



Half Year Report

31 December 2018

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

Kym Verheyen

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PERTH, WESTERN AUSTRALIA 6000

Share Registry

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Level 11, 172 St Georges Terrace
PERTH, WESTERN AUSTRALIA 6000
Tel: 1300 557 010

Home Exchange

Australian Securities Exchange Limited
Level 40, Central Park
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PERTH, WESTERN AUSTRALIA 6000

ASX Codes

Share Code: LTR

Liontown Resources Limited
Contents

Directors' Report	4
Auditor's Independence Declaration	9
Condensed Consolidated Statement of Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Financial Statements	14
Directors' Declaration	23
Independent Auditor's Review Report	24

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2018

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 2018 ("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 (appointed 10 January 2019)

REVIEW OF OPERATIONS

1. Overview

During the half year ended 31 December 2018, Liontown Resources achieved a number of important milestones at its two hard rock lithium projects in Western Australia.

At the **Kathleen Valley Lithium Project**, the completion of a maiden Mineral Resource in September 2018 provided the foundation to move ahead with preliminary metallurgical test work and commence work on a Scoping Study. In late January 2019, Liontown delivered a highly encouraging Scoping Study confirming the potential for a viable standalone lithium mining and processing operation.

Follow-up drilling conducted at the **Buldanlia Lithium Project** expanded the scale of the emerging Anna lithium discovery. In February 2019, further drilling commenced to evaluate these newly identified extensions ahead of a maiden Mineral Resource estimate, scheduled for release in the second half of 2019.

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

The Kathleen Valley Project is located in Western Australia, approximately 680km north-east of Perth within the Eastern Goldfields of the Archaean Yilgarn Craton. Spodumene-bearing pegmatites were discovered by historical prospecting at Kathleen Valley and drilling by Liontown has since delineated a maiden Mineral Resource estimate with economic and technical studies now underway.

HALF YEAR ACHIEVEMENTS AND HIGHLIGHTS:

-
- Maiden Measured, Indicated and Inferred Mineral Resource estimate completed:
21.2Mt @ 1.4% Li₂O and 170ppm Ta₂O₅ at a 0.5% Li₂O cut-off grade

 - Scoping Study generated strong financial outcomes, confirming the viability of a proposed standalone mining and processing operation.

 - Commencement of further feasibility studies targeted for completion by early 2020.

 - Preliminary metallurgical test work results confirming that a saleable Li₂O concentrate with low impurities can be produced.

 - Resource expansion drilling program commenced in February 2019 to extend initial mine life.

During the period, Liontown announced a high-grade maiden Mineral Resource estimate of 21.2Mt @ 1.4% Li₂O and 170ppm Ta₂O₅, with 75% classified as Measured or Indicated. The Mineral Resource remains open along strike and at depth and offers potential for further growth. At the time of reporting, a 16,000m Reverse Circulation drilling program is underway, designed to expand the Mineral Resource growth and increase mine life.

Initial metallurgical test work completed during the half year confirmed that a saleable spodumene concentrate with low impurities, similar to existing hard rock operations in WA, can be produced from Kathleen Valley. Following a 2,896m diamond core drilling program, completed just prior to the half year end, further comprehensive metallurgical test work designed to optimise concentrate grades and recoveries was commenced. This is scheduled to be completed in the first half of 2019 and will also provide samples for potential customers and offtake partners.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2018

Following the announcement of a positive Scoping Study in late January 2019 the Board approved the commencement of further feasibility studies. Results from the next phase of metallurgical test work and the resource expansion drilling will be incorporated into a full Definitive Feasibility Study, due for completion in early 2020.

Based on the maiden Mineral Resource estimate, a proposed 2Mtpa standalone mining and processing operation and using a life of mine price of US\$650 per tonne of spodumene concentrate, the Scoping Study demonstrated the potential for strong financial metrics for the Kathleen Valley Project (Table 1).

Table 1: Kathleen Valley Project Scoping Study – Base Case Key Metrics

Study Outcomes	
Post-tax NPV _{8%} (real, post-tax)	A range of between A\$316M to A\$526M with a Base Case of A\$421M (range based on +/- 25% of Base Case NPV)
Internal Rate of Return (IRR)	Base case IRR of 38%
Payback period	<3 years
Life of mine (LOM)	~9 Years (including ramp-up)
LOM Production Target	15.7Mt ore
Pre-production capital cost	~A\$232M including A\$40M in contingency
Average LOM cash operating costs ¹	~US\$376/tonne (A\$522/tonne) of spodumene concentrate. ~US\$308/tonne (A\$428/tonne) of spodumene concentrate net of tantalum by-product credits
Annual production	~360,000 tonnes of spodumene concentrate at nameplate capacity

¹ Cash operating costs include all mining, processing, transport, state and private royalties, freight to port, port costs and site administration and overhead costs

Further details are included in the announcement to ASX dated 29th January 2019.

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

The Buldania Project is Liontown's second hard-rock lithium discovery in Western Australia, and is located in the southern part of the Eastern Goldfields Province - a region well-known for hosting large lithium deposits including the operating Mt Marion and Bald Hill mines. The Project is part of a highly prospective 650km² land position compiled by Liontown since late 2017 and is close to major road and rail infrastructure, with direct links to the Port of Esperance, critical to the mining and production of bulk commodities such as spodumene concentrates.

HALF YEAR ACHIEVEMENTS AND HIGHLIGHTS:

- Latest drilling confirmed a large lithium-mineralized system at the Anna pegmatite with the mineralisation remaining open along strike and down-dip. Most recent intersections include:

29m @ 1.3% Li₂O from 66m (BDRC0089), including:

- 9m @ 1.7% Li₂O from 74m

39m @ 1.6% Li₂O from 9m (BDRC0090), including:

- 6m @ 2.1% Li₂O from 12m; and
- 13m @ 2.1% Li₂O from 21m

30m @ 1.4% Li₂O from 9m (BDDD0003), including

- 9m @ 1.6% Li₂O from 9m; and
- 3m @ 2.0% Li₂O from 26m; and
- 5m @ 1.6% Li₂O from 32m

(True widths 90-100% of down-hole widths listed above)

- Soil sampling defined a large, high-order lithium anomaly ~5-8km NW of Anna, partly coincident with outcropping spodumene-bearing pegmatites.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2018

A second phase of drilling was completed to follow-up the significant lithium mineralisation (up to 58m @ 1.2% Li₂O from 39m) intersected earlier in 2018 at the Anna prospect. The second phase of drilling comprised 60 Reverse Circulation (RC holes) (BDR0037-0096) for 7,670m and three HQ diamond core holes (BDDD0001-0003) for 548.5m. Assays received during the reporting period have extended mineralisation at the main Anna pegmatite to the south-east for a continuous strike length of at least 1.3km with the system remaining open.

Given the larger than expected extent of the Anna mineralisation, Liontown is planning additional drilling before commissioning a maiden, independent JORC-compliant Mineral Resource estimate. An 8,000-10,000m RC drilling program is scheduled to be completed in the first half of 2019.

Liontown also reached agreement with Westgold Resources Limited to incorporate granted Mining Lease M63/647 into the existing Buldania Lithium Rights Agreement (BLRA) by issuing 10 million Liontown shares to Westgold.

3.1 Killaloe Lithium Project (Western Australia) (Liontown: 80-100%)

The ~163km² Killaloe Project is located immediately north-west of the Buldania Project and covers the strike extension of the same lithium-prospective stratigraphy. Liontown has acquired the rights to all metals.

During the half year, Liontown finalised the acquisition of the Killaloe Project from Matsa Resources Limited by issuing 20 million Liontown shares to Matsa and granting a 1% NSR Royalty for all minerals produced from those tenements (80% of the 1% NSR Royalty) where Matsa's interest in certain tenements is 80%.

Subsequent exploration has identified a number of spodumene-bearing pegmatites on the Killaloe Project tenure which adjoin the newly discovered pegmatite area at Buldania described above. Follow-up exploration at Killaloe will include further target definition work followed by initial drill testing. The work will be completed as part of a larger regional exploration program incorporating the Buldania and Norcott Projects.

3.2 Norcott Lithium Project, Western Australia (80-100% of Lithium Rights)

The Norcott Project is located immediately south-east of the Buldania Project and covers the strike extension of the same lithium-prospective stratigraphy. Liontown has acquired two Exploration Licences, including rights to all metals, covering a total area of 370km².

Orientation soil sampling was completed at Norcott during the half year. Further work will be designed and completed as part of a larger regional exploration program also incorporating the nearby Buldania and Killaloe Projects.

4. Toolebuc Vanadium Project, Queensland (100% owned)

The Toolebuc Vanadium Project is located in NW Queensland, approximately 440km west of Townsville, in a region which hosts a number of large vanadium resources defined as part of previous exploration for hydrocarbons in oil shale. Liontown has five tenements which adjoin existing resources and the project represents a low-cost entry into vanadium, a commodity that is part of the battery metal suite, critical to the future of energy storage.

During the half-year, Liontown announced a maiden Inferred Mineral Resource estimate of approximately 83.7Mt @ 0.30% V₂O₅ for the Cambridge deposit, located within the Toolebuc Project.

Further drilling is planned to extend the current resource area, collect samples for metallurgical test work and test other targets within project area. This work is conditional on finalising access negotiations with local land owners. Discussions with land owners have been significantly delayed due to record rainfall and flooding in early 2019.

CORPORATE

At 31 December 2018 the Group had net assets of \$127,876 (30 June 2018: \$3,887,441) and an excess of current assets over current liabilities of \$28,064 (30 June 2018: \$3,787,723). At 31 December 2018, cash at bank totalled \$976,283 (30 June 2018: \$2,856,744). During the period, the Company sold all its remaining 26,154,683 shares in Core Lithium Limited (formerly Core Exploration Limited) for a sale price of \$0.042 per share, resulting in net proceeds of \$1,090,258.

The Group reported a net loss for the period of \$4,971,853 (31 December 2017 net profit: \$2,852,154) which included \$3,612,032 in exploration and evaluation expenditure expensed in accordance with the Group's accounting policy (31 December 2017 \$505,223).

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2018

EVENTS SUBSEQUENT TO THE REPORTING DATE

In February 2019 the Company completed a capital raising consisting of a placement to institutional and sophisticated investors of 150,000,000 shares at 2 cents each to raise a total of \$3,000,000 (before costs). It is also intended that the Directors or their associates will subscribe for an additional 17,500,000 Shares on the same terms as the placement to raise a further \$350,000 (in addition to the placement), subject to the receipt of shareholder approval at a general meeting to be convened in April 2019.

The Company is also currently in the process of completing a partially underwritten 1-for-5 non-renounceable rights issue to eligible shareholders at 2 cents for each new share to raise \$4,535,590 before issue costs.

The Company has agreed to issue the underwriters an aggregate of up to 15,000,000 Options exercisable at \$0.035 each on or before the date that is 3 years after the date of issue, as partial consideration for the services provided in connection with the placement and the rights issue.

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 9 and forms part of this directors' report for the half-year ended 31 December 2018.

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 black ink, appearing to read 'David Richards', with a large, sweeping flourish underneath.

David Richards
Managing Director

Dated at Perth this 14th day of March 2019.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2018

COMPETENT PERSON'S STATEMENT

Kathleen Valley Lithium Project

The information in this report that relates to the Scoping Study for the Kathleen Valley Project is extracted from the ASX announcement "Kathleen Valley Scoping Study confirms potential for robust new WA lithium mine development" released on the 29th January 2019 which is available on www.ltresources.com.au.

The Information in this report that relates to Mineral Resources for the Kathleen Valley Project is extracted from the ASX announcement "Maiden 21 million tonne Lithium-Tantalum Mineral Resource sets strong growth foundation for Liontown at Kathleen Valley" released on the 4th September 2018 which is available on www.ltresources.com.au.

Buldanina Lithium Project

The information in this report that relates to the Exploration Results for the Buldanina Project is extracted from the ASX announcements entitled "More strong assays confirm significant lithium discovery at Buldanina Project in WA", "Second significant lithium discovery in WA with new, thick high-grade hits at Buldanina", "Outstanding new drilling results continue to expand lithium mineralisation at Buldanina", "Liontown further expands prospective lithium footprint at Buldanina in WA's South-Eastern Goldfields" "Latest assays confirm lithium mineralisation over >1.3km strike length at the Buldanina Lithium Project in WA" and "Liontown maintains strong momentum at its two key hard-rock lithium projects in Western Australia" released on the 26th March 2018, 19th September 2018, 1st November 2018, 13th November 2018, 20th November 2018 and 12th December 2018 respectively which are available on www.ltresources.com.au.

The information in this report that relates to the Exploration Results for the Killaloe Project is extracted from the ASX announcement "Liontown maintains strong momentum at its two key hard-rock lithium projects in Western Australia" released on the 12th December 2018 which is available on www.ltresources.com.au.

Toolebuc Vanadium Project

The Information in this report that relates to Mineral Resources for the Toolebuc Vanadium Project is extracted from the ASX announcement "Liontown announces Maiden 84Mt Vanadium resource for Toolebuc Project, NW Queensland" released on the 30th July 2018 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 Half Year 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 2018, 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
14 March 2019



L Di Giallonardo
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

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

Liontown Resources Limited
Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2018

	Note	31 Dec 18 \$	31 Dec 17 \$
Continuing Operations			
Revenue	3a	1,450	1,553
Proceeds from sale of exploration and evaluation tenements	3b	-	3,814,297
Exploration and evaluation expenditure expensed as incurred	3c	(3,612,032)	(505,223)
Business development costs		(57)	(47,655)
Corporate administrative expenses	3d	(725,225)	(276,563)
Net fair value loss on fair value of equity instruments designated as FVTPL	5	(139,012)	-
Share based payments		(471,418)	(369,141)
Fixed assets written off		(4,595)	-
Depreciation		(5,575)	(3,779)
Impairment loss on loan		(35,923)	-
Profit/(loss) for the period from continuing operations		(4,992,387)	2,613,489
Interest received		20,534	13,195
Profit/(loss) for the period before income tax		(4,971,853)	2,626,684
Income tax benefit	4	-	225,470
Profit/(loss) for the period after tax from continuing operations attributable to owners of the parent		(4,971,853)	2,852,154
Other comprehensive income/(loss), net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale investments		-	750,956
Exchange differences on translation of foreign operations		(5,455)	155
Total other comprehensive income/(loss) for the period, net of tax		(5,455)	751,111
Total comprehensive income/(loss) for the period attributable to owners of the parent		(4,977,308)	3,603,265
Earnings per share (cents)			
Basic earnings(loss) per share		(0.45)	0.29
Diluted earnings/(loss) per share		(0.44)	0.29

The accompanying notes form part of these financial statements

Liontown Resources Limited
Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 Dec 18 \$	30 Jun 18 \$
Current assets			
Cash and cash equivalents		976,283	2,856,744
Trade and other receivables		225,765	227,653
Other financial assets	5	-	1,229,270
Total current assets		1,202,048	4,313,667
Non-current assets			
Trade and other receivables		54,400	50,000
Property, plant and equipment		45,412	49,718
Total non-current assets		99,812	99,718
Total assets		1,301,860	4,413,385
Current liabilities			
Trade and other payables		1,082,365	482,685
Employee benefits		91,619	43,259
Total current liabilities		1,173,984	525,944
Total liabilities		1,173,984	525,944
Net assets		127,876	3,887,441
Equity			
Issued capital	6	37,945,721	37,199,397
Accumulated losses		(38,954,522)	(33,982,669)
Reserves		1,136,677	670,713
Total equity		127,876	3,887,441

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 2018

	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Fair value reserve	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 Jul 17	34,347,020	(33,144,913)	160,514	139,645	-	1,502,266
Profit for the period	-	2,852,154	-	-	-	2,852,154
Net change in fair value of available-for-sale investments, net of tax	-	-	-	-	750,956	750,956
Exchange differences on translation of foreign operations	-	-	-	155	-	155
Total comprehensive income for the period	-	2,852,154	-	155	750,956	3,603,265
Transactions with Owners in their capacity as Owners:						
Transfer between equity items	-	21,310	(21,310)	-	-	-
Share-based payments	-	-	369,141	-	-	369,141
Issue of shares (net of costs)	24,228	-	-	-	-	24,228
Balance at 31 Dec 17	34,371,248	(30,271,449)	508,345	139,800	750,956	5,498,900
Balance at 1 Jul 18	37,199,397	(33,982,669)	526,129	144,584	-	3,887,441
Loss for the period	-	(4,971,853)	-	-	-	(4,971,853)
Other comprehensive loss	-	-	-	(5,454)	-	(5,454)
Total comprehensive loss for the period	-	(4,971,853)	-	(5,454)	-	(4,977,307)
Transactions with Owners in their capacity as Owners:						
Share-based payments	-	-	471,418	-	-	471,418
Issue of shares (net of costs)	746,324	-	-	-	-	746,324
Balance at 31 Dec 18	37,945,721	(38,954,522)	997,547	139,130	-	127,876

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 2018

	31 Dec 18	31 Dec 17
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(650,690)	(290,593)
Payments for mining exploration and evaluation and business development costs	(2,295,262)	(555,742)
Proceeds from the sale of mining exploration and evaluation tenements	-	1,525,000
Interest received	21,017	9,245
Income taxes paid	-	(59,375)
Other	-	744
Net cash from/(used) in operating activities	(2,924,935)	629,279
Cash flows from investing activities		
Payments for plant and equipment	(6,008)	(10,264)
Proceeds from sale of investments	1,090,258	-
Proceeds from sale of plant and equipment	-	2,879
Net cash from/(used) in investing activities	1,084,250	(7,385)
Cash flows from financing activities		
Proceeds from issue of shares	-	26,250
Payments for share issue costs	(35,506)	-
Other (bank guarantee)	(4,400)	-
Net cash from/(used) in financing activities	(39,906)	26,250
Net increase /(decrease) in cash and cash equivalents	(1,880,591)	648,144
Cash and cash equivalents at the beginning of the period	2,856,744	1,415,600
Effects of exchange rate fluctuations on cash held	130	(714)
Cash and cash equivalents at 31 December	976,283	2,063,030

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 2018

1. Significant accounting policies

(a) Statement of compliance

These interim 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'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does 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 this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 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 in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018, except for the impact of the new Standards and Interpretations effective 1 January 2018 disclosed in section 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. Cost is based on the fair value of the consideration given in exchange for assets. 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 2018.

(d) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2018

In the period ended 31 December 2018, 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. As a result of this review, the Group has initially applied AASB 9 and AASB 15 from 1 July 2018. Due to the transition methods chosen by the Group in applying AASB 9 and AASB 15, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standards.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised costs or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2018

1. Significant accounting policies (continued)

(d) Adoption of new and revised Accounting Standards (continued)

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or losses on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss on day 1 rather than needing the evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively, with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

On initial application date, an election has been made to designate available for sale financial instruments that are non-derivative equity instruments held for trading as fair value through profit or loss (FVTPL).

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods, other than the effect of recording fair value losses during the current period in profit or loss as opposed to disclosing these as part of other comprehensive income/loss.

AASB 15 Revenue from Contracts with Customers

As the Group has negligible revenue, there is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods.

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 2018. 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.

AASB 16 Leases could have an effect on future periods, however as the Group has no leases in place with terms longer than 12 months, it is not anticipated that AASB 16 will have an immediate effect on profit or loss or net assets.

(e) Going Concern

Notwithstanding the Group's negligible net assets at balance date, the Directors have prepared the financial report on a going concern basis as they are confident that as a result of the placement funds of \$3 million received subsequent to balance date, the planned further placement to directors or their associates, the partially underwritten non-renounceable pro-rata rights issue currently being undertaken to raise up to an additional \$4.53 million subsequent to balance date, and the ability to defer discretionary spending as required, the Group will have sufficient funds to remain a going concern for at least 12 months from the date of signing this financial report.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2018

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 18	31 Dec 17	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17
	\$	\$	\$	\$	\$	\$
Revenue	-	1,553	1,450	-	1,450	1,553
Net fair value loss on fair value of equity instruments designated though FVTPL	-	-	(139,012)	-	(139,012)	-
Proceeds from sale of exploration and evaluation tenements	-	3,814,297	-	-	-	3,814,297
Exploration and evaluation expenditure expensed as incurred	(3,612,032)	(505,223)	-	-	(3,612,032)	(505,223)
Business development costs	(57)	(47,655)	-	-	(57)	(47,655)
Corporate and administrative expenses	-	-	(725,225)	(276,563)	(725,225)	(276,563)
Share based payments	-	-	(471,418)	(369,141)	(471,418)	(369,141)
Fixed assets written off	-	-	(4,595)	-	(4,595)	-
Depreciation	-	-	(5,575)	(3,779)	(5,575)	(3,779)
Segment net profit/(loss) before tax	(3,612,089)	3,262,972	(1,344,375)	(649,483)	(4,956,464)	2,613,489
Unallocated income/(expenses)						
Net financing income					20,534	13,195
Impairment on loan					(35,923)	-
Profit/(Loss) before income tax					(4,971,853)	2,626,684
	Exploration and Evaluation		Corporate		Total	
	31 Dec 18	30 Jun 18	31 Dec 18	30 Jun 18	31 Dec 18	30 Jun 18
	\$	\$	\$	\$	\$	\$
Segment assets:						
Other	27,001	39,788	81,576	1,290,147	108,577	1,329,935
Unallocated assets					1,193,283	3,083,450
Total assets					1,301,860	4,413,385
Segment liabilities	848,080	378,931	325,904	147,013	1,173,984	525,944

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2018

3. Revenue and expenses

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

	31 Dec 18 \$	31 Dec 17 \$
(a) Revenue		
Insurance refund	-	746
Profit on sale of plant and equipment	-	807
Visa Rewards Credit	1,450	-
	1,450	1,553
(b) Proceeds from sale of exploration and evaluation tenements		
	31 Dec 18 \$	31 Dec 17 \$
Bynoe Lithium Project ¹	-	3,579,297
Kathleen Valley Tenements ²	-	235,000
	-	3,814,297

¹ In November 2017, the Company completed the sale of its Bynoe Lithium Project in the Northern Territory to Core Lithium Limited (formerly Core Exploration Limited) ("Core"). Consideration for the sale was as follows:

- \$1,500,000 in cash;
- 39,232,025 Core Shares (subject to certain escrow restrictions); and
- A contingent payment of \$1,500,000 in cash or Core shares (at Core's election) upon Core defining a JORC compliant Mineral resource totalling 5 million tonnes within Liontown's Bynoe tenure.

At the date of sale, the fair value of the Core shares received as part consideration was \$2,079,297.

² During this period the Company divested seven non-core mining leases at its Kathleen Valley Project to Bellevue Gold Limited (formerly Draig Resources Limited) ("Bellevue Gold") in consideration for 1,000,000 Bellevue Gold shares and \$25,000 cash.

At the date of sale, the fair value of the Bellevue Gold shares received as part consideration was \$210,000.

	31 Dec 18 \$	31 Dec 17 \$
(c) Exploration and evaluation expenditure		
Australia		
- Toolebuc Vanadium	55,847	27,917
- Kathleen Valley	1,524,409	83,331
- Buldania	1,401,932	68,339
- Norcott	7,758	18,583
- Killaloe	599,395	-
- Other	14,206	137,120
	3,603,547	335,290
Tanzania		
- Jubilee Reef	8,485	71,715
- Mohanga	-	97,399
- Other	-	819
	8,485	169,933
	3,612,032	505,223

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2018

3. Revenue and expenses (continued)

(d) Corporate administrative expenses

Insurance
 Legal fees
 Office costs - corporate service charge and reimbursements
 Conferences, promotions and investor relations
 Regulatory and compliance
 Other

31 Dec 18	31 Dec 17
\$	\$
21,276	11,711
29,959	2,130
67,995	33,000
151,471	8,720
73,974	52,981
37,976	19,986
382,651	128,528

Personnel expenses

Directors' fees, wages and salaries
 Other associated personnel expenses
 Annual leave and long service leave
 Salaries and wages transferred to exploration expenditure

628,421	285,707
17,100	941
48,360	704
(351,307)	(139,317)
342,574	148,035
725,225	276,563

4. Income tax benefit

Current income tax benefit
 Under provision of prior year tax

31 Dec 18	31 Dec 17
\$	\$
-	284,845
-	(59,375)
-	225,470

5. Other financial assets

Current

Core Lithium Limited (ASX:CXO) ¹

31 Dec 18	30 Jun 18
\$	\$
-	1,229,270
-	1,229,270

¹ During the current period, the Company sold all its remaining 26,154,683 shares in Core Lithium Limited (formerly Core Exploration Limited) for a sale price of \$0.042 per share, resulting in net proceeds of \$1,090,258.

The fair value movement in the asset during the period was a loss of \$139,012 which has been recognised in the Consolidated Statement of Comprehensive Income.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2018

6. Issued capital

	31 Dec 18	30 Jun 18
	No.	No.
Issued and fully paid ordinary shares	1,133,987,460	1,103,987,460

Movements in ordinary shares on issue	6 months to 31 Dec 18		Year to 30 Jun 18	
	No.	\$	No.	\$
Balance at 1 July	1,103,987,460	37,199,397	990,340,635	34,347,020
Rights issues and placements	-	-	111,111,111	3,000,000
Issue of share for Killaloe acquisition ¹	20,000,000	520,000	-	-
Issue of shares for Buldania ML Lithium rights ²	10,000,000	240,000	-	-
Issue of shares for unlisted options	-	-	750,000	26,250
Issue of shares for Norcott acquisition	-	-	1,785,714	50,000
Less share issue costs	-	(13,676)	-	(223,873)
Balance at end of period	1,133,987,460	37,945,721	1,103,987,460	37,199,397

¹ During the half year the Company issued a total of 20,000,000 fully paid ordinary shares to Matsa Resources Limited (ASX: MAT) in consideration for the acquisition of the Killaloe Project.

² In November 2018, the Company issued 10,000,000 fully paid ordinary shares to Avoca Resources Pty Ltd a wholly owned subsidiary of Westgold Resources Limited (ASX:WGX) to incorporate granted Mining Lease (M6/647) into the existing Buldania Lithium Rights Agreement.

7. Share options and performance rights

	6 months to 31 Dec 18	Year to 30 Jun 18
	No.	No.
Share options		
Movements in unlisted options over ordinary shares on issue:		
At 1 July	33,750,000	10,800,000
Options lapsed/expired	-	(750,000)
Options exercised	-	(750,000)
Options granted	25,750,000	24,450,000
Total share options on issue	59,500,000	33,750,000

On 28 November 2018, 14,000,000 share options were granted to Directors following shareholder approval at the 2018 Annual General Meeting. In addition, during the half year, a total of 11,750,000 share options were granted to employees and a consultant under the terms of the Company's Employee Securities Incentive Plan.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2018

7. Share options and performance rights (continued)

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 18
Share price at grant date (weighted average)	\$0.028
Exercise price (weighted average)	\$0.036
Expected volatility	100%
Expected life (expressed as weighted average used in the modelling under Black Scholes option pricing model)	4.33 years
Vesting period (weighted average)	0.33 years
Expected dividends	Nil
Risk-free interest rate (weighted average)	2.12%

Share options are granted under service conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services rendered.

	6 months to 31 Dec 18 No.	Year to 30 Jun 18 No.
Performance rights		
Movements in performance rights on issue:		
At 1 July	-	-
Rights granted	1,000,000	-
Total performance rights on issue	1,000,000	-

On 14 September 2018, 1,000,000 performance rights were granted to a consultant to vest upon the consultant meeting certain objectives. These performance rights expire on 13 September 2020 and have a nil exercise price. The fair value of the performance rights granted was determined using the share price at grant date being \$0.027.

Performance rights contain non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services rendered.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2018

8. Related Parties

Key management personnel compensation is as follows:

	6 months to 31 Dec 18	6 months to 31 Dec17
	\$	\$
Short-term employee benefits	238,722	156,719
Post-employment benefits	12,116	14,227
Equity-settled transactions	311,708	365,092
	562,546	536,038

Other related parties transactions

The group receives corporate services including office rent and facilities, management, and communications services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder is a Director of Chalice Gold Mines Limited. Amounts billed are based on a proportionate share of the cost to Chalice Gold Mines Limited of providing the services and have normal payment terms. The total amount invoiced during the period was \$66,000 (six months ended 31 December 2017: \$33,000).

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 invoiced during the period was \$54,145 (six months ended 31 December 2017: \$ 6,006)

Amounts payable to key management personnel at reporting date arising from these transactions was \$11,958 (31 December 2017: \$5,631).

9. Events Subsequent to Reporting Date

In February 2019 the Company completed a capital raising consisting of a placement to institutional and sophisticated investors of 150,000,000 shares at 2 cents each to raise a total of \$3,000,000. It is also intended that the Directors or their associates will subscribe for an additional 17,500,000 Shares on the same terms as the placement to raise a further \$350,000 (in addition to the placement), subject to the receipt of shareholder approval at a general meeting to be convened shortly.

The Company is also currently in the process of completing a partially underwritten 1-for-5 non-renounceable rights issue to eligible shareholders at 2 cents for each new share to raise \$4,535,590 before issue costs.

The Company has agreed to issue the underwriters an aggregate of up to 15,000,000 Options exercisable at \$0.035 each on or before the date that is 3 years after the date of issue, as partial consideration for the services provided in connection with the placement and the rights issue.

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 2018

10. 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 18
	\$
Within 1 year	382,929
Within 2 – 5 years	1,350,240
Later than 5 years	1,652,314
	3,385,483

11. Contingent liabilities

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

Liontown Resources Limited Directors' Declaration

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year then ended.
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.

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 2018.

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

Dated this 14th day of March 2019

A handwritten signature in red ink, appearing to read "David Richards", with a large, sweeping flourish underneath.

David Richards
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Liantown Resources Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Liantown Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of 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 notes, 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 Liantown Resources Limited is not 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 2018 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*.

Directors' responsibility for the half-year financial report

The directors of Liantown Resources Limited 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, 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 2018 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*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
14 March 2019



L Di Giallonardo
Partner