to persons named in Listing Rule 10.14 since the Plan was approved by Shareholders at the Company's 2015 annual general meeting, with each option having an issue price of nil;
- (e) all Directors are entitled to participate in the Plan (presently Tim Goyder, David Richards, Craig Williams, and Anthony Cipriano);
- (f) there are no loans proposed in relation to the proposed issue of Incentive Options;
- (g) the Incentive Options will be issued to the Directors no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Incentive Options will be issued on one date; and
- (h) a voting exclusion statement is included in the Notice.

Additional information

Resolutions 4(a), (b), (c) and (d) are ordinary resolutions.

The Chairman intends to exercise all available proxies in favour of Resolutions 4(a), (b), (c) and (d).

Resolutions 4(a), (b), (c) and (d) are not conditional on the passing of each other.

GLOSSARY

The following is a glossary of terms and abbreviations used frequently throughout this Explanatory Memorandum and in the Notice of Meeting and which such meanings shall apply unless the context requires otherwise. Additional terms used only occasionally are defined where used in their first instance in the body of this Explanatory Memorandum.

| | |
|-------------------------------------|--|
| Annual Report | means the annual report for the Company for the year ended 30 June 2017. |
| ASX: | means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as appropriate. |
| ASX Listing Rules: | means the Listing Rules of ASX. |
| Board of Directors or Board: | means the board of Directors of the Company. |
| Business Day: | means a day, other than Saturdays, Sundays or any other public holiday in Perth, Western Australia. |
| Chairman: | means the chair appointed for the Annual General Meeting. |
| Closely Related Party: | of a member of the Key Management Personnel means: (a) a spouse or child of the member; (b) a child of the member's spouse; (c) a dependent of the member or the member's spouse; (d) anyone else who is one of the member's family and may be expected to influence the member or be influenced by the member, in the member's dealing with the entity; (e) a company the member controls; or (f) a person prescribed by the <i>Corporations Regulations 2001 (Cth)</i> . |
| Constitution: | means the constitution of the Company. |
| Corporations Act: | means the <i>Corporations Act 2001 (Cth)</i> . |
| Directors: | means the directors of the Company. |
| Explanatory Memorandum: | means this explanatory memorandum. |
| Incentive Option: | means an option to acquire a Share proposed to be issued pursuant to Resolution 4. |
| Key Management Personnel: | means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. |
| Liontown or Company: | means Liontown Resources Limited (ACN 118 153 825). |
| Managing Director: | means the Managing Director of Liontown. |
| Meeting or | |
| Annual General Meeting: | means the meeting of Shareholders called by the Notice of Meeting. |
| Notice of Meeting: | means the notice of meeting of which this Explanatory Memorandum forms part. |
| Office: | means Level 2, 1292 Hay Street, West Perth, WA 6005, Australia. |
| Plan: | means the Company's Employee Share Option Plan, approved by Shareholders at the 2015 annual general meeting held on 24 November 2015. |
| Proxy Form: | means the proxy form enclosed with the Notice of Meeting. |
| Remuneration Report: | means the remuneration report of the Company for the financial year ended 30 June 2017 (unless otherwise stated) as set out in the Directors' Report contained in the 2017 Annual Report to Shareholders. |
| Resolution: | means a resolution to be considered by the Shareholders at the Meeting. |
| Shares: | means fully paid ordinary shares in the capital of the Company. |
| Shareholder: | means a registered member of the Company. |
| Strike: | means a 'no' vote of 25% or more on the resolution approving the Remuneration Report. |
| WST: | means Western Standard Time. |

Schedule 1 – Valuation of Incentive Options

| Director | Tim Goyder | David Richards | Anthony Cipriano | Craig Williams |
|---|-----------------|-----------------|------------------|-----------------|
| Exercise price | \$0.02 | \$0.02 | \$0.02 | \$0.02 |
| Market value on the ASX of underlying Shares at time of setting exercise price | 0.9 cents | 0.9 cents | 0.9 cents | 0.9 cents |
| Exercise price premium to market value | 122% | 122% | 122% | 122% |
| Expiry date | 21 October 2022 | 21 October 2022 | 21 October 2022 | 21 October 2022 |
| Expected volatility | 100% | 100% | 100% | 100% |
| Risk free interest rate | 2.3% | 2.3% | 2.3% | 2.3% |
| Annualised dividend yield | Nil | Nil | Nil | Nil |
| Value of each Incentive Options | 0.58 cents | 0.58 cents | 0.58 cents | 0.58 cents |
| Aggregate value of Incentive Options | \$23,144 | \$46,288 | \$11,572 | \$11,572 |

Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company.

3. **Signing Instructions**

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate is either included in the Notice of Annual General Meeting or may be obtained from the Company's share registry.

4. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
5. Please complete and sign the proxy form enclosed and either:
 - (a) send the proxy form by post to Liontown Resources Limited, GPO Box 2890, Perth, Western Australia, 6001; or
 - (b) send the proxy form by facsimile to the Company on facsimile number (+61 8) 9322 5800,

so that it is received **no later than 10.00 am (WST) on 26 November 2017**, being not less than 48 hours prior to the commencement of the meeting. **Proxy forms received later than this time will be invalid.**

Appointment of Corporate Representative

Section 250D of the Corporations Act 2001 (Cwlth)

This is to certify that by a resolution of the directors of:

..... (Insert name of company)

(Company), the Company has appointed:

....., (Insert name of corporate representative),

in accordance with the provisions of section 250D of the Corporations Act 2001 (Cwlth), to act as the body corporate representative of that company at the Annual General Meeting of Liontown Resources Limited to be held at 10.00 am (WST) on 28 November 2017 and at any adjournment of that meeting.

DATED 2017

Executed by the Company)
)
in accordance with its constituent documents

.....

Signed by authorised representative

.....

Name of authorised representative (print)

.....

Position of authorised representative (print)

.....

Signed by authorised representative

.....

Name of authorised representative (print)

.....

Position of authorised representative (print)

INSTRUCTIONS FOR COMPLETION

Under Australian law, an appointment of a body corporate representative will only be valid if the Certificate of Appointment is completed precisely and accurately.

Please follow the following instructions to complete the Certificate of Appointment:

1. Execute the certificate following the procedure required by your company’s constitution or other constituent documents.
2. Print the name and position (eg director) of each company officer who signs this certificate on behalf of the company.
3. Insert the date of execution where indicated.
4. Send or deliver the certificate to the registered office of Liontown Resources Limited or fax the certificate to the registered office at (+61 8) 9322 5800.



LIONTOWN RESOURCES LIMITED

Level 2, 1292 Hay Street

West Perth Western Australia 6005

Tel: +618 9322 7431

Fax: +618 9322 5800

Email: info@ltresources.com.au

Web: www.ltresources.com.au