



LIONTOWN RESOURCES LIMITED

ABN 39 118 153 825

**Half-Year Report
31 December 2015**

Liontown Resources Limited

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Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2015

DIRECTORS' REPORT

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 2015 ("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.

Tim Goyder	Chairman
David Richards	Managing Director
Craig Williams	Non-Executive Director
Anthony Cipriano	Non-Executive Director

REVIEW OF OPERATIONS

1. Mohanga Lithium-Tantalum Project (Central Tanzania) (Liontown 100%)

During the half-year, Liontown commenced the execution of a strategy to diversify into the strategic metals sector by securing the 177km² Mohanga Lithium-Tantalum Project. The project contains a number of historical pegmatite-hosted lithium occurrences, the only reported in Tanzania, and has had no modern exploration for strategic or other metals.

The Mohanga Project comprises three contiguous tenements with two of the tenements being held directly by Liontown and the third subject to an Option Agreement which gives Liontown the right to acquire 100% of the Prospecting Licence on the following terms:

- Initial cash payments totaling approximately US\$30,000 (completed);
- 4 year option period with annual payments (from first anniversary) of US\$15,000;
- Purchase price of US\$900,000 (plus 10% CGT) to acquire 100%; and
- 1% NSR on future production which can be purchased at any stage for US\$500,000.

An initial trenching program conducted by Liontown intersected high-grade lithium and tantalum mineralisation. The results confirm the potential of the project to host significant lithium mineralisation and has given Liontown confidence to progress exploration activities.

2. Bynoe Lithium-Tantalum Project (Northern Territory, Australia) (Option to Earn 100%)

Subsequent to half-year end, Liontown secured a second lithium-tantalum exploration project ("the Bynoe Project") located near Darwin in the Northern Territory.

The Bynoe Project comprises two separate exploration licences covering a total area of 80km² and is located ~40km SSW of Darwin, in close proximity to significant transport infrastructure.

Multiple phases of prospecting, exploration and small-scale mining have been undertaken in the Bynoe area since the 1880s with 50 pegmatites identified within the project area. The pegmatites range in size from narrow fracture fillings to massive bodies >50m thick and >200m long.

Previous work has targeted tin and tantalum mineralisation, either hosted in alluvial deposits or within the strongly weathered, upper 10-20m of the bedrock profile where mining would be free-digging. Very few fresh bedrock samples

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2015

have been collected or assayed. Although the previous exploration focus has been on tin and tantalum, lithium minerals (spodumene and amblygonite) have been reported at several prospects.

Liontown has agreed to terms with the vendor whereby it may acquire 100% of the Bynoe Project by:

- Paying the vendor an initial signing fee of \$10,000 cash; and
- Paying the vendor \$100,000 cash at any time within 19 months of the Agreement's execution date.

2. Jubilee Reef Project (Northern Tanzania) (Liontown 100%)

RC drilling was completed early in the period at the Simba (14 holes/1644m) and Chela (4 holes/580m) prospects with gold intersections being recorded at both. The latest intersections combined with previous drill results define a 1km long, SW/NE trending arcuate zone of continuous gold mineralisation at Simba largely hosted by carbonate-altered syenite. The mineralised trend is open along strike where it is obscured by transported cover and there are a number of significant intersections to the east and southeast implying potential for parallel zones.

Following a review of all drill data, the Company commissioned independent resources consultants, Optiro Pty Ltd, to undertake a resource estimate for the Simba and Panapendesa prospects. A maiden Inferred Mineral Resource of approximately 8.5Mt @ 1.4glt Au Gold (~390,000 ounces) was estimated for the Jubilee Reef Project.

3. Mount Windsor Project (Queensland) (Liontown 100%)

A 4 hole/1,103 RC drilling program was completed in early July at the Allandale prospect. The program was designed to test beneath an interpreted low sulphidation epithermal (LSE) gold system defined by strong multi-element soil anomalism.

Highly anomalous gold and antimony values were intersected in the drilling with the mineralisation open along strike and at depth.

CORPORATE

At 31 December 2015 the Group had net assets of \$1,367,168 (30 June 2015: \$5,122,894) and an excess of current assets over current liabilities of \$24,408 (30 June 2015 current liabilities over current assets: \$66,505). At 31 December 2015, cash at bank totalled \$259,326 (30 June 2015: \$907,882).

The Group reported a net loss for the period of \$4,860,977 (31 December 2014: \$513,581) which predominately relates to the impairment of the Jubilee Reef project in Tanzania.

In order to maximise exploration expenditure, the non-executive Directors agreed to accrue their respective Directors' fees from 1 October 2014 up until 30 September 2015. At the 2015 Annual General Meeting, shareholders approved the issue of 7,017,000 shares in lieu of their respective accrued Directors' fees. Directors' fees will continue to be accrued from October 2015 until the Company and non-executive directors agree otherwise.

The Company has forecast that it may need to seek additional funding in order to meet its operating and exploration expenditure for the next 12 months from the date of this report. Given the current weak equity markets for resource companies, there may be a material uncertainty as to whether the Group will be able to continue as a going concern if it is unable to either raise additional capital or realise its existing assets. As a result, the Company's auditors have included in their Review Report an "Emphasis of Matter" paragraph. Refer to page 19 for the Independent Auditor's Review Report.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2015

EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to period end, the Company drew down a further \$250,000 pursuant to the loan facility provided by Mr Goyder (refer to notes 5 and 8(c) on pages 15 and 16). The Company also secured a second lithium-tantalum exploration project ("the Bynoe Project") located near Darwin in the Northern Territory as referred to in the Review of Operations above.

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 6 and forms part of this directors' report for the half-year ended 31 December 2015.

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



David Richards
Managing Director

Dated at Perth this 1st day of March 2016.

The Information in this report that relates to the Exploration Results for the Bynoe Project is extracted from the ASX announcements entitled "Liontown expands lithium portfolio with acquisition of Bynoe lithium-tantalum project in the Northern Territory" released on 5 February 2016, and is available on www.ltresources.com.au.

The Information in this report that relates to the Inferred Mineral Resource Estimate for the Jubilee Reef Project is extracted from the ASX announcement entitled "Liontown announces maiden 390,000oz Mineral Resource for the Jubilee Reef Gold Project in Tanzania, East Africa" released on 30 November 2015 and 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.

This announcement 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 2015, 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
1 March 2016**

**L Di Giallonardo
Partner**

Liontown Resources Limited
Condensed Statement of Comprehensive Income
For the half-year ended 31 December 2015

		Consolidated	
	Note	31 December 2015 \$	31 December 2014 \$
Continuing Operations			
Other Income	3a	42,407	494,995
Impairment of exploration and evaluation assets	4	(4,679,348)	(727,394)
Exploration and evaluation expenditure expensed as incurred	4	(3,208)	(50,354)
Business development costs		(61,790)	-
Corporate administrative expenses	3b	(159,038)	(230,828)
Loss before income tax		(4,860,977)	(513,581)
Income tax expense		-	-
Loss for the period attributable to owners of the parent		(4,860,977)	(513,581)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		214,877	462,196
Total comprehensive loss after tax		(4,646,100)	(51,385)
Basic loss per share attributable to ordinary equity holders (cents)		(0.89)	(0.11)
Diluted loss per share attributable to ordinary equity holders (cents)		(0.89)	(0.11)

Liontown Resources Limited
Condensed Statement of Financial Position
As at 31 December 2015

	Note	Consolidated	
		31 December 2015 \$	30 June 2015 \$
Current assets			
Cash and cash equivalents		259,326	907,882
Trade and other receivables		42,903	30,580
Total current assets		302,229	938,462
Non-current assets			
Financial assets		25,000	25,000
Property, plant and equipment		49,447	53,937
Exploration and evaluation assets	4	1,268,313	5,110,462
Total non-current assets		1,342,760	5,189,399
Total assets		1,644,989	6,127,861
Current liabilities			
Trade and other payables		170,872	985,447
Borrowings	5	100,000	-
Employee benefits		6,949	19,520
Total current liabilities		277,821	1,004,967
Total liabilities		277,821	1,004,967
Net assets		1,367,168	5,122,894
Equity			
Issued capital	6	28,536,419	27,646,045
Accumulated losses		(28,386,801)	(23,525,824)
Reserves		1,217,550	1,002,673
Total equity		1,367,168	5,122,894

Liontown Resources Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2015

	Consolidated				
	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
Balance at 30 June 2015	27,646,045	(23,525,824)	42,986	959,687	5,122,894
Loss for the period	-	(4,860,977)	-	-	(4,860,977)
Exchange differences on translation of foreign operations	-	-	-	214,877	214,877
Total comprehensive loss for the period	-	(4,860,977)	-	214,877	(4,646,100)
Share issue – rights issue	808,712	-	-	-	808,712
Share issue – In lieu of Directors’ Fees	91,221	-	-	-	91,221
Share issue – Listed options exercised	17	-	-	-	17
Less - cost of share issues	(9,576)	-	-	-	(9,576)
Balance at 31 December 2015	28,536,419	(28,386,801)	42,986	1,174,564	1,367,168

	Consolidated				
	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
Balance at 30 June 2014	27,543,459	(22,679,531)	39,481	219,139	5,122,548
Loss for the period	-	(513,581)	-	-	(513,581)
Exchange differences on translation of foreign operations	-	-	-	462,196	462,196
Total comprehensive loss for the period	-	(513,581)	-	462,196	(51,385)
Share issue – In lieu of Directors Fees	78,144	-	-	-	78,144
Share issue – Remaining 34% of Jubilee Reef project	72,000	-	-	-	72,000
Employee share options vested	-	-	3,505	-	3,505
Less cost of share issues	(4,167)	-	-	-	(4,167)
Balance at 31 December 2014	27,689,436	(23,193,112)	42,986	681,335	5,220,645

Liontown Resources Limited
Condensed Statement of Cash Flows
For the half-year ended 31 December 2015

	Consolidated	
	31 December 2015 \$	31 December 2014 \$
Cash flows from operating activities		
Cash paid to suppliers and employees	(142,942)	(233,047)
Interest received	2,505	9,396
Other (government grant)	39,954	-
Net cash used in operating activities	(100,483)	(223,651)
Cash flows from investing activities		
Payments for mining exploration and evaluation	(745,111)	(616,088)
Settlement on consideration from sale of tenement	-	465,500
Net cash used in investing activities	(745,111)	(150,588)
Cash flows from financing activities		
Proceeds from issue of shares	808,896	-
Payments for share issue costs	(39,691)	(4,167)
Proceeds from borrowings	100,000	-
Other (application monies held on trust – shares now issued)	(690,554)	-
Net cash from/(used) in financing activities	178,651	(4,167)
Net decrease in cash and cash equivalents	(666,943)	(378,406)
Cash and cash equivalents at the beginning of the period	907,882	976,735
Effects of exchange rate fluctuations on cash held	18,387	15,030
Cash and cash equivalents at 31 December	259,326	613,359

Liontown Resources Limited
Notes to the Condensed Financial Statements
For the half-year ended 31 December 2015

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 2015 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 adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(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 2015.

(d) Adoption of new and revised Accounting Standards

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 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2015.

The Group has adopted all of the new and revised Standards and Interpretations effective for the current half-year that are relevant to the Group. The directors note that there is no significant impact on the financial report as a result.

Liontown Resources Limited
Notes to the Condensed Financial Statements
For the half-year ended 31 December 2015

(e) Going Concern

The Company has forecast that it may need to seek additional funding in order to meet its operating expenditure and planned exploration expenditure for the next 12 months from the date of signing these half-yearly financial statements and note the difficulties being faced by smaller exploration companies seeking to raise additional capital in the current market. If the Company is unable to raise further funds within the next 12 months or realise its existing assets, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business. As a result, the Company's auditors have included in their Review Report an "Emphasis of Matter" paragraph. Refer to page 19 for the Independent Auditor's Review Report.

Liontown Resources Limited
Notes to the Condensed Financial Statements
For the half-year ended 31 December 2015

2. Segment reporting
Geographical segments

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 costs. Results of both segments are reported to the Board of Directors at each board meeting.

	Exploration and Evaluation		Corporate		Total	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Other income	\$ 39,954	\$ -	\$ -	\$ -	\$ 39,954	\$ -
Proceeds from the sale of tenements	-	465,500	-	-	-	465,500
Exploration rent and rates reimbursed	-	22,028	-	-	-	22,028
Impairment of exploration and evaluation assets	(4,679,348)	(727,394)	-	-	(4,679,348)	(727,394)
Exploration and evaluation expenses written off	(3,208)	(50,354)	-	-	(3,208)	(50,354)
Business development costs	(61,790)	-	-	-	(61,790)	-
Corporate and administrative expenses	-	-	(159,038)	(230,828)	(159,038)	(230,828)
Segment net gain/ loss after tax	(4,704,392)	(290,220)	(159,038)	(230,828)	(4,863,430)	(521,048)
Unallocated income/(expenses)						
Net financing income					2,453	7,467
Loss before income tax					(4,860,977)	(513,581)
	Exploration and Evaluation		Corporate		Total	
	31 December 2015	30 June 2015	31 December 2015	30 June 2015	31 December 2015	30 June 2015
Segment assets:						
Exploration and evaluation assets	\$ 1,268,313	\$ 5,110,462	\$ -	\$ -	\$ 1,268,313	\$ 5,110,462
Other	89,219	102,888	28,387	10,826	117,606	113,714
	1,357,532	5,213,350	28,387	10,826	1,385,919	5,224,176
Unallocated assets					259,070	903,685
Total assets					1,644,989	6,127,861
	Exploration and Evaluation		Corporate		Total	
	31 December 2015	(142,291)	31 December 2015	(862,676)	31 December 2015	(1,004,967)
Segment liabilities	(93,609)		(184,212)		(277,821)	

Liontown Resources Limited
Notes to the Condensed Financial Statements
For the half-year ended 31 December 2015

3. Loss before income tax

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

	2015 \$	2014 \$
(a) Other Income		
Government Grant	39,954	-
Exploration rent and rates reimbursed on tenements previously written off	-	22,028
Consideration from sale of mineral property ⁽¹⁾	-	465,500
Other Income	2,453	7,467
	42,407	494,995

(1) The Liontown base metal deposit and surrounding EPM was sold to Kagara Limited in 2009. Subsequent to the sale Kagara was placed into liquidation. Liontown agreed to accept \$465,500 as the full and final settlement from the receiver in November 2014.

	2015 \$	2014 \$
(b) Corporate administrative expenses		
Depreciation and amortisation	2,077	6,575
Insurance	14,534	18,107
Legal fees	160	4,450
Corporate service charge	27,500	32,500
Personnel expenses	77,398	130,376
Regulatory and compliance	49,610	40,173
Other	(12,241)	(1,353)
Total	159,038	230,828

4. Exploration and evaluation expenditure

	6 months to 31 December 2015 \$	Year to 30 June 2015 \$
Cost brought forward	5,110,462	4,251,255
Acquisition of 34% of Jubilee Reef Gold Project	-	72,000
Expenditure incurred during the period	616,514	850,123
Impairment of exploration and evaluation assets ⁽¹⁾	(4,679,348)	(770,326)
Exploration and evaluation expenditure expensed as incurred	(3,208)	(97,103)
Effects of movements in exchange rates	223,893	804,513
Total	1,268,313	5,110,462

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of their respective areas.

(1) The impairment of exploration and evaluation assets relates predominately to the impairment of the Jubilee Reef Project. Given market conditions, particularly in relation to declining precious metal prices, the Company expects to focus on exploration for strategic metals such as lithium. On that basis minimal expenditure is expected at the project for the foreseeable future.

Liontown Resources Limited
Notes to the Condensed Financial Statements
For the half-year ended 31 December 2015

5. Borrowings

Loan from related parties ⁽¹⁾

2015	2014
\$	\$
100,000	-

(1) Refer to note 8(c) for details

6. Issued capital

Issued and fully paid ordinary shares

31 December 2015	30 June 2015
No.	No.
583,317,067	460,769,515

	6 months to 31 December 2015		Year to 30 June 2015	
	No.	\$	No.	\$
Balance at 1 July	460,769,515	27,646,045	446,161,370	27,543,459
Share issue – rights issue	115,530,219	808,712	-	-
Share issue – remaining 34% of Jubilee Reef Project			12,000,000	72,000
Share issue – in lieu of directors’ fees ⁽¹⁾	7,017,000	91,221	2,604,800	78,144
Share issue – listed options exercised	333	16	3,345	167
Less share issue costs	-	(9,575)	-	(47,725)
Balance at end of period	583,317,067	28,536,419	460,769,515	27,646,045

(1) Following shareholder approval at the 2015 Annual General Meeting, the Company issued 7,017,000 fully paid ordinary shares (2014: 2,604,800) to the Directors in full satisfaction of unpaid directors’ fees of \$49,119 (2014: \$78,144) for the period from October 2014 to September 2015 (2014: October 2013 to September 2014)

7. Share Options

	6 months to 31 December 2015	Year to 30 June 2015
	No.	No.
Movements in unlisted options over ordinary shares on issue:		
At 1 July	5,850,000	5,850,000
Options expired	-	-
Options issued	-	-
At balance date	5,850,000	5,850,000
Movements in listed options over ordinary shares on issue:		
At 1 July	32,645,703	32,649,048
Listed options exercised	(333)	(3,345)
Listed options expired 27 th September 2015	(32,645,370)	-
At balance date	-	32,645,703
Total share options on issue	5,850,000	38,495,703

Liontown Resources Limited

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2015

8. Related Parties

(a) Key management personnel

Key management personnel including non-executive directors receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payment awards. For the six months ended 31 December 2015, executive personnel received total compensation of \$85,785 (six months ended 31 December 2014: \$91,145) and non-executive directors were due total compensation of \$60,641 (six months ended 31 December 2014: \$56,717).

(b) Directors' fees outstanding shares issued

Due to market conditions and with an emphasis on conserving cash reserves, directors agreed, from 1 October 2014, to continue to accrue director fees but defer the payment of directors' fees until further notice. The board agreed, subject to shareholder approval, that each non-executive director with the Company will take shares in full satisfaction of their respective outstanding fees as at 30 September 2015. At the Annual General Meeting held on 24 November 2015, shareholders approved the following issue of 7,017,000 shares to the following directors in repayment of directors fees outstanding from 1 October 2014 to 30 September 2015:

Director	Shares Issued
Tim Goyder	383,286
Craig Williams	3,316,857
Anthony Cipriano	3,316,857
Total	7,017,000

It was also agreed at the board meeting on 24 September 2015 to continue to accrue directors' fees from 1 October 2015 until further notice. At 31 December 2015 the balance of directors' fees owing was \$11,609.

(c) Other related parties transactions

The group receives corporate services including office rent and facilities, management, accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder is a Director of Chalice Gold Mines Limited and prior to this was the Executive Chairman. 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 \$33,000 (six months ended 31 December 2014: \$32,500). An amount of \$16,500 (six months ended 31 December 2014: \$5,000) was outstanding and payable at the end of the period which has subsequently been paid.

In December 2015, Chairman of the Company, Mr Goyder agreed to establish a loan facility to the Company for an amount of up to \$350,000. At 31 December 2015, \$100,000 had been drawn upon leaving \$250,000 available to draw down. Interest is payable at the prevailing ANZ Bank overdraft rate (commercial plus \$100,000) plus 2%. The loan is repayable by 30 June 2016 and if not repaid by that date, subject to shareholder approval, Mr Goyder may elect to convert the outstanding balance (plus interest) into fully paid ordinary shares at the 20 day VWAP share price prior to 30 June 2016. The Company will put in place such security as Mr Goyder may reasonably require over the Company or any of its assets on terms and conditions that would be usual in such circumstances.

Liontown Resources Limited
Notes to the Condensed Financial Statements
For the half-year ended 31 December 2015

9. Events Subsequent to Reporting Date

Subsequent to period end, the Company drew down a further \$250,000 pursuant to the loan facility provided by Mr Goyder (refer to notes 5 and 8(c)). The Company also secured a second lithium-tantalum exploration project ("the Bynoe Project") located near Darwin in the Northern Territory. Refer to page 3 for more information.

10. 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 2015 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 is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Dated this 1st day of March 2016

A handwritten signature in blue ink, appearing to read 'D Richards', with a long horizontal flourish extending to the right.

David Richards
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Liontown Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Liontown Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that 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 2015 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.

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*.

Conclusion

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 Lontown 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 2015 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*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 (e) in the half-year report, which indicates that the Group may need to seek additional funding in order to meet its operating expenditure and planned exploration expenditure for the next twelve months from the date of signing the half-year report. If additional funding is not able to be obtained, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will realise assets and extinguish its liabilities in the normal course of business.



HLB Mann Judd
Chartered Accountants



L Di Giallonardo
Partner

Perth, Western Australia
1 March 2016