

Risk Management Policy

1. Purpose

Recognising and managing risk is fundamental to Liontown Resources Limited (**Company**) achieving its strategic objectives, and is a crucial responsibility of the Board of Directors (**Board**), the Sustainability and Risk Committee and management. Sound risk management practices can not only help to protect established value, but also can assist in identifying and capitalising on opportunities to create value.

The Company recognises that a failure by it to recognise or manage risk can adversely impact not only the Company and its shareholders, but also other stakeholders which may include employees, customers, suppliers, creditors, consumers, taxpayers and the broader community in which the Company operates.

The Board is ultimately responsible for deciding the nature and extent of the risks it is prepared to take to meet its strategic objectives. To enable the Board to do this, the Company must have an appropriate Risk Management Framework to identify and manage risk on an ongoing basis.

Accepting the inherent risks associated with exploration, feasibility and mine development activities in the resource sector, the Company is relatively risk averse and its Risk Management Framework is designed to ensure that risks are understood, managed and minimised relative to the sector in which it operates.

This policy outlines at a high-level the Company's approach to risk management, including its approach to identifying and managing risk, the application of this policy to those within the Company, and the resources and processes dedicated to risk management. The policy should be read in conjunction with the Risk Management Framework which outlines the standard practices Liontown will employ when conducting risk management activities. Managing risk is the responsibility of everyone in the Company.

In this policy:

- a. **management** refers to the senior management team as distinct from the Board, comprising the Company's executives and managers, being those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance.
- b. **risk** means effect of uncertainty on objectives¹;
- c. **risk management** means co-ordinated activities to direct and control the Company with regard to risk²; and
- d. **Risk Management Framework** details the components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Company.

2. Commitment

The Company is committed to managing and minimising risk by proactively and systematically identifying, analysing, evaluating and managing risks that could potentially impact the business. To achieve this commitment, the Company will:

¹ As defined in Australian/New Zealand Standard AS/NZS ISO 31000:2018 *Risk management – Guidelines*

² As defined in Australian/New Zealand Standard AS/NZS ISO 31000:2018 *Risk management – Guidelines*

- a. maintain the Risk Management Framework and ensure it is implemented throughout the organisation as a prudent and effective management practice;
- b. embed risk management into strategy, day-to-day operational activities and overall decision-making;
- c. respond, report and learn from material incidents and breaches;
- d. regularly consider and update the Company's risk register to identify emerging risks;
- e. monitor and evaluate risk management processes to provide assurance that risk control measures are effective; and
- f. undertake annual reviews of the Risk Management Framework and seek continuous improvement in the management of risk.

3. Who does this policy apply to?

All directors, officers and employees of the Company (**Liontown Personnel**) must comply with this policy. Liontown Personnel are expected to understand this policy and the impact it has on their areas of responsibility.

The Company's Sustainability and Risk Committee is responsible for overseeing and monitoring the implementation of the Company's Risk Management Framework. The risk management process adopted involves:

3.1 Risk identification

The risks faced by the Company will be identified and documented in a risk register.

The Company's risks will be classified under the following broad categories:

- a. Strategic – risks that may lead to Liontown not achieving its objectives/goals
- b. Project – risks that have an impact on Liontown's ability to complete a project that aligns to original business case (schedule, cost, project design/quality, environment, safety and governance)
- c. Catastrophic – a single risk event or scenario that results in many injuries, fatalities, extensive property damage, or immediate loss of key tenements
- d. Organisational – risks that threaten the ability for Liontown to operate effectively and efficiently to achieve a profit
- e. Sustainability – risks involving a safety, environmental, social or governance event or condition, which if it occurs could cause an actual or potential material impact on Liontown

The individual risks which fall within these categories will be included in the Company's risk register.

3.2 Risk analysis

Risks are to be agreed and endorsed by management, with the Sustainability and Risk Committee and the Audit Committee (to the extent the risks relate to financial or tax matters) and Board reviewing material risks to the Company on a regular basis. Identified risks will be analysed by determining consequences of the risks eventuating and their probability. Existing risk controls and their effectiveness (as perceived by management and reported to the Sustainability and Risk Committee) should be taken into account when considering how likely the risk event is to occur and the impact/consequences it will have on the business.

Risk prioritisation will be undertaken at the same time as risk identification and will be assessed using a risk matrix.

3.3 Risk evaluation

Identified risks should be compared with the risk appetite established by the Board, and where the level of risk is above the desired risk level, be prioritised for further action.

3.4 Risk treatment

Where the level of risk is above the desired level, management will develop and execute an action plan to address the risk by transferring the risk, reducing the likelihood of the risk eventuating, mitigating the risk or accepting the risk, or a

combination of these approaches. When selecting the way a risk will be treated, the Company will consider the values and perceptions of stakeholders and the most appropriate ways to communicate with them.

3.5 Monitoring and review

The Sustainability and Risk Committee will review the Company's Risk Management Framework at least annually, or more often if required, having regard to the Board's risk appetite and the Committee's duties and responsibilities set out in the Sustainability and Risk Committee Charter.

The Board may request independent verification in relation to all or some of the Risk Management Framework or individual controls, via internal or external means.

Material risks are regularly reported to the Company's Board and its committees by management.

Management reports to the Sustainability and Risk Committee on:

- a. any proposed changes to the Risk Management Framework;
- b. any exposures or breaches of the Company's key policies, procedures or systems (including this policy) or incidence of risk, where significant;
- c. new and emerging sources of risks (including the risk controls and mitigation measures that have been or are being put in place by management to deal with those risks; and
- d. any disclosure-related considerations on material risk issues.

The Sustainability and Risk Committee shall report to the Board whether the Company's ongoing Risk Management Framework is effective in identifying areas of potential risk.

4. Review of Policy

The Company's Risk Management Framework is evolving. It is an on-going process and it is recognised that the level and extent of the Risk Management Framework will evolve as the Company's activities continue to grow and develop. This will include an annual review of this policy by the Sustainability and Risk Committee and approval by the Board.

Policy Ref.	Policy Name	Version	Author	Approving Authority	Approved Date
P-7	Risk Management Policy	3	Company Secretary	Board of Directors	7 June 2023