

**LIONTOWN RESOURCES LIMITED**

**ABN 39 118 153 825**

**Annual Financial Report  
30 June 2016**

# **Liontown Resources Limited**

## **Corporate Directory**

### **Directors**

Timothy Rupert Barr Goyder  
David Ross Richards  
Craig Russell Williams  
Anthony James Cipriano

Chairman  
Managing Director  
Non-executive Director  
Non-executive Director

### **Company Secretary**

Leanne Stevens

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### **Auditors**

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Level 4, 130 Stirling Street  
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### **Share Registry**

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Level 2, Reserve Bank Building  
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### **Home Exchange**

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### **ASX Codes**

Share Code: LTR

# **Liontown Resources Limited**

## **Contents**

	PAGE
Operating and Financial Review	3
Mineral Resource Statement	20
Appendices	22
Tenement Schedule	25
Directors' Report	27
Auditor's Independence Declaration	39
Consolidated Statement of Comprehensive Income	40
Consolidated Statement of Financial Position	41
Consolidated Statement of Changes in Equity	42
Consolidated Statement of Cash Flows	43
Notes to the Consolidated Financial Statements	44
Directors' Declaration	69
Independent Auditor's Report	70
ASX Additional Information	72

# Liontown Resources Limited

## Operating and Financial Review

### 1. Highlights

#### Bynoe Lithium Project (NT, Australia)

- Previous Greenbushes-owned tin-tantalum mining centre
- Extensive pegmatite field located <50km from Darwin
- Thick widths of >1% Li<sub>2</sub>O (spodumene-related) mineralisation intersected in maiden drilling program

#### Kathleen Valley (WA, Australia)

- Multiple outcropping spodumene-bearing pegmatites
- High grade lithium (up to 3.9% Li<sub>2</sub>O) and tantalum (up to 725ppm Ta<sub>2</sub>O<sub>5</sub>) values at surface
- No previous drill testing - potential to delineate very large system

#### Lake Percy (WA, Australia)

- Very large pegmatites - true thicknesses >100m
- Lithium occurrences recorded in belt but no previous exploration for the commodity
- Strategic location in southern Yilgarn lithium province - includes Greenbushes, Mt Caitlin, Mt Marion and Kidman discovery

#### Jubilee Reef Gold Project (Tanzania)

- Located in +50Moz Lake Victoria Goldfield, near major deposits such as Bulyanhulu, Geita and Nyanzaga (OreCorp).
- ~390,000oz Inferred Mineral resource with significant growth potential
- Multiple promising targets along 7.5km long gold mineralized trend

### 2. Business Strategy

Following a review of its corporate objectives, Liontown has diversified its exploration effort and is now targeting pegmatite-hosted lithium projects in addition to its traditional gold and base metal focus. During the year, the Company secured several high potential lithium exploration projects in Australia and Tanzania to add to its Jubilee Reef Project in Tanzania.

The decision to target lithium followed a recognition of the metal's increasing importance and demand particularly related to renewable energy and the need for cost effective batteries for electrical vehicles and power storage.

The Company's strategy is to maintain a focused, consistent approach and to explore projects where drill targets are or can be quickly defined. To this end, the Company now has three emerging and potentially significant Australian lithium projects at Bynoe in the Northern Territory and at Kathleen Valley and Lake Percy in Western Australia.

In addition, the Company continues to maintain a significant strategic position in Tanzania's +50Moz Lake Victoria Goldfield - the Jubilee Reef Project where a review of existing 390,000oz Inferred Mineral resource and new exploration targets is underway.

Movements in commodity prices, foreign exchange rates and interest rates may adversely impact the achievement of these objectives.

# Liontown Resources Limited

## Operating and Financial Review

### 3. Review of Operations

During the reporting period, Liontown acquired rights to four new projects, including three in Australia and one in Tanzania whilst continuing to advance the Jubilee Reef Gold Project.

Fieldwork included RC drilling at the Bynoe Lithium Project, review of historical surface sampling results at Kathleen Valley, and trenching at Mohanga and Jubilee Reef in Tanzania.

Strongly anomalous results, including significant lithium drill intersections at Bynoe, were returned from all projects and follow up exploration is planned for the 2016/2017 year.

### Australian Projects

#### 3.1 Bynoe Lithium Project - Northern Territory

The Bynoe Project is located in the Northern Territory approximately 35km SSW of Darwin (see Figure 1), where it covers a large part of the Bynoe Pegmatite Field which has been mined historically for tin and tantalum. Liontown has secured a number of tenements which cover a total area of 88km<sup>2</sup> and include 63 of the rare metal pegmatites documented by the NT Geological Survey in the region. The pegmatites are similar to those that host economic lithium mineralisation elsewhere in Australia; however, there has been no previous exploration recorded for this commodity prior to Liontown's acquisition of the tenements.

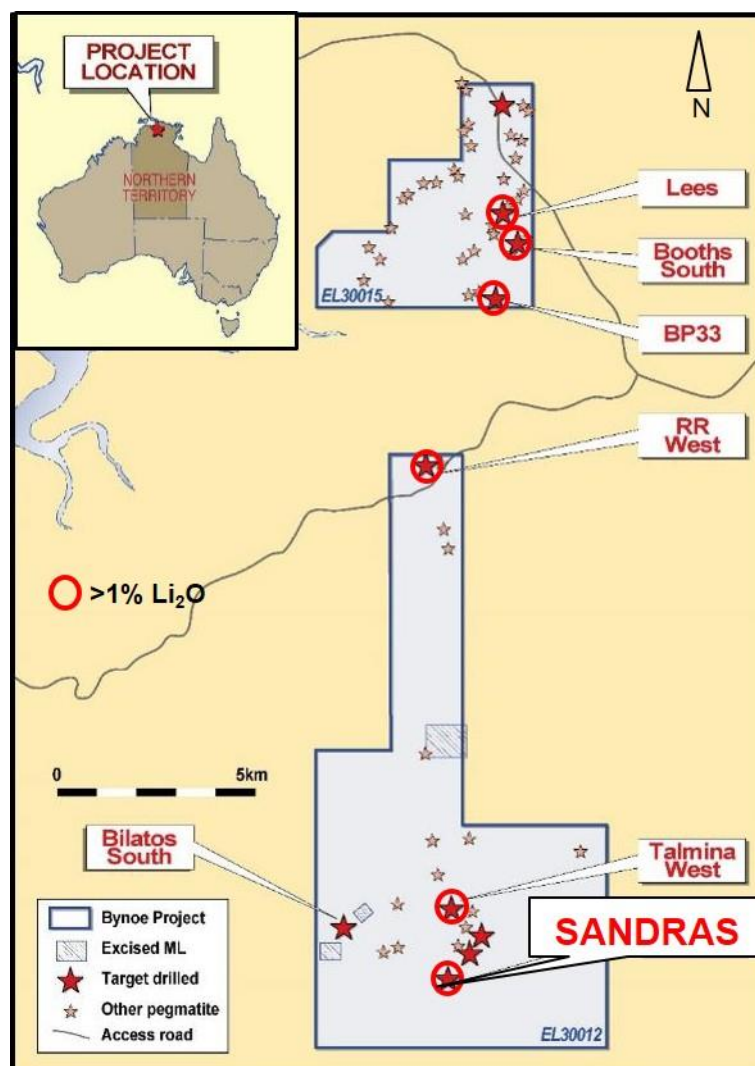


Figure 1: Bynoe Project - Location plan showing tenure and pegmatites

# Liontown Resources Limited

## Operating and Financial Review

The Project lies in the western part of the early Proterozoic Pine Creek Geosyncline, where it comprises a sequence of greenschist metamorphic grade sandstones and siltstones with occasional lenses of conglomerate. Numerous mineralogically zoned pegmatites containing tin and tantalum have intruded the sediments.

Multiple phases of prospecting, exploration and small-scale mining for tin and tantalum have been undertaken in the Bynoe area since the 1880s with 63 pegmatites documented within the project area (*see Figure 1*). The pegmatites range in size from narrow fracture fillings to massive bodies >50m thick and >200m long, however further drilling is required to ascertain the thickness and lengths of these pegmatites.

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 have been collected or assayed.

The Bynoe Project was considered highly prospective for lithium mineralisation due to:

- The common association of tin and tantalum with lithium-bearing pegmatites occurring elsewhere in the world (e.g. at the world-class Greenbushes deposit in WA);
- The presence of mineral zonation typical of lithium-bearing pegmatites;
- Strong lateritic weathering altering spodumene (lithium pyroxene) to kaolinite at surface, meaning that lithium may not have been detected by previous exploration work; and
- Reporting of lithium minerals from historic geological reports, subsequently confirmed by reconnaissance mapping.

A comprehensive review of historic data identified 10 pegmatites (*Figure 1*) as being priority RC drill targets based on their size potential and/or presence of lithium minerals or anomalism.

Liontown completed its maiden drilling program in early July 2016 with 21 Reverse Circulation holes drilled for 2,170m at 10 prospects. The drilling was designed to intersect previously defined Sn-Ta pegmatites beneath the weathering profile, where spodumene mineralisation would be preserved. It is important to note that the breakdown of spodumene during weathering commonly results in lower Li<sub>2</sub>O values near surface, however ore grade results have been intersected below the weathered zone.

Significant results (>1% Li<sub>2</sub>O) were returned from 6 of the 10 targets drilled (*Figure 2/Appendix 1*) indicating that primary lithium mineralisation is wide spread, enhancing the economic potential of the Bynoe Project which is located very close to major infrastructure including the city of Darwin.

Better intersections from the drilling included:

- **42m @ 1.0% Li<sub>2</sub>O from 93m including 6m @ 1.9% Li<sub>2</sub>O from 93m (LBRC014); and**
- **24m @ 1.1% Li<sub>2</sub>O from 70m (LBRC015)**

Both of these intersections come from the Sandra's prospect (*Figure 2*) where a pegmatite up to 40m wide and at least 300m long has been defined with strike extensions obscured by transported cover.

## Liontown Resources Limited Operating and Financial Review

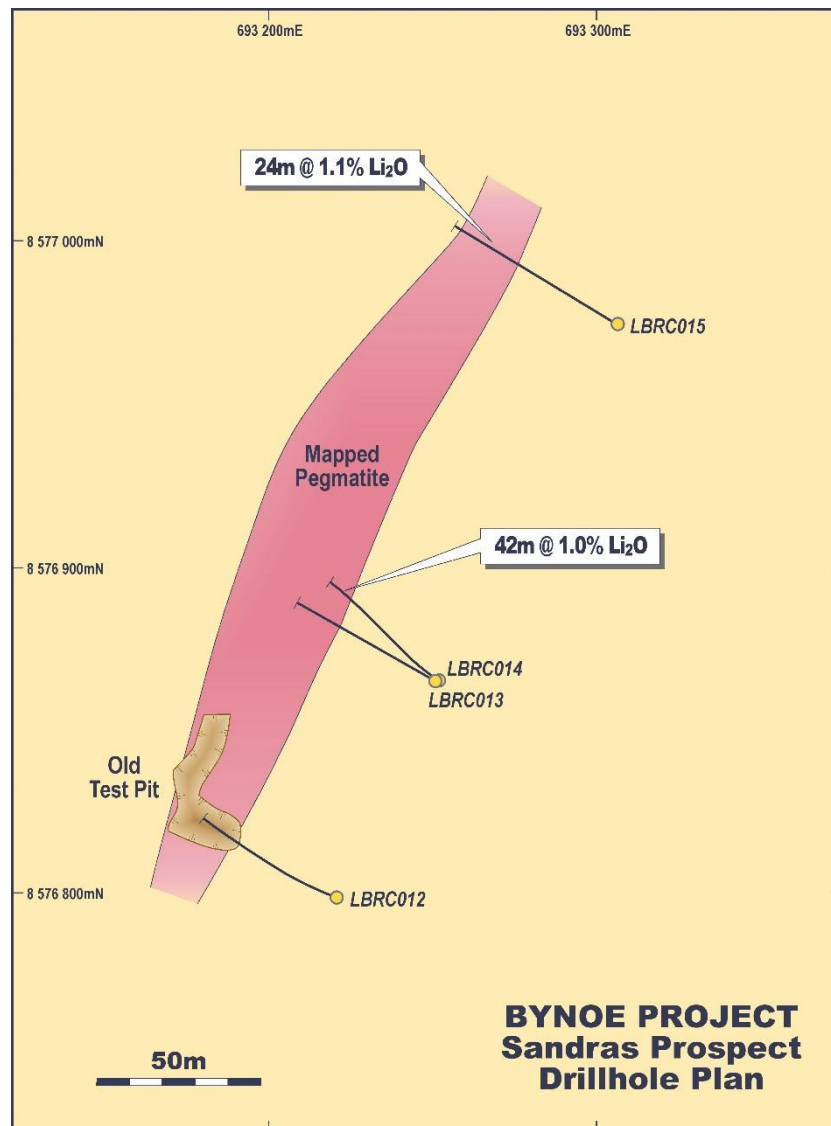


Figure 2: Bynoe Project - Sandras Prospect/Drill hole plan

A follow up RC drill program of at least 30-35 holes/~4,000m to test for extensions of mineralisation at Sandras and a number of other prospects has been planned for October 2016.

More than 50 pegmatites have yet to be assessed within the Bynoe Project area and review of the available data will be undertaken to identify those that will be drilled in the October 2016 program. Further target definition work (e.g. soil sampling, aeromagnetics) will also be considered to define other pegmatites that maybe obscured by shallow cover and not documented by previous explorers.

### 3.2 Kathleen Valley Lithium-Tantalum Project - Western Australia

The Kathleen Valley Project is located in Western Australia approximately 680km NE of Perth (see Figure 3) in a region better known for its world class gold and nickel endowment. Previous mapping and sampling has defined an extensive spodumene bearing pegmatite swarm that has not yet been assessed for its lithium potential despite individual pegmatites up to 700m long and 26m wide being exposed at surface.

Subsequent to the end of the year, Liontown entered into a binding, conditional agreement to acquire 100% of the Mining Leases (excluding gold and nickel rights) for the Kathleen Valley Project, located approximately 680km northeast of Perth, Western Australia (Figure 3).

## Liontown Resources Limited Operating and Financial Review

The Kathleen Valley Project is currently held by Ramelius Resources Limited, which is conducting gold mining operations which are expected to conclude in late 2016. The project contains a spodumene-bearing pegmatite swarm extending over an area of 3.5km by 1km and represents an outstanding, advanced lithium exploration opportunity with walk-up drilling targets.

Liontown's initial focus will be the Mt Mann area (**Figure 3**), where a publicly available report and previous mapping has documented a swarm of spodumene-bearing pegmatites (**Figure 4**) and where rock sampling has recorded multiple high-grade lithium and tantalum values, including:

- Sample 160014\_4                      1.5% Li<sub>2</sub>O and 493ppm Ta<sub>2</sub>O<sub>5</sub>
- Sample 160014\_10                    2.6% Li<sub>2</sub>O and 249ppm Ta<sub>2</sub>O<sub>5</sub>
- Sample 160014\_11                    2.1% Li<sub>2</sub>O and 295ppm Ta<sub>2</sub>O<sub>5</sub>
- Sample 160014\_14A                   2.2% Li<sub>2</sub>O and 233ppm Ta<sub>2</sub>O<sub>5</sub>
- Sample 160014\_18                    2.4% Li<sub>2</sub>O and 134ppm Ta<sub>2</sub>O<sub>5</sub>
- Sample 160014\_34A                   3.9% Li<sub>2</sub>O and 381ppm Ta<sub>2</sub>O<sub>5</sub>

(A full listing of statistics for Liontown's rock chip sampling is provided in **Appendix 2**.)

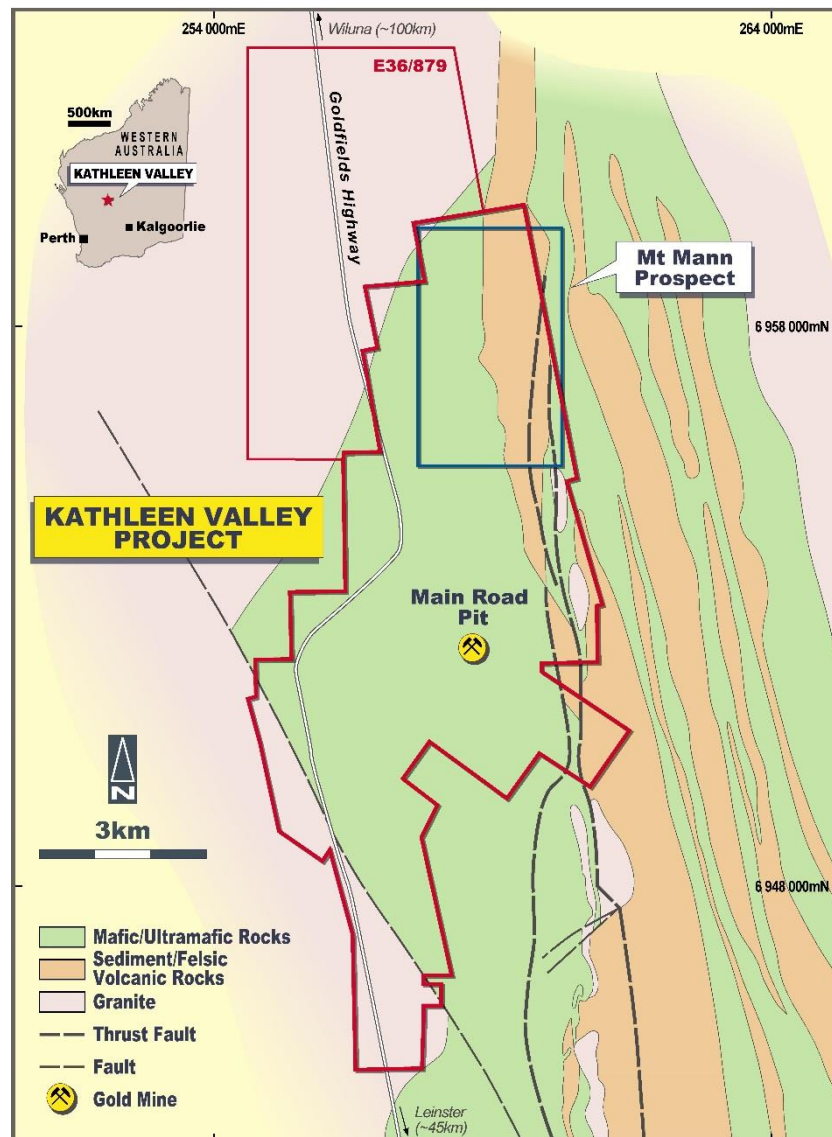


Figure 3: Kathleen Valley Project - Location plan, tenure and regional geology



## Liontown Resources Limited Operating and Financial Review

The anomalous rock chips are part of a north-south trending, 3.5km x 1km pegmatite swarm (**Figure 4**) which is largely unexplored for lithium and tantalum. While previous work recorded anomalous lithium and spodumene from the swarm, which is obscured to the north by transported cover, there has been no drill testing.

The Kathleen Valley Project comprises 15 granted Mining Leases (currently in the name of Ramelius Resources) and one Exploration Licence Application (ELA36/879), recently lodged by Liontown, covering a total area of 75km<sup>2</sup> and located ~45km NNW of Leinster, in close proximity to good transport and energy infrastructure.

Under terms of the conditional binding agreement, Liontown will from completion acquire all of the Kathleen Valley Mining Leases by issuing 25 million fully-paid shares to Ramelius, which will retain the gold rights and uninhibited access for ongoing gold mining-related activities. The Mining Leases are also subject to a Nickel Off-take and Claw-back Agreement with Xstrata Nickel in the event of a significant nickel discovery at the Project.

The mapped pegmatites are hosted by a package of mafic-ultramafic intrusions and mafic volcanic rocks, truncated to the east by a regional shear zone and associated sediments and felsic volcanic rocks. The Project is located within the Mt Keith- Perseverance Greenstone Belt near the western edge of the Norseman-Wiluna Belt which forms part of the Archaean Yilgarn Craton.

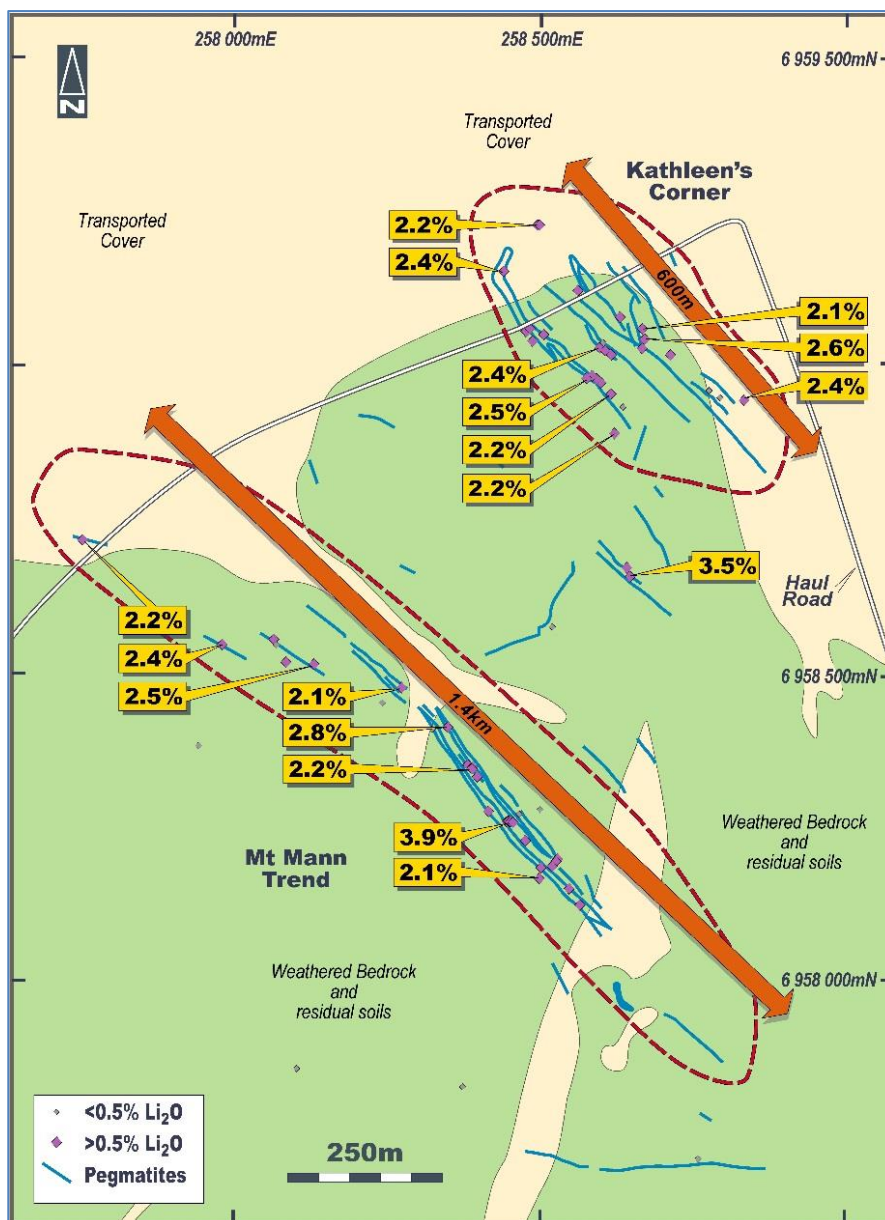


Figure 4: Kathleen Valley Project - Mt Mann Area showing rock chip sample assays

# Liontown Resources Limited

## Operating and Financial Review

Historical mapping has outlined numerous pegmatites with the largest, Mt Mann (**Figure 4**), mapped over a 700m strike length and widths varying from 10-26m. One traverse of rock chip sampling (*see Appendix 2*) across the Mt Mann pegmatite reported results of 3.9%, 1.5%, 1.8% and 1.2% Li<sub>2</sub>O (for an average of 2.1% Li<sub>2</sub>O) and an average Ta<sub>2</sub>O<sub>5</sub> value of 195ppm.

To the north-east of Mt Mann, a cluster of closely spaced pegmatites has been defined containing up to 2.6% Li<sub>2</sub>O and 431ppm Ta<sub>2</sub>O<sub>5</sub>.

Spodumene crystals were observed in all sampled pegmatites with only minor lepidolite noted.

Liontown will commence work immediately on the Kathleen Valley Project with the following activities planned:

- Commence permitting for drilling at Mt Mann and the pegmatite cluster to the north-east;
- Ranking of pegmatites according to size and grade potential; and
- Reverse Circulation drilling.

Ramelius' gold mining activities are unlikely to effect Liontown's planned exploration work.

### Acquisition Terms

The acquisition of the Kathleen Valley Mining Leases are subject to a binding agreement with Ramelius Resources Limited (RMS). Principal terms include:

- LTR will issue 25 million fully paid shares to RMS to acquire the Mining Leases;
- LTR will pay RMS 1% of gross sales of resulting concentrate produced from pegmatite-hosted ores processed;
- LTR will also pay RMS \$0.50 per tonne of rare metal pegmatite-hosted ore mined and milled; and
- RMS will retain exclusive gold rights and uninhibited access for gold-mining related activities.

Completion of the transaction is conditional on:

- Consent of each counter party to the assignment or novation of certain third party agreements;
- Certain registered encumbrances against the Mining Leases being released;
- Ministerial consent to the transfer of the Mining Leases;
- RMS obtaining the consent of its financier to the transaction (if required).

### 3.3 Lake Percy Lithium Project - Western Australia

*The Lake Percy Project is located in Western Australia approximately 430km east of Perth (see Figure 5) within the southern part of the Archaean Yilgarn Craton which hosts a number of world class and emerging hard rock lithium deposits. Previous exploration has defined very large pegmatites and the property is located north and along strike of a number of historic lithium occurrences. Liontown has entered into a joint venture agreement with White Cliff Minerals (ASX:WCN) whereby it may earn up to 70% equity through direct exploration expenditure.*

## Liontown Resources Limited

### Operating and Financial Review



Figure 5: Lake Percy - Location and Regional Geology

Liontown has secured the right to earn 70% equity in the Lake Percy Project through a joint venture arrangement with White Cliff Minerals Limited (ASX: WCN.)

Importantly, the property is strategically located in the Lake Johnson-Forrestania district of WA, a rapidly emerging lithium province.

The Lake Percy Project is considered prospective for economic lithium mineralisation due to:

- the presence of very large pegmatite bodies with surface dimensions up to 550m wide and 3km long (**Figure 6**); and
- its location at the northern end of Lake Johnson Greenstone Belt (**Figure 5**), which hosts several lithium-bearing pegmatites including ~20km to the south and a second area near the Maggie Hayes nickel deposits (see Poseidon Nickel ASX release dated 23<sup>rd</sup> May 2016).

Recently announced lithium exploration results by other companies operating in region such as Kidman Resources (ASX: KDR) and Marindi Metals (ASX: MZN) has further highlighted its lithium potential.

## Liontown Resources Limited

### Operating and Financial Review

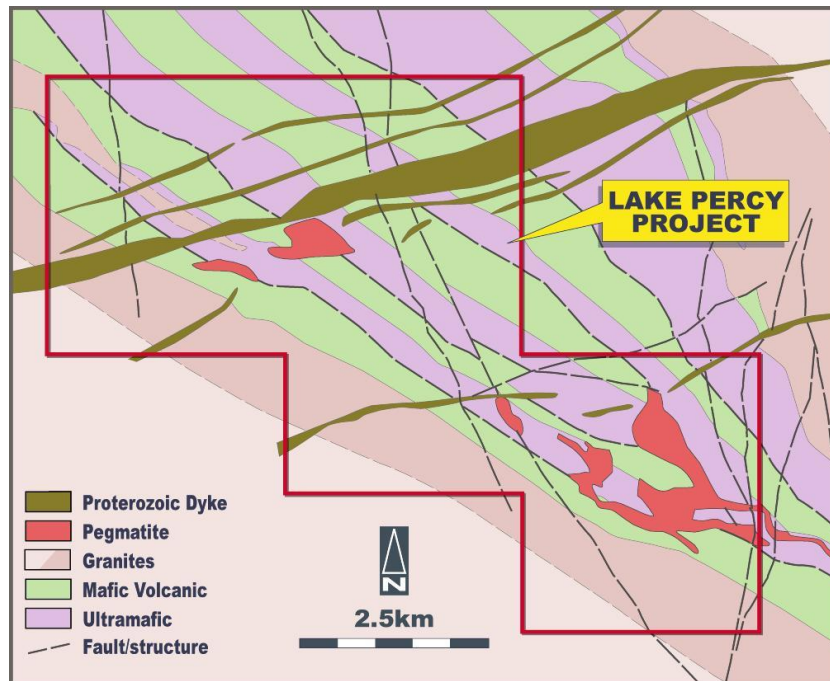


Figure 6: Lake Percy - Interpreted Geology showing pegmatites

The Project area has been extensively explored for nickel, including multiple phases of RC and diamond core drilling; however, there have been very few assays for lithium and the pegmatites have largely been ignored. Strong surficial weathering means that spodumene is unlikely to be preserved at surface and further drilling will be required to test for primary lithium mineralisation.

Early reconnaissance rock chip sampling has confirmed the strongly weathered nature of the area; however; pathfinder geochemistry (i.e. Cs, Rb, Sn and Ta) indicate that the pegmatites are possibly fractionated and the right type to host rare metal mineralisation.

A detailed work program will be initiated once a comprehensive review of historic data is completed.

#### Acquisition Terms

Liontown has agreed to terms with White Cliff Minerals whereby it may acquire up to 70% of the Lake Percy Project, on the following terms:

- by spending A\$1,000,000 on exploration within 3 years to earn 51% equity;
- at its election, Liontown can increase its equity to 70% by spending an additional A\$750,000 before the 4<sup>th</sup> anniversary of the JV Agreement execution; and
- committing to spending \$50,000 on exploration before having the right to withdraw from the joint venture.

## Tanzanian Projects

### 3.4 Jubilee Reef Gold Project - Tanzania

The Jubilee Reef Project is located approximately 850km northwest of Dar es Salaam (see Figure 7) within the Lake Victoria Goldfield of northern Tanzania. This Archaean greenstone-granite terrain hosts several multimillion ounce gold deposits including Acacia Mining's Bulyanhulu deposit and AngloGold Ashanti's Geita deposit

## Liontown Resources Limited

### Operating and Financial Review

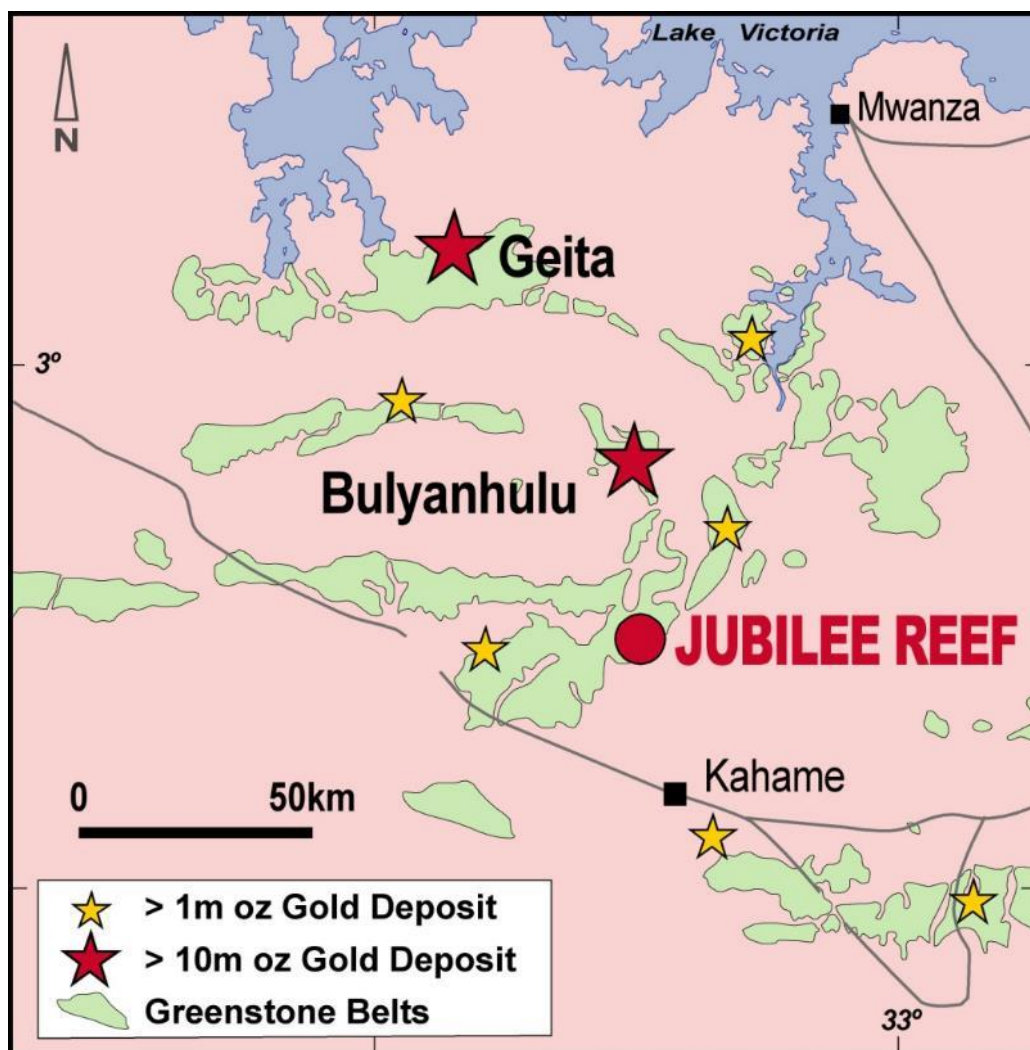


Figure 7: Tanzania - Liontown Projects

Following a review of drill data, Liontown engaged independent specialist resource and mining consulting group Optiro Pty Ltd to prepare an Inferred Mineral Resource estimate for the Simba and Panapendesa gold deposits at Jubilee Reef. During the December Quarter of 2015, the Company announced a maiden Inferred Mineral Resource estimate of approximately 8.5Mt @ 1.4g/t gold (~390,000 ounces) for the Jubilee Reef Gold Project.

The total Inferred Mineral Resource for Jubilee Reef is summarised below:

*Jubilee Reef – Mineral Resource statement as at November 2015 reported above a cut-off grade of 0.7 g/t gold*

Deposit	Classification	Million Tonnes	Grade g/t gold	Contained metal (koz gold)
Simba	Inferred	7.4	1.4	320
Panapendesa	Inferred	1.1	2.0	70
<b>Total</b>	<b>Inferred</b>	<b>8.5</b>	<b>1.4</b>	<b>390</b>

Note: Inconsistencies in totals are due to rounding

The independent Mineral Resource estimates for the Jubilee Reef Project are classified in accordance with the guidelines of the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code; 2012).



# Liontown Resources Limited

## Operating and Financial Review

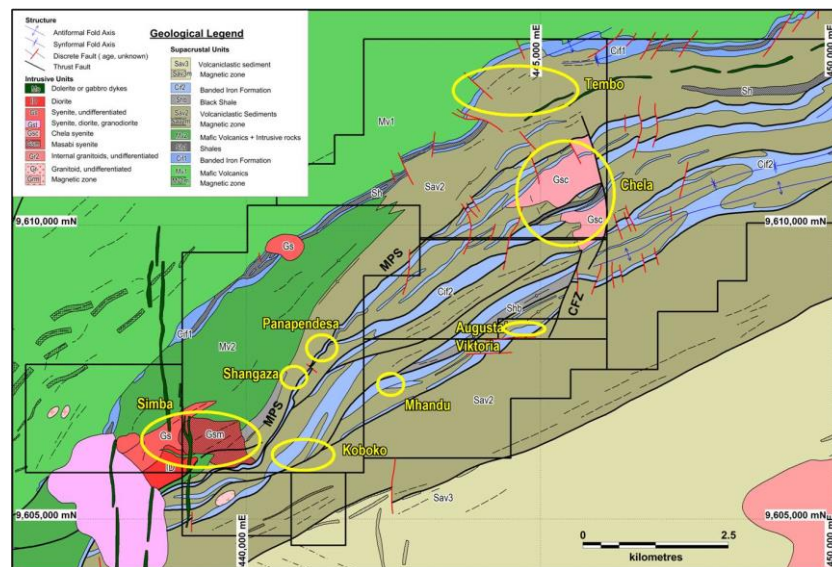
### Project Overview

The Jubilee Reef Project lies within a sequence of Archaean mafic volcanics, intermediate to felsic volcanics, shales and banded iron formations (BIF) that form part of the Siga Hills Greenstone Belt within the Lake Victoria Goldfield. The Lake Victoria Goldfield hosts a number of world-class gold mining operations including the Bulyanhulu and Geita mines.

The Simba deposit is located in the south-west corner of the Jubilee Reef Project (**Figure 8**) and is centred on the Masabi Syenite, an elliptical intrusion of syenite and diorite emplaced into the volcanic and volcanoclastic stratigraphy.

The intrusive complex comprises a series of felsic to intermediate intrusions forming a broadly east-west striking, rectangular body at least 1,600m long (east-west) by 700m wide. Gold mineralisation is hosted in massive but variably fractured and carbonate altered syenite, diorite, quartz diorite, and, along the southern contact, fine and coarse grained mafic volcanics and dolerites.

The Panapendesa deposit is located some 1.8 km to the north-east of the Simba deposit and lies within a sequence of BIF, shale and volcanoclastic sediments.



**Figure 8: Jubilee Reef Project – Geology interpretation showing main gold prospects**

### Mineral Resources for Jubilee Reef

The mineralisation at the Simba deposit has been defined by 70 Reverse Circulation (RC) drill holes for a total of 8,735m, three diamond drill holes for a total of 982m and 26 rotary air blast (RAB) holes for a total of 758m. The mineralisation at Panapendesa has been defined by 14 RC drill holes for a total of 1,937m and 16 RAB drill holes for a total of 677m.

Statistical analysis indicated no relative bias between the RC and RAB drilling results.

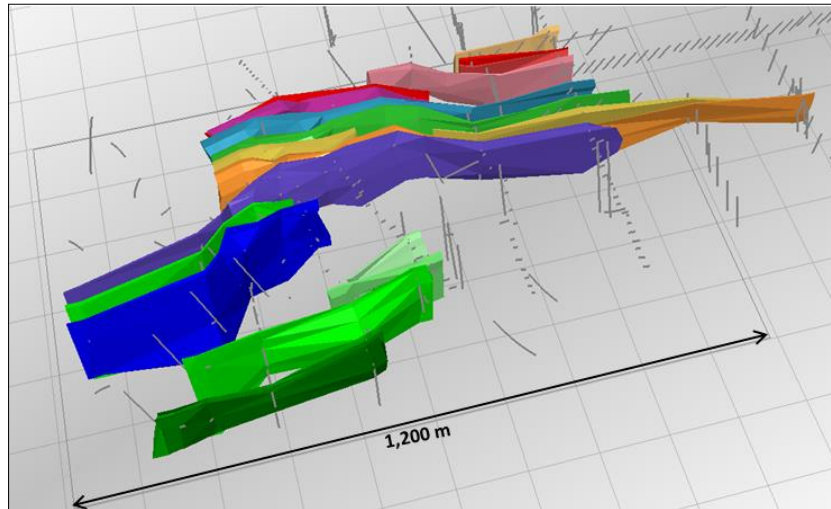
The gold mineralisation has been interpreted using a nominal cut-off grade of 0.3 g/t gold. Three-dimensional views of the interpreted mineralisation at Simba and Panapendesa are included in **Figures 9 and 10**.

Block grades were estimated using an ordinary kriging technique using a panel size of 20 mE by 5 mN on 10m benches at Simba and a panel size of 15 mE by 5 mN on 10m benches at Panapendesa. Following validation against the input data, this model was post-processed using local uniform conditioning to reflect selective mining units (SMU) of 5 mE by 2.5 mN by 2.5 mRL at both deposits. This resulted in a modest increase to the grade. A bulk density of 2.6 t/m<sup>3</sup> was assigned for tonnage estimation of both the syenite material at Simba and the metasedimentary sequence at Panapendesa.

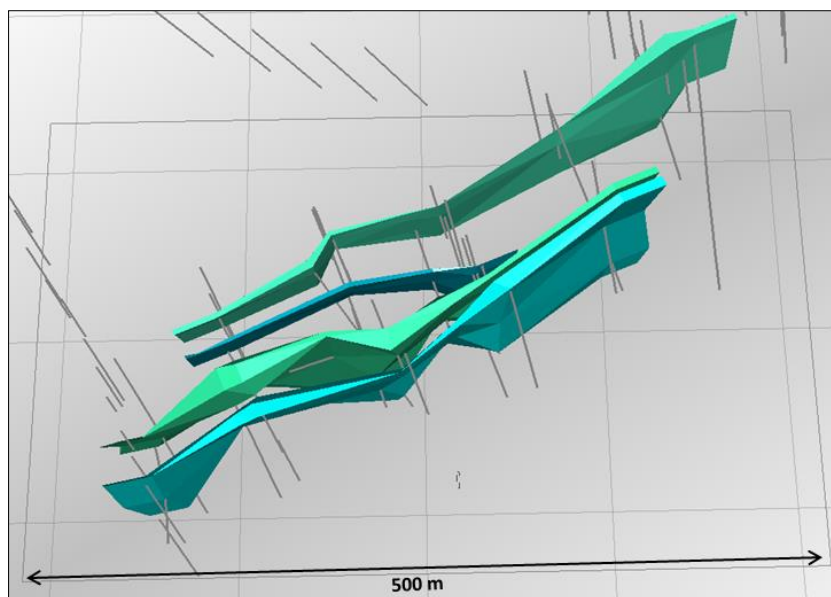
## Liontown Resources Limited

### Operating and Financial Review

The Mineral Resources have been reported above a 0.7g/t gold cut-off grade to reflect current commodity prices and potential open pit mining and processing options. The Mineral Resources have not been constrained within an open pit.



*Figure 9: 3D view of mineralised lodes at Simba – looking north-northwest*



*Figure 10: 3D view of mineralised lodes at Panapendesa – looking north*

### Exploration Potential

Exploration potential at Jubilee Reef is considered good with multiple prospects also defined away from the Simba and Panapendesa resources.

## Liontown Resources Limited Operating and Financial Review

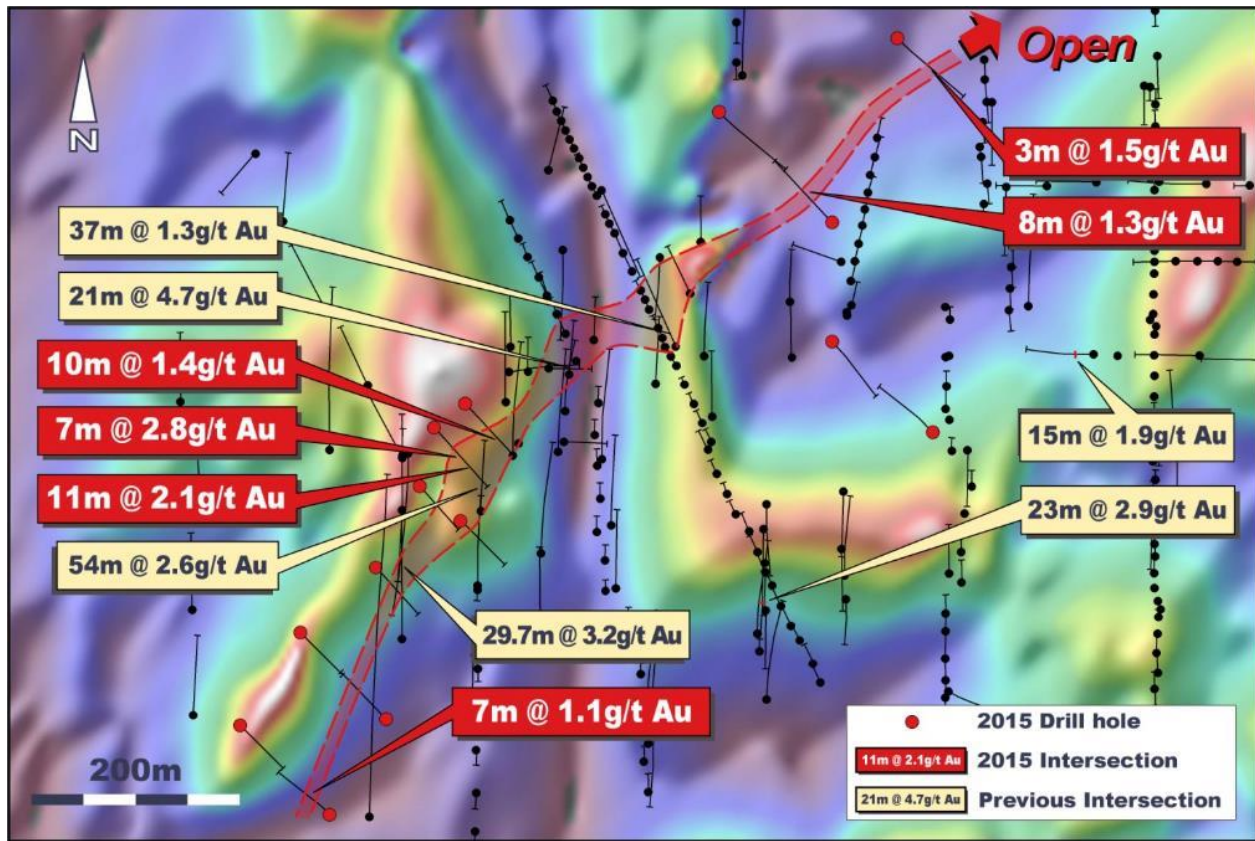


Figure 11: Jubilee Reef/Simba Prospect - Drill hole plan on magnetic image showing better intersections and potential for multiple lodes.

Late in the year, seven trenches for a total 914m were excavated across areas of previously defined gold-in-soil anomalism that had not been previously assessed. Significant results were recorded from the Tembo prospect where trench JBRTR011 returned:

- 10m @ 0.6g/t Au from 70m;
- 2m @ 3.4g/t Au 98m; and
- 2m @ 6.0g/t from 112m

(A full listing of trenches completed at Tembo is given in **Appendix 3**)

Due to varying thicknesses of scree, sampling in trench JBRTR011 was not continuous and the above intersections appear to form part a 50m wide mineralised zone. The latest results combined with assays from previous trenching (JBRTR001,002 and 005/see **Appendix 3**) appear to define a plus 800m long, NW trending mineralised zone (**Figure 12**) which warrants follow up drill testing.



## Liontown Resources Limited Operating and Financial Review

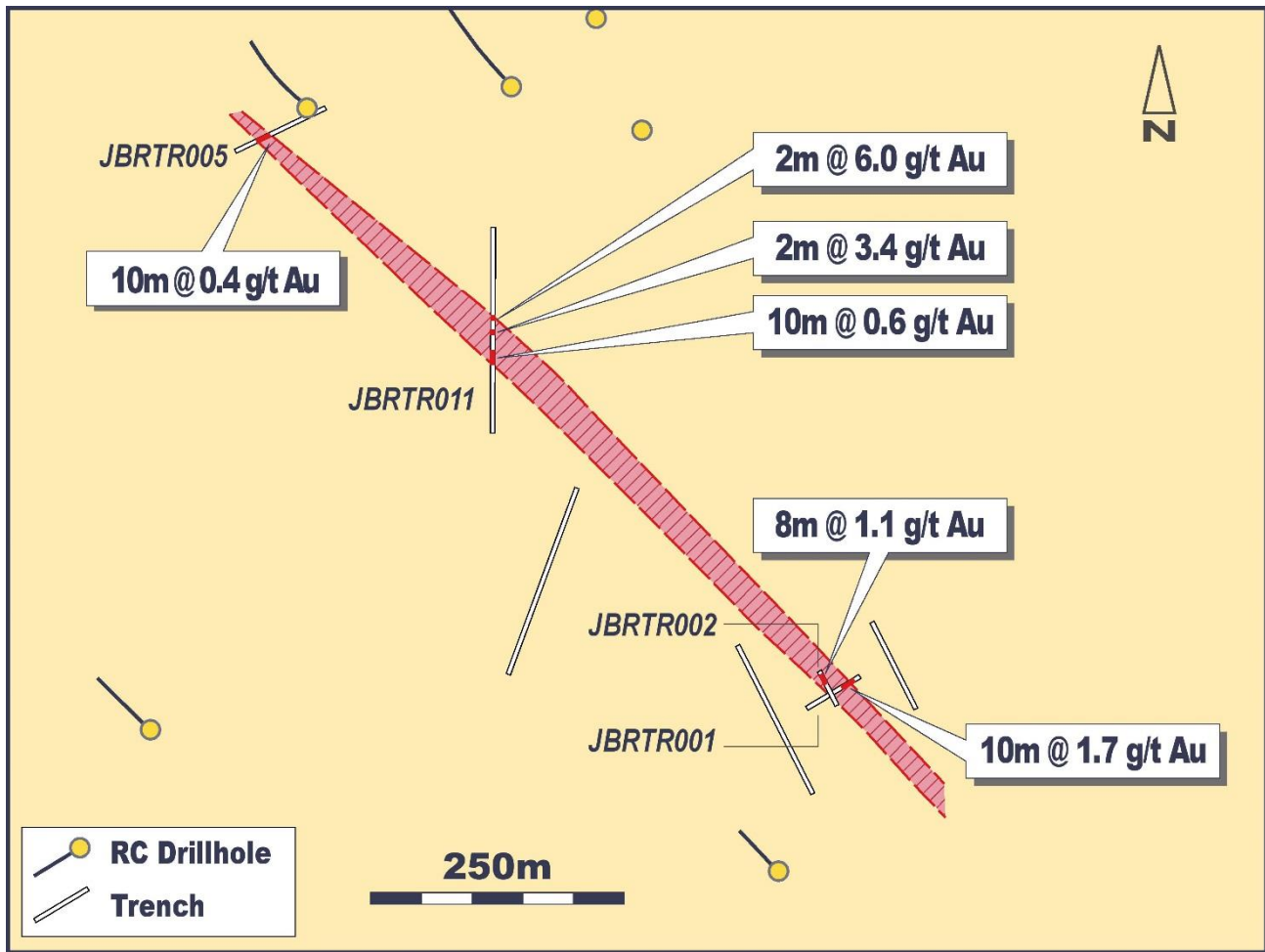


Figure 12: Jubilee Reef Project - Tembo Prospect/Trench and drill hole plan.

### Tenement Status

Active monitoring of the adjacent tenure has allowed the Company to apply for two new Prospecting Licences contiguous with the pre-existing tenements increasing the total Project area by ~71% from 65.6km<sup>2</sup> to 112.2km<sup>2</sup>. There are no competing applications and the tenements should be granted to Liontown Resources once they are processed by the Tanzanian Ministry of Mines. The new applications include a number of soil anomalies that will be assessed once the areas are approved for grant.

### 2.5 Mohanga Lithium-Tantalum-Gold Project - Tanzania

The Mohanga Project is located in central Tanzania approximately 40km NNE of the capital Dodoma and 400km WNW of Dar es Salaam within the south eastern part of the Tanzanian Craton. The regional geological setting is similar to the southwestern part of Western Australia which hosts world class lithium (i.e. Greenbushes) and gold (e.g. Boddington) deposits. Liontown has secured a contiguous 177km<sup>2</sup> area and geochemical sampling has defined strong lithium, tantalum and gold anomalism.

Liontown secured the Mohanga Project in late 2015 through a combination of tenement acquisitions and an Option Agreement with a local company. Further details of the land status are provided below.

A number of lithium-bearing pegmatites have been recorded by historic government mapping and reconnaissance rock chip sampling by Liontown geologists returned multiple significant lithium (>1% Li<sub>2</sub>O) and tantalum (>0.05% Ta<sub>2</sub>O<sub>5</sub>) values.

There has been no drilling or other modern exploration within the Mohanga Project area.

## Liontown Resources Limited

### Operating and Financial Review

The Project is in the south eastern part of the Archaean Tanzanian Craton where it comprises a WNW-NW trending sequence of metasediments (quartzite, quartz-feldspar schist and graphitic schist), amphibolite schist and quartz-feldspar gneiss intruded by granite. The geological setting is considered analogous to the Archaean granite/greenstone terrain of southwest Western Australia and exploration has targeted pegmatite-hosted rare metal mineralisation and orogenic gold mineralisation.

Since acquiring the Project, Liontown has:

- Acquired and processed regional aeromagnetic and radiometric data;
- Undertaken detailed geological mapping;
- Completed 2 phases of trenching; and
- Completed wide spaced and infill soil sampling.

The geophysical and geological data indicate that the Mohanga area is underlain by an Archaean greenstone belt analogous to those seen in Western Australia and Canada. The Mohanga greenstone belt hosts a large (>11km x 2km), rare metal pegmatite field with numerous individual pegmatites that are prospective for lithium and tantalum (**Figure 13**).

The trenching was largely designed to better expose the historic lithium occurrences and test for extensions to the mineralisation. A total of 23 trenches were hand excavated for 1,662m (*see Appendix 4*). Better results included:

- MOHTR001 4m (14.3 - 18.4m) @ 4.93% Li<sub>2</sub>O and 1,862ppm Ta<sub>2</sub>O<sub>5</sub>
- MOHTR002 2.3m (20.2 - 22.5m) @ 1.79% Li<sub>2</sub>O and 712ppm Ta<sub>2</sub>O<sub>5</sub>
- MOHTR004 1.7m (7.8 - 9.5m) @ 4.87% Li<sub>2</sub>O and 314ppm Ta<sub>2</sub>O<sub>5</sub>  
1.1m (13.4 - 14.5m) @ 3.21% Li<sub>2</sub>O and 505ppm Ta<sub>2</sub>O<sub>5</sub>
- MOHTR007 6m (36.5 - 42.5m) @ 407ppm Ta<sub>2</sub>O<sub>5</sub>
- MOHTR014 3.5m (74.5 - 78m) @ 230ppm Ta<sub>2</sub>O<sub>5</sub>
- MOHTR016 8.3m (8 - 16.3m) @ 395ppm Ta<sub>2</sub>O<sub>5</sub> including 2m @ 943ppm Ta<sub>2</sub>O<sub>5</sub>

## Liontown Resources Limited Operating and Financial Review

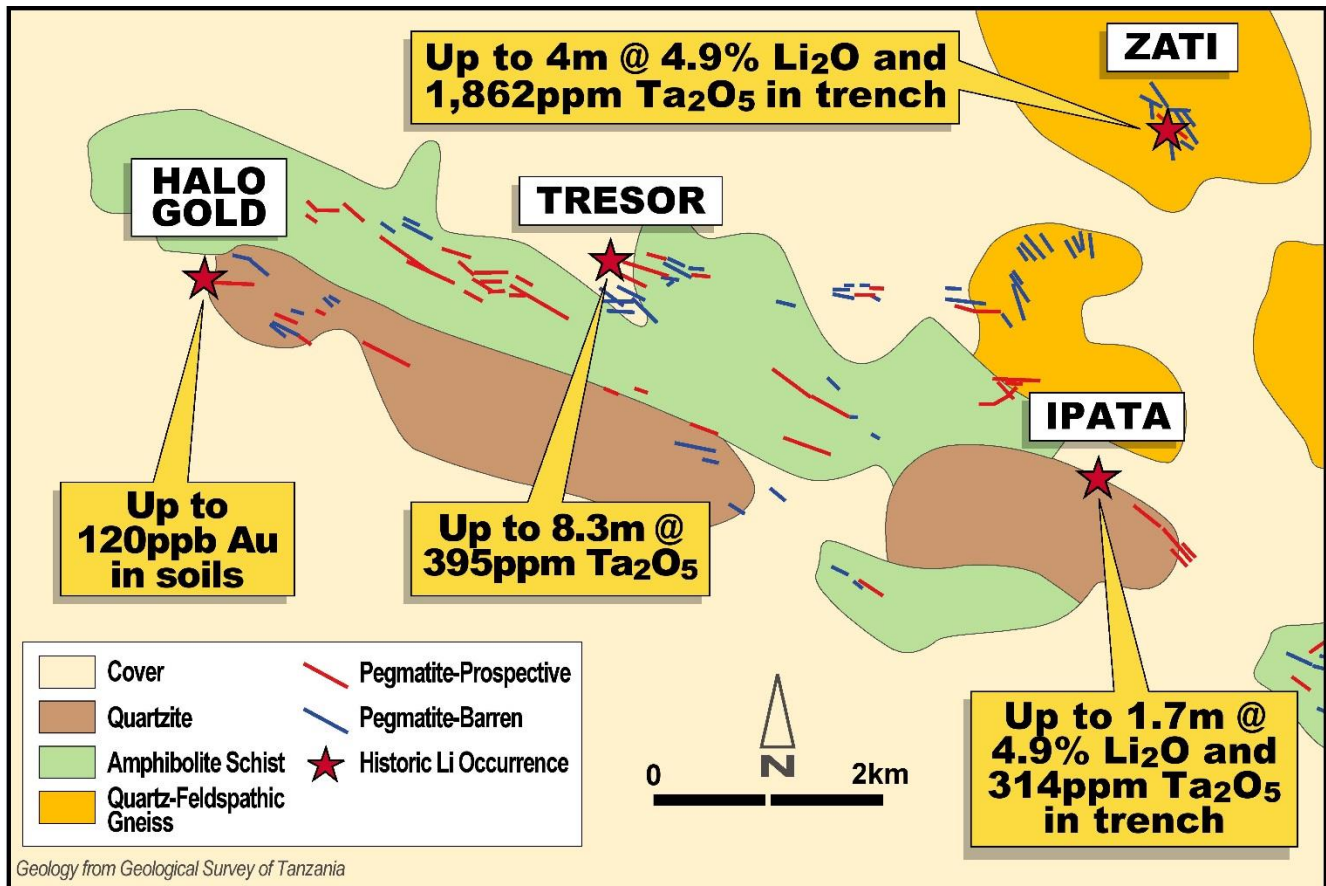


Figure 13: Mohanga Project - Geological plan and main prospect locations.

The soil sampling was designed to test the greenstone stratigraphy for gold and strong anomalism was recorded at the Halo (up to 120ppb Au) and Tresor (up to 58ppb Au) prospects (**Figure 13**). The anomalous trends at both prospects are open along strike where they are obscured by transported cover.

Liontown's initial exploration at Mohanga indicates potential for the discovery of a number of commodities and follow up work will be planned once a full review of results is completed.

# **Liontown Resources Limited**

## **Operating and Financial Review**

### **4. Financial Review**

#### **4.1 Financial Performance**

The group reported a net loss of \$5,454,292 for the year (2015: net loss of \$846,293). The current year net loss predominantly relates to the write off of capitalised exploration expenditure. Corporate administrative expenses have increased by 18% to \$528,574 (2014: \$446,916).

During the year the directors resolved to satisfy accrued directors' fees from 1 October 2014 to 30 September 2015 of \$49,119 by the issue of 7,017,000 shares. Net directors' fees payable have continued to be accrued from 1 October 2015 until the Company and directors agree otherwise.

#### **4.2 Statement of Cash Flows**

Cash and cash equivalents at 30 June 2016 were \$800,948 (2015: \$907,882).

Exploration expenditure and business development costs increased by 83% during the year to \$1,553,595 (2015: \$848,927) mainly due to exploration and evaluation of the Bynoe and Mohanga Projects from the funds raised during the year.

#### **4.3 Financial Position**

At balance date the group had net assets of \$2,519,266 (2014: \$5,122,894), and an excess of current assets over current liabilities of \$517,279 (2015: excess of current liabilities over current assets of \$66,505). Current liabilities decreased by 62% to \$373,306 in 2016 from \$1,004,967 in 2015 financial year. The significant decrease in current liabilities is mainly a result of application monies of \$690,387 from last financial year's rights issue being received just prior to the 2015 year end, where shares were not issued until July 2015 this current financial year.

Notwithstanding the positive abovementioned working capital position at balance date, a 12 month cash flow forecast suggests that the Company will need to raise additional funds in the coming year to meet its operating expenditure and planned exploration expenditure. Smaller exploration companies are finding it difficult to raise additional capital in the current market. If the Company is unable to raise capital, there is a material uncertainty that may cast significant doubt as to whether the Company 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 audit report for the 2016 financial year an "emphasis of matter" paragraph.

Subsequent to year end, the Company announced that it would be undertaking a non-renounceable rights issue to raise up to approximately \$1.4 million.

Current assets decreased by 5% to \$890,585 (2015: \$938,462). Non-current assets decreased by 61.42% to \$2,001,987 (2015: \$5,189,399) due to the impairment of the Jubilee Reef Project in Tanzania during the year.

#### **4.4 Corporate**

##### ***Capital Raisings***

In July 2015, 115,192,468 shares were issued from the June 2015 completion of the 1 for 4 non-renounceable rights issue.

During the year \$1.34 million before issue costs were raised to progress the exploration and evaluation of the Bynoe and Mohanga Projects. The placement, comprising 89,800,001 fully paid ordinary shares were issued at an issue price of 1.5 cents per share.

##### ***Settlement of loan facility***

The Company's Chairman, Mr Tim Goyder, provided a loan facility of \$350,000 to the Company in December 2015. The Company and Mr Goyder mutually agreed to settle the outstanding loan of \$350,000 by issuing to Mr Goyder, 23,333,333 fully paid ordinary shares at an issue price of 1.5 cents. The issue price of 1.5 cents was at the same price as shares issued under the Placement referred to above. The issue of shares to settle the loan was approved by shareholders in May 2016.

# Liontown Resources Limited

## Mineral Resource Statement

The Company reviews and reports its mineral resources at least annually. The date of reporting is 30 June each year, to coincide with the Company's end of financial year balance date. If there are any material changes to its mineral resources over the course of the year, the Company is required to report these changes.

On 30 November 2015, the Company issued a maiden mineral resources statement for the Jubilee Reef Gold Project in Tanzania. The report was prepared in accordance with the JORC Code (2012 Edition).

The Jubilee Reef Gold Project is not an active mining operation and hence no resource depletion has occurred since the resource statement was issued. Furthermore, exploration work carried out since the resource has not resulted in a change to the reported mineral resources.

The Jubilee Reef Gold Project mineral resource is set out in the table below.

*Table 1: Jubilee Reef – Mineral Resource statement as at 30 November 2015 reported above a cut-off grade of 0.7g/t gold*

Deposit	Classification	Million Tonnes	Grade g/t gold	Contained metal (koz gold)
Simba	Inferred	7.4	1.4	320
Panapendesa	Inferred	1.1	2.0	70
Total	Inferred	8.5	1.4	390

Note: Inconsistencies in totals are due to rounding

### Governance Arrangements and Internal Controls

The Company has ensured that the mineral resources quoted are subject to good governance arrangements and internal controls. The mineral resources reported have been generated by Mrs Christine Standing of Optiro Pty Ltd, an independent external consultant who is experienced in this style of gold deposit and who undertakes best practices in modelling and estimation methods. The consultant has also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimation. In addition, Liontown's management carries out regular reviews and audits of internal processes and external consultants that have been engaged by the Company.

# Liontown Resources Limited

## Competent Persons Statement

*The information in this report that relates to Exploration Results is based on information compiled by Mr David Richards, a full time employee of Liontown Resources Limited, who is a Member of the Australian Institute of Geoscientists. Mr Richards has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Richards consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The Information in this report that relates to the Exploration Results for the Bynoe Project is extracted from the ASX announcement entitled "Thick zones of strong lithium mineralization intersected in maiden drilling program at Bynoe Project, NT" released on 26 July 2016 and is available on [www.ltresources.com.au](http://www.ltresources.com.au).*

*The Information in this report that relates to the Exploration Results for the Kathleen Valley Project is extracted from the ASX announcement entitled "Lithium-tantalum potential at Kathleen Valley significantly expanded" released on 6 September 2016 and is available on [www.ltresources.com.au](http://www.ltresources.com.au).*

*The Information in this report that relates to the Exploration Results for the Lake Percy Project is extracted from the ASX announcement entitled "Liontown expands Australia lithium portfolio with joint venture on Lake Percy project in Western Australia" released on 14 June 2016 and is available on [www.ltresources.com.au](http://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](http://www.ltresources.com.au).*

*The Information in this report that relates to the Exploration Results for the Mohanga Project is extracted from the ASX announcement entitled "Quarterly Activities Report for the period ended 31<sup>st</sup> July 2016" released on 21 July 2016 and is available on [www.ltresources.com.au](http://www.ltresources.com.au).*

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

## Forward Looking Statement

*This report contains forward-looking statements which involve a number of risks and uncertainties. These forward looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement.*

*No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.*



# Liontown Resources Limited

## Appendices

### APPENDIX 1: Bynoe Project – RC Drilling Statistics

Hole ID	Prospect	East	North	RL	Dip	Azimuth	Depth (m)	Significant (>0.5%) Lithium Results *			
								From (m)	To (m)	Interval (m)	Grade (%)
LBRC001	BP33	694533	8593573	23	-80	125	78	No significant assays			
LBRC002		694499	8593566	23	-60	125	78	52	68	16	1.1
								incl. 4m @ 1.6% from 56m and			
								2m @ 2.2% from 64m			
LBRC003	Booths South	695148	8995139	57	-60	245	96	No significant assays			
LBRC004	Lees	694668	8595976	44	-70	180	90	66	70	4	1.1
LBRC005		694637	8595994	37	-90	180	90	66	68	2	0.8
LBRC006	Booths South	695073	8595223	53	-90	230	118	90	92	2	1.1
LBRC007	Hang Gong	694710	8598552	29	-60	90	132	No significant assays			
LBRC008		694697	8598502	31	-60	90	114				
LBRC009		694780	8598450	28	-60	270	90				
LBRC010		694744	8598643	27	-78	90	72				
LBRC011	RR West	692793	8589503	35	-65	290	108	70	78	8	0.9
LBRC012	Sandras	693222	8576799	55	-65	290	102	incl. 2m @ 1.9% from 76m			
LBRC013		693252	8576866	52	-65	297	96	No significant assays			
LBRC014		693253	8576866	52	-80	297	162	64	72	8	0.7
								93	135	42	1
								incl. 6m @ 1.9% from 93m and 2m @ 1.7% from 133m			
LBRC015		693307	8576976	53	-65	300	114	70	94	24	1.1
LBRC016	Martins	693783	8577524	49	-65	308	96	No significant assays			
LBRC017	Turners	694058	8577814	58	-65	128	96				
LBRC018	Bilatos	690764	8578236	44	-65	135	108				
LBRC019		690829	8578162	45	-65	315	102				
LBRC020	Talamia West	693354	8578620	69	-70	115	132	96	98	2	2.2
								102	106	4	0.6
								110	114	4	1.3
								incl. 2m @ 2.0% from 112m			
LBRC021	Martins	693847	8577462	51	-65	308	96	No significant assays			

\* 2m composite samples

### APPENDIX 2: Kathleen Valley Project – Mt Mann Rock Chip Samples

Sample_ID	East	North	Li_pct	Li2O_pct	Ta_ppm	Ta2O5_ppm	Cs_ppm	Nb_ppm	Rb_ppm	Sn_ppm
160614_01a	258766	6959242	0.72	1.55	353	431	102	77	2210	37
160614_01b	258766	6959242	0.37	0.80	156	190	121	69	3980	36
160614_04	258804	6959190	0.7	1.51	404	493	139	56	2360	43
160614_10	258807	6959205	1.2	2.58	204	249	73.6	54	1945	51
160614_11	258803	6959221	0.98	2.11	242	295	88.2	46	1910	49
160614_14A	258632	6959390	1.01	2.17	191	233	39.3	61	1080	53
160614_14B	258634	6959390	0.83	1.78	22.4	27	7.2	-5	93.2	38
160614_14C	258634	6959390	-0.01	-0.02	271	331	53.6	44	1035	24
160614_18	258577	6959315	1.12	2.41	109.5	134	235	52	1690	48
160614_21	258644	6959213	0.87	1.87	229	279	113	66	2380	40
160614_27	258691	6958309	0.66	1.42	90.2	110	199	17	4180	36
160614_32	258605	6958431	0.16	0.34	161.5	197	222	53	5600	74
160614_33	258639	6958438	-0.01	-0.02	3.5	4	6.1	-5	49.2	-5
160614_34A	258588	6958418	1.8	3.87	312	381	286	49	2130	63
160614_34B	258591	6958418	0.71	1.53	95.6	117	304	24	4280	47
160614_34C	258593	6958418	0.85	1.83	130.5	159	321	52	5070	50
160614_34D	258595	6958418	0.57	1.23	103	126	130	18	3020	42

# Liontown Resources Limited

## Appendices

### APPENDIX 3: Jubilee Reef Project – Tembo Trench Statistics

HOLEID	EAST	NORTH	RL	LENGTH (m)	AZIMUTH	DIP	Significant Intersections (>0.2g/t Au)*			
							From (m)	To (m)	Interval (m)	Au (g/t)
JBRT001**	4488	12131	1363.5	60	60	10	33	34	1	1.6
							<b>41</b>	<b>52</b>	<b>11</b>	<b>1.7</b>
							incl. 6m @ 2.7g/t from 46m			
JBRT002**	4500	12166	1364	49	150	0	0	8	8	1.1
							incl. 1m @ 4.1g/t from 2m			
							14	24	10	0.4
							32	40	8	1.1
JBRT003**	4261	12346	1417	200	200	-15	No significant assays			
JBRT004**	4896	12401	1422	150	155	-14	24	28	4	1.0
JBRT005**	4015	12720	1422	100	245	-5	64	74	10	0.4
JBRT006**	5599	12559	1395	133	155	-2.5	<b>58</b>	<b>70</b>	<b>12</b>	<b>1.3</b>
							incl. 2m @ 4.1g/t Au from 68m			
JBRT007**	4419	12192	1377	166	153	-15	No significant assays			
JBRT008**	4552	12215	1395	100	153	-15				
JBRT011	4180	12400	1419	202	0	0	70	80	10	0.6
							90	92	2	0.9
							<b>98</b>	<b>100</b>	<b>2</b>	<b>3.4</b>
							102	104	2	0.8
							<b>112</b>	<b>114</b>	<b>2</b>	<b>6.0</b>
JBRT014	5559	12529	1373	102	155	0	52	58	6	0.7
							incl. 2m @ 1.4g/t Au from 54m			
JBRT015	5654	12564	1386	94	155	0	75	77	2	0.5

\*1-2m sample intervals, \*\* Previously reported



# Liontown Resources Limited

## Appendices

### APPENDIX 4: Mohanga Project – Trench Statistics

Hole_ ID	East	North	RL	Dip	Azimuth	Length (m)	Significant Results (>0.2% Li2O and/or >100ppmTa2O5)				
							From	To	Interval	Li2O%	Ta2O5 ppm
MOHTR001	8252	11688	1207	10	230	35	14.3	18.4	4.1	4.93	1,862
MOHTR002	8270	11682	1205.5	12	230	28	13	18.4	5.4		214
							20.2	22.5	2.3	1.79	712
MOHTR003	8271	11649	1205.5	17	230	50	Not sampled				
MOHTR004	9008	14752	1268	-10	230	77	12.4	16.5	4.1	0.24	
MOHTR005	5878	11937	1246.5	-15	165	98	No significant assays				
MOHTR006	9012	14805	1286	-2	230	64					
MOHTR007	4025	13550	1234.5	0	240	60	6	10	4		146
							29.5	52	22.5		191
							including 6m @ 407ppm Ta2O5 from 36.5m				
MOHTR008	9055	14719	1270	-3	200	40	No significant assays				
MOHTR009	8953	14767	1274	-20	200	55					
MOHTR010	10761	9365	1222	0	215	110					
MOHTR011	8206	11746	1212	-10	20	35					
MOHTR012	8201	11763	1211	-12	20	17					
MOHTR013	7517	12429	1280	-5	45	101					
MOHTR014	4093	13158	1247	0	30	156	61	62.5	1.5		226
							63.7	64.4	0.7		181
							67.5	70.5	3		137
							74.5	78	3.5		230
MOHTR015	4024	13538	1226	5	0	34	3	4	1		197
MOHTR016	3990	13521	1226	0	20	42	8	16.3	8.3		395
							including 2m @ 943ppm Ta2O5 from 9m and				
							2m @ 520ppm Ta2O5 from 13m				
MOHTR017	3965	13488	1223	0	315	35	No significant assays				
MOHTR018	4151	13507	1210	-15	30	50					
MOHTR019	4060	13386	1222	10	30	101					
MOHTR020	4312	12359	1412	20	10	79					
MOHTR021	1367	13945	1312	5	10	140					
MOHTR022	1060	13407	1252	-15	10	145					
MOHTR023	8277	11433	1312	-30	45	110					

\* All 2m composites

# Liontown Resources Limited

## Tenement Schedule

### AUSTRALIA

Project	Tenement No.	Registered Holder	Nature of interests
Mt Windsor	EPM16920	Liontown Resources Limited	100% direct interest
	EPM16227	Liontown Resources Limited	100% direct interest
Bynoe	EL30012	Orema Pty Ltd	Right to acquire 100% - subject to option agreement Terms remaining - <ul style="list-style-type: none"> <li>\$100,000 to be paid anytime by 2 August 2017.</li> </ul>
	EL30015	Orema Pty Ltd	
	MLN16	LRL (Aust) Pty Ltd (a wholly owned subsidiary of Liontown Resources Limited)	100% direct interest
	EMP28651		
	EL29699		
Lake Percy	EL63/1221-I	White Cliff Minerals Ltd	Subject to JV agreement Terms remaining - <ul style="list-style-type: none"> <li>spend \$50,000 before right to withdraw from JV</li> <li>spend \$1,000,000 within 3 years to earn 51%</li> <li>option to increase equity to 70% by spending an additional \$750,000 before 4<sup>th</sup> anniversary of JV agreement</li> </ul>
Kathleen Valley	M36/162	Ramelius Resources Limited ("RMS")	Subject to conditional Sales and Purchase Agreement to acquire 100% interest Terms remaining - <ul style="list-style-type: none"> <li>issue 25 million shares to RMS</li> <li>pay RMS 1% gross sales of resulting concentrate produced from the ores processed;</li> <li>pay RMS \$0.50 per tonne of rare metal pegmatite-hosted ore mined and milled</li> <li>RMS retains the exclusive gold rights and uninhibited access for gold-mining related activities</li> <li>Certain conditions precedent to the transaction completing have not yet been met.</li> </ul>
	M36/176		
	M36/264		
	M36/265		
	M36/266		
	M36/328		
	M36/342		
	M36/365		
	M36/375		
	M36/376		
	M36/441		
	M36/459		
	M36/460		
	M36/603		
	M36/660		
	E36/879	Liontown Resources Limited	0% - Pending application

# Liontown Resources Limited

## Tenement Schedule

### TANZANIA

Project	Tenement No.	Registered Holder	Nature of interests
Jubilee Reef	PL4495/2007	Liontown Resources (T) Limited	100% direct interest
	PL6168/2009	Liontown Resources (T) Limited	100% direct interest
	PL8125/2012	Liontown Resources (Tanzania) Limited	100% direct interest
	PL8304/2012	Liontown Resources (Tanzania) Limited	100% direct interest
	PL9711/2014	Currie Rose Resources (T) Limited	100% - Pending transfer
	PL9973/2014	Liontown Resources (Tanzania) Limited	100% direct interest
	PL10222/2014	Currie Rose Resources (T) Limited	100% - Pending transfer
	PL10599/2015	Liontown Resources (Tanzania) Limited	100% direct interest
	PL10905/2016	Liontown Resources (Tanzania) Limited	0% - Application recommended
	PL11037/2016	Liontown Resources (Tanzania) Limited	0% - Application recommended
Mohanga	PL9067/2013	Central Mining Company	<p>Subject to Option Agreement with Liontown Resources (Tanzania) Limited.</p> <p>Terms remaining -</p> <ul style="list-style-type: none"> <li>• 4yr option period with US\$15,000 yearly payment (1<sup>st</sup> year already paid)</li> <li>• purchase price of US\$900,000 (plus 10% CGT) to acquire 100%</li> <li>• 1% NSR on future production can be purchased at any stage for US\$500,000</li> </ul>
	PL10724/2015	Liontown Resources (Tanzania) Limited	100% direct interest
	PL10802/2016	Liontown Resources (Tanzania) Limited	0% - Application recommended
	PL10803/2016	Liontown Resources (Tanzania) Limited	0% - Application recommended
	PL10985/2016	Liontown Resources (Tanzania) Limited	0% - Application
	App No 01458	Liontown Resources (Tanzania) Limited	0% - Application recommended
	App No 02446	Liontown Resources (Tanzania) Limited	0% - Application recommended

# Liontown Resources Limited

## Directors' Report

The Directors present their report together with the financial statements of the Group consisting of Liontown Resources Limited ('Liontown Resources' or 'the Company') and its controlled entities for the financial year ended 30 June 2016 and the independent auditor's report thereon.

### 1. Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

**Tim R B Goyder**  
Chairman

Tim has over 30 years' experience in the resource industry. He has been involved in the formation and management of a number of publicly-listed companies and is currently Managing Director of Chalice Gold Mines Limited, Chairman of Uranium Equities Limited and a director of PhosEnergy Limited. He has been a Director and Chairman since 2006. Tim was also previously a Director of Strike Energy Ltd from 2010 until June 2014.

**David R Richards**  
BSc (Hons), MAIG  
Managing Director

David has over 30 years experience in mineral exploration in Australia, Southeast Asia and western USA. His career includes exploration and resource definition for a variety of gold and base metal deposit styles and he led the team that discovered the multi-million ounce, high grade Vera-Nancy gold deposits in North Queensland. He has held senior positions with Battle Mountain Australia Inc, Delta Gold Limited, AurionGold Limited and was Managing Director of ASX-listed Glengarry Resources Limited from 2003-2009. Managing Director since 2010.

**Craig R Williams**  
BSc (Hons)  
Non-executive Director

Craig is a Geologist with over 30 years experience in mineral exploration and development. Craig co-founded Equinox Minerals Limited in 1993 and was President, Chief Executive Officer and Director prior to Barrick Gold's takeover of Equinox. During the past three years, Craig has been the Chairman of OreCorp Limited. 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. Craig has been a Director since 2006 and member of the Audit Committee.

**Anthony J Cipriano**  
B.Bus, ACA, GAICD  
Non-executive Director

Anthony is a Chartered Accountant with over 28 years accounting and finance experience. Anthony was formerly a partner at Deloitte and at the time of his retirement in 2013 he was the Deloitte National Tax Leader for Energy & Resources and leader of its Western Australian Tax Practice. Anthony has significant experience working across tax, accounting, legal and financial aspects of corporate transactions. During the past three years, Anthony has also been a director of Lachlan Star Limited (Subject to Deed of Company Arrangement). Anthony was appointed the Chair of the Audit Committee on 13 August 2014.

### 2. Company secretary

**Leanne Stevens**  
B.Com, CA, ACSA

Leanne is a Chartered Accountant who has over 10 years of accounting and governance experience within the mining and energy industries. Leanne is also Company Secretary of Chalice Gold Mines Limited.

# Liontown Resources Limited

## Directors' Report

### 3. Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Audit	Remuneration*	Nomination*
Number of meetings held:	4	2	-	-
Number of meetings attended:				
T R B Goyder	4	-	-	-
A J Cipriano	4	2	-	-
D R Richards	4	-	-	-
C R Williams	4	2	-	-

\*The full Board did not officially convene as a nomination or remuneration committee during the reporting period, however, nomination and remuneration discussions occurred at Board meetings as required.

Given the current size and composition of the Board, the Company has not established a separate remuneration or nomination committee.

### 4. Principal activities

The principal activities of the Company during the course of the financial year were mineral exploration and evaluation.

### 5. Review of operations

Refer to the Operating and Financial Review from pages 3 to 18 of the Annual Report.

### 6. Significant changes in the state of affairs

There were no significant changes in the state of affairs other than as noted elsewhere in this financial report.

### 7. Remuneration report - audited

#### 7.1. Introduction

This remuneration report for the year ended 30 June 2016 outlines remuneration arrangements in place for directors and other members of the key management personnel of Liontown Resources in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, or any controlled entity. KMP's during or since year end were:

- (i) Directors
  - T R B Goyder (Chairman)
  - C R Williams (Non-executive Director)
  - A J Cipriano (Non-executive Director)
  - D R Richards (Managing Director)

- (ii) Executives
  - Richard Hacker (CFO)

# **Liontown Resources Limited**

## **Directors' Report**

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

### **7.1.1 Remuneration philosophy**

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to set competitive remuneration packages to attract and retain high calibre employees and to link a significant component of executive rewards to shareholder value creation. The size, nature and financial strength of the Company are also taken into account when setting remuneration levels so as to ensure that the operations of the Company remain sustainable.

### **7.1.2 Remuneration committee**

The Board performs the role of the Remuneration Committee and is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and any executives.

#### **7.1.1. Remuneration structure**

In accordance with best practice corporate governance, the structure of non-executive and executive remuneration is separate and distinct.

##### *a) Non-executive director remuneration*

The Board recognises the importance of attracting and retaining talented non-executive directors and aims to remunerate these directors in line with fees paid to directors of companies of a similar size and complexity in the mining and exploration industry. The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Company's Constitution and the ASX Listing Rules specify that the aggregate fees to be paid to non-executive directors for their role as a director are to be approved by shareholders at a general meeting. Shareholders have approved an aggregate amount of up to \$300,000 per year (including superannuation).

The amount of total compensation apportioned amongst directors is reviewed annually and the Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The Board will not seek any increase for the non-executive pool at the 2016 AGM.

The remuneration of non-executive directors consists of directors' fees. Each director receives a fee for being a director of the Company. No additional fees are paid for each Board committee which a director sits due to the size of the Company. The non-executive directors are not entitled to receive retirement benefits and, at the discretion of the Board, may participate in the Employee Share Option Plan, subject to the usual approvals required by shareholders.

The Board considers it may be appropriate to issue options to non-executive directors given the current nature and size of the Company as, until profits are generated, conservation of cash reserves remain a high priority. Any options issued to directors will require separate shareholder approval.

Apart from their duties as directors, some non-executive directors may undertake work for the Company on a consultancy basis pursuant to the terms of consultancy services agreement. The nature of the consultancy work varies depending on the expertise of the relevant non-executive director. Under the terms of these consultancy agreements non-executive directors would receive a daily rate or a monthly retainer for the work performed at a rate comparable to market rates that they would otherwise receive for their consultancy services.

Due to the market conditions and with an emphasis on conserving cash reserves, directors agreed to continue to accrue director fees but defer the payment of directors' fees from 1 October 2015. The remuneration of non-executive directors for the year ended 30 June 2016 is detailed in page 31 of this report.

# Liontown Resources Limited

## Directors' Report

### *b) Executive remuneration*

The Company's executive remuneration strategy is designed to attract, motivate and retain high performance individuals and align the interests of executives and shareholders. Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

#### *Fixed remuneration*

Fixed remuneration is reviewed annually by the Board by a process which consists of a review of relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

#### *Variable remuneration - Long term incentive scheme*

Options may be issued under the Employee Share Option Plan to directors, employees and consultants of the Company and must be exercised within 3 months of termination. Other than the vesting period, there is no performance hurdle required to be achieved by the Company to enable the options to be exercised.

The Company believes that the issue of share options in the Company aligns the interests of directors, employees and shareholders alike. As no formal performance hurdles are set on options issued to executives, the Company believes that as options are issued at a price in excess of the Company's current share price at the date of issue of those options, there is an inherent performance hurdle as the share price of the Company's shares has to increase before any reward can accrue to the executive.

#### *Short term incentive schemes*

The Company currently has no formal performance related remuneration policy which governs the payment of annual cash bonuses upon meeting pre-determined performance targets. However, the board may consider performance related remuneration in the form of cash or share options when they consider these to be warranted.

### **7.1.2. Employment contracts**

Remuneration arrangements for KMP are generally formalised in employment agreements. Details of these contracts are provided below.

Name and Job Title	Employment Contract Duration	Notice Period	Termination Provisions
<b>Executive Director</b> D R Richards Managing Director	Unlimited	3 months by the Company and the employee	Nil
<b>Executive</b> R K Hacker <sup>(1)</sup> Chief Financial Officer	N/A	N/A	N/A

- <sup>(1)</sup> Chalice Gold Mines Limited provides corporate services to the Company which from 2006, includes the services of Mr Hacker. Details of the Corporate Services Agreement between the two companies are outlined in note 19 of the Financial Report.

# Liontown Resources Limited

## Directors' Report

### 7.2 Key Management Personnel remuneration (audited)

Key Management Personnel		Short-term payments			Post-employment payments		Share-based payments	Value of options as proportion of remuneration (%)	
		Salary & fees (B)	Non-monetary benefits	Total	Super-annuation benefits	Termination benefits	Options (A)		Total
		\$	\$	\$	\$	\$	\$		\$
Directors									
T R B Goyder (D)	2016	2,300	3,492	5,792	-	-	29,744	35,536	84%
	2015	15,290	3,180	18,470	1,458	-	-	19,928	0%
D R Richards	2016	162,728	6,608	169,336	15,459	-	29,744	214,539	14%
	2015	154,604	8,196	162,800	14,687	-	3,505	180,992	2%
C R Williams	2016	52,011	3,492	55,503	3,050	-	14,872	73,425	20%
	2015	32,110	3,180	35,290	3,053	-	-	38,343	0%
A J Cipriano	2016	52,011	3,492	55,503	3,050	-	14,872	73,425	20%
	2015	32,110	3,180	35,290	3,053	-	-	38,343	0%
Executive									
R K Hacker (C)	2016	-	-	-	-	-	18,578	18,578	100%
	2015	-	-	-	-	-	-	-	-
Total Compensation	2016	269,050	17,084	286,134	21,559	-	107,810	415,503	
	2015	234,114	17,736	251,850	22,251	-	3,505	277,606	



# Liontown Resources Limited

## Directors' Report

### Notes in relation to the table of directors' and executive officers' remuneration

- A. The fair value of the options are calculated at the date of grant using a Black Scholes option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account. (Refer to note 14).
- B. Due to the market conditions and with an emphasis on conserving cash reserves, directors agreed to continue to accrue directors' fees but defer the payment of directors' fees from 1 October 2015. At 30 June 2016 the net payable amount of \$34,827 in directors' fees for the period from 1 October 2015 to 30 June 2016 was accrued. All taxation liabilities have been paid during the year.

In relation to directors' fees owing as at 30 September 2015 the directors resolved to issue shares in lieu of the directors' fees (refer to 7.3.6). The basis for determining the numbers of shares was calculated using a deemed issue price of 0.7 cents per share, which was determined by the capital raising price in July 2015. Shareholder approval was obtained in November 2015 for the issue of the shares. AASB 2 requires share based payments to be valued at the date of grant (i.e. after shareholder approval) as opposed to the date of the board resolution. The share price at the date of grant was 1.3 cents per share resulting in a higher expense for accounting purposes, compared to when the shares were valued at the date of the board resolution. (Refer to note 19).

- C. Mr Hacker did not receive any salary and wages for the 2016 financial year as he is remunerated by Chalice Gold Mines Limited through the corporate services agreement between the Company and Chalice Gold Mines Limited. (Refer to note 19).
- D. Mr Goyder suspended his directors' fees indefinitely from 1 January 2015 to assist in conserving the Company's cash reserves.

### 7.3 Equity instruments

#### 7.3.1 Options and rights over ordinary shares granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period and details of options vested during the reporting period are as follows:

	Number granted	Date granted	Exercise price	% vested in year	Forfeited in year	Financial year in which grant vests
<b>Directors</b>						
D R Richards	2,000,000	24 May 2016	0.035	100%	-	2016
T R B Goyder	2,000,000	24 May 2016	0.035	100%	-	2016
C R Williams	1,000,000	24 May 2016	0.035	100%	-	2016
A J Cipriano	1,000,000	24 May 2016	0.035	100%	-	2016
<b>Executives</b>						
R K Hacker	1,000,000	8 April 2016	0.035	100%	-	2016

#### 7.3.2 Exercise of options granted as compensation

During the reporting period there were no shares issued on the exercise of options previously granted as compensation.

# Liontown Resources Limited

## Directors' Report

### 7.3.3 Analysis of options and rights vested during the period

Details of the vesting profiles of the options granted as remuneration to each Director of the Company and each of the named Company Executives are outlined below. For further details please refer to note 14 in the financial statements.

	Number granted	Date granted	Exercise price	% vested in year	Forfeited in year	Financial year in which grant vests
<b>Directors</b>						
D R Richards	2,000,000	29 November 2013	0.01727	100%	-	2014
	2,000,000	29 November 2013	0.02302	100%	-	2015
	2,000,000	24 May 2016	0.035	100%	-	2016
T R B Goyder	2,000,000	24 May 2016	0.035	100%	-	2016
C R Williams	1,000,000	24 May 2016	0.035	100%	-	2016
A J Cipriano	1,000,000	24 May 2016	0.035	100%	-	2016
<b>Executives</b>						
R K Hacker	750,000	27 June 2014	0.05	100%	-	2014
	1,000,000	8 April 2016	0.035	100%	-	2016

### 7.3.4 Analysis of movements in options

There were no movements during the reporting period, by value, of options over ordinary shares held by each key management persons and each of the named Company executives.

	Granted in year \$ (A)	Exercised in year \$ (B)	Forfeited in year \$ (C)
<b>Directors</b>			
D R Richards	29,744	-	-
T R B Goyder	29,744	-	-
C R Williams	14,872	-	-
A J Cipriano	14,872	-	-
<b>Executives</b>			
R K Hacker	18,578	-	-

- The value of options granted in the year is the fair value of the options calculated at grant date using a Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- The value of options exercised during the year is calculated as the market price of shares of the Company on ASX as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a Black Scholes option-pricing model with no adjustments for whether the performance criteria have or have not been achieved.

# Liontown Resources Limited

## Directors' Report

### 7.3.5 Movement in equity holdings of key management personnel

#### Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in Liontown Resources held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2015	Granted as compensation	Exercised	Expired/ Forfeited	Held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2016
T R B Goyder	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000
D R Richards	4,000,000	2,000,000	-	-	6,000,000	2,000,000	6,000,000
C R Williams	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
A J Cipriano	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
<b>Executive</b>							
R K Hacker	750,000	1,000,000	-	-	1,750,000	1,000,000	1,750,000

#### Movements in ordinary shares

The movement during the reporting period in the number of ordinary shares in Liontown Resources held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2015	Additions	Received on exercise of options	Sales	Held at 30 June 2016
<b>Directors</b>					
T R B Goyder	119,753,780	60,733,703	-	-	180,487,483
D R Richards	2,287,666	571,917	-	-	2,859,583
C R Williams	4,988,594	7,230,674	-	-	12,219,268
A J Cipriano	1,593,500	3,715,232	-	-	5,308,732
<b>Executives</b>					
R K Hacker	3,441,999	2,000,000	-	1,108,666	4,333,333

### 7.3.6 Other transactions with key management personnel

#### Shares issues to directors in lieu of fees

Due to market conditions and with an emphasis on conserving cash reserves, directors agreed, from 1 October 2015, to continue to accrue directors' 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 on 24 November 2015, shareholders approved the following issue of shares at 0.7 cents per share:

	Directors' Fees Outstanding	Shares Issued
Tim Goyder	\$2,683	383,286
Craig Williams	\$23,218	3,316,857
Anthony Cipriano	\$23,218	3,316,857
<b>Total</b>	<b>\$49,119</b>	<b>7,017,000</b>

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 30 June 2016 the balance of directors' fees owing was \$34,827.

#### Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation is provided in the Remuneration Report section of the Directors' Report.

# Liontown Resources Limited

## Directors' Report

### Loans to key management personnel and their related parties

No loans were made to key management personnel and their related parties.

### Other key management personnel transactions with the Group

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

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. Interest was payable at the prevailing ANZ Bank overdraft rate (commercial plus \$100,000) plus 2%. The loan was repayable by 30 June 2016 and if not repaid by that date, subject to shareholder approval, Mr Goyder could elect to convert the outstanding balance into fully paid ordinary shares at the 20 day VWAP share price prior to 30 June 2016.

In May 2016 the shareholders approved to issue Tim Goyder 23,333,333 shares at a deemed price of 1.5 cents per share in full satisfaction of the \$350,000 loan facility provided to the company during the year. Interest of \$10,143 was paid to Mr Goyder.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

			Amounts paid or payable	Amounts paid or payable
			2016	2015
			\$	\$
Key management persons	Transaction	Note		
Other related parties				
Chalice Gold Mines Limited	Corporate Services	(i)	66,000	71,500

- (i) 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. Mr Hacker was also the CFO of Chalice Gold Mines Ltd during the year. 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.

Amounts payable to key management personnel at reporting date arising from these transactions were as follows:

### Liabilities arising from the above transactions

Current payables

2016	2015
\$	\$
(5,500)	(16,500)
(5,500)	(16,500)

## 8. Dividends

No dividends were declared or paid during the period and the directors recommend that no dividend be paid.

# Liontown Resources Limited

## Directors' Report

### 9. Events subsequent to reporting date

Subsequent to year end the Company entered into a binding, conditional agreement with Ramelius Resources Limited to acquire 100% of the Kathleen Valley Project (excluding gold and nickel rights). The consideration payable will be the issue of 25,000,000 shares to Ramelius Resources plus a royalty.

In August 2016 3,000,000 ordinary shares were issued to a consultant of the Company in consideration for the provision of corporate communications and investor support.

In September 2016 the Company commenced a 1 for 5 non-renounceable Rights Issue at \$0.01 per share to raise up to \$1,398,900 before issue costs. The Rights Issue is not underwritten and will close in October 2016.

There were no other events subsequent to reporting date requiring disclosure in this report.

### 10. Likely developments

There are no likely developments that will impact on the Company other than as disclosed elsewhere in this report.

### 11. Directors' interests

The relevant interest of each director in the shares, rights or options over such instruments issued by the Company and other related bodies corporate at the date of this report is as follows:

	Ordinary shares	Unlisted Options over ordinary shares
T R B Goyder	188,487,483	2,000,000
D R Richards	2,859,583	6,000,000
C R Williams	12,219,268	1,000,000
A J Cipriano	5,308,732	1,000,000

Options granted to directors and officers of the Company

The following options over ordinary shares in the Group were granted as compensation during the reporting period:

	Number of options granted	Exercise Price \$	Expiry Date
<b>Directors</b>			
T R B Goyder	2,000,000	0.035	31 March 2021
D R Richards	2,000,000	0.035	31 March 2021
C R Williams	1,000,000	0.035	31 March 2021
A J Cipriano	1,000,000	0.035	31 March 2021
<b>Officers</b>			
R Hacker	1,000,000	0.035	31 March 2021
L Stevens	500,000	0.035	31 March 2021

# Liontown Resources Limited

## Directors' Report

### 12. Share options

#### Unissued shares under unlisted options

At the date of this report 14,650,000 unissued ordinary shares of the Company are under option on the following terms and conditions:

Expiry date	Exercise price \$	Number of shares
30 November 2016	0.01727	2,000,000
30 November 2016	0.02302	2,000,000
30 June 2017	0.05	1,850,000
31 March 2021	0.035	8,800,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During the period between balance date and the date of this report, no options have been granted.

#### Shares issued on exercise of options

During or since the end of the year, the Company has not issued any ordinary shares as a result of the exercise of options.

### 13. Indemnification and insurance of directors and officers

The Company has agreed to indemnify all the directors and officers who have held office of the Company during the year, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the year the Company paid insurance premiums of \$13,969 in respect of directors' and officers' indemnity insurance contracts for current and former directors and officers. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The amount of insurance paid is included in key management personnel remuneration on page 31.

### 14. Auditors remuneration and non-audit services

Details of the auditor's remuneration are disclosed in note 5 of the notes to the consolidated financial statements.

During the year HLB Mann Judd, the Company's auditors, performed no other services in addition to their statutory duties.

### 15. Auditor's independence declaration

The auditor's independence declaration is set out on page 39 and forms part of the Directors' Report for the year ended 30 June 2016.

# **Liontown Resources Limited**

## **Directors' Report**

### **16. Corporate Governance**

The directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement dated 28th September 2016 released to ASX and posted on the Company website at [www.ltresources.com.au/corporate-governance](http://www.ltresources.com.au/corporate-governance).

This report is made with a resolution of the directors:

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

David R Richards  
Managing Director

Dated at Perth the 28th day of September 2016

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Liontown Resources Limited for the year ended 30 June 2016, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia  
28 September 2016

**L Di Giallonardo**  
Partner



# Liontown Resources Limited

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Continuing Operations</b>			
Other Income	3(a)	50,294	498,222
Impairment of exploration and evaluation assets	11	(4,661,484)	(770,326)
Exploration and evaluation expenditure expensed as incurred	11	(3,194)	(97,103)
Business development expenses		(306,281)	(30,170)
Loss on sale of assets		(5,053)	-
Corporate administrative expenses	3(b)	(528,574)	(446,916)
<b>Loss before income tax</b>		<b>(5,454,292)</b>	<b>(846,293)</b>
Income tax expense	6	-	-
Loss for the year attributable to owners of the parent		<b>(5,454,292)</b>	<b>(846,293)</b>
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		167,923	740,548
Total comprehensive loss after tax attributable to owners of the parent		<b>(5,286,369)</b>	<b>(105,745)</b>
<b>Basic loss per share attributable to ordinary equity holders (cents)</b>	7	<b>(0.90)</b>	<b>(0.19)</b>
<b>Diluted loss per share attributable to ordinary equity holders (cents)</b>	7	<b>(0.90)</b>	<b>(0.19)</b>

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

# Liontown Resources Limited

## Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	8	800,948	907,882
Trade and other receivables	9	89,637	30,580
<b>Total current assets</b>		<b>890,585</b>	<b>938,462</b>
<b>Non-current assets</b>			
Financial assets	10	25,000	25,000
Exploration and evaluation assets	11	1,924,935	5,110,462
Property, plant and equipment	12	52,052	53,937
<b>Total non-current assets</b>		<b>2,001,987</b>	<b>5,189,399</b>
<b>Total assets</b>		<b>2,892,572</b>	<b>6,127,861</b>
<b>Current liabilities</b>			
Trade and other payables	13	359,163	985,447
Employee benefits	14	14,143	19,520
<b>Total current liabilities</b>		<b>373,306</b>	<b>1,004,967</b>
<b>Total liabilities</b>		<b>373,306</b>	<b>1,004,967</b>
<b>Net assets</b>		<b>2,519,266</b>	<b>5,122,894</b>
<b>Equity</b>			
Issued capital	15	30,194,966	27,646,045
Accumulated losses	15	(28,980,116)	(23,525,824)
Reserves	15	1,304,416	1,002,673
<b>Total equity</b>		<b>2,519,266</b>	<b>5,122,894</b>

The statement of financial position is to be read in conjunction with the notes to the financial statements.

# Liontown Resources Limited

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Note	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
		\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>		27,646,045	(23,525,824)	42,986	959,687	5,122,894
Loss for the year		-	(5,454,292)	-	-	(5,454,292)
Exchange differences on translation of foreign operations		-	-	-	167,923	167,923
<b>Total comprehensive loss for the year</b>		-	(5,454,292)	-	167,923	(5,286,369)
Share issue - in lieu of Directors' Fees		91,220	-	-	-	91,220
Share issue - rights issue		808,712	-	-	-	808,712
Share issue - listed options exercised		17	-	-	-	17
Share issue - placements		1,347,000	-	-	-	1,347,000
Share issue - settlement of Directors' Loan		350,000	-	-	-	350,000
Employee share options vested		-	-	133,820	-	133,820
Less costs of share issues		(48,028)	-	-	-	(48,028)
<b>Balance at 30 June 2016</b>	15	30,194,966	(28,980,116)	176,806	1,127,610	2,519,266

	Note	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
		\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>		27,543,459	(22,679,531)	39,481	219,139	5,122,548
Loss for the year		-	(846,293)	-	-	(846,293)
Exchange differences on translation of foreign operations		-	-	-	740,548	740,548
<b>Total comprehensive loss for the year</b>		-	(846,293)	-	740,548	(105,745)
Share issue - In lieu of Directors' Fees		78,144	-	-	-	78,144
Share issue - remaining 34% of Jubilee Reef project		72,000	-	-	-	72,000
Share issue - listed options exercised		167	-	-	-	167
Employee share options vested		-	-	3,505	-	3,505
Less costs of share issues		(47,725)	-	-	-	(47,725)
<b>Balance at 30 June 2015</b>	15	27,646,045	(23,525,824)	42,986	959,687	5,122,894

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

# Liontown Resources Limited

## Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Cash paid to suppliers and employees		(339,800)	(393,829)
Interest received		7,410	12,786
Interest paid		(10,143)	-
Other		42,932	-
Net cash used in operating activities	18	(299,601)	(381,043)
<b>Cash flows from investing activities</b>			
Payments for exploration, evaluation and business development costs		(1,473,595)	(848,927)
Payments for acquisition of Bynoe Project		(80,000)	-
Proceeds from sale of mineral property	3(a)	-	465,500
Acquisition of property, plant and equipment		(8,719)	-
Net cash used in investing activities		(1,562,314)	(383,427)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,155,728	167
Transaction costs of issue of shares		(78,144)	(17,609)
Proceeds from loans received		350,000	-
Share Issue - application monies held on trust	13	(690,554)	690,387
Net cash from financing activities		1,737,030	672,945
<b>Net (decrease) in cash and cash equivalents</b>		(124,885)	(91,525)
Effect of exchange rate fluctuations on cash held		17,951	22,672
<b>Cash and cash equivalents at the beginning of the year</b>		907,882	976,735
<b>Cash and cash equivalents at 30 June</b>	8	800,948	907,882

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

### **1. Significant accounting policies**

Liontown Resources is an ASX listed public company domiciled in Australia at Level 2, 1292 Hay Street, West Perth, Western Australia. The consolidated financial report comprises the financial statements of Liontown Resources Limited ('Company') and its subsidiaries ('the Group') for the year ended 30 June 2016.

The financial report was authorised for issue by the directors on 28th day of September 2016.

#### **(a) Statement of compliance**

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

#### **(b) Basis of preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis. The financial report is presented in Australian dollars.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The Company is a listed public company, incorporated in Australia and operating in Australia and Tanzania. The principal activity is mineral exploration and evaluation.

#### **(c) Adoption of new and revised standards**

In the year ended 30 June 2016, 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. It has been determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group. The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015:

- AASB 1057 Application of Australian Accounting Standards
- AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragraphs
- AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception
- AASB 2015-5 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements
- AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions in Joint Venture Operations

# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. The following standards and interpretations have been recently issued or amended and have not been adopted by the Group for the annual reporting period ended 30 June 2016, outlined below:

- AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
- AASB 9 Financial Instruments
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9
- Application of AASB 9 (December 2009) and AASB 9 (December 2010)
- AASB 15 Revenue from Contracts with Customers
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 - Amendments to Australian Accounting Standards - Effective Date of AASB 15
- AASB 2014-10 - Amendments to Australian Accounting Standards- Sale or Contribution of Assets between an Investor and its Associate of Joint Venture
- AASB 2015-10 - Amendments to Australian Accounting Standards- Effective Date of Amendments to AASB 10 and AASB 128
- AASB 16 Leases

As a result of this review the directors have determined that there will be no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change will be necessary to the Group's accounting policies.

### **(d) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding for voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries held by Liontown Resources Limited are accounted for at cost in the accounts of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in ownership interest of a subsidiary that does not result in a loss of control is accounted as an equity transaction.

**(e) Significant accounting judgements, estimates and assumptions**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Group.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

**(i) Recoverability of exploration expenditure**

The carrying amount of exploration and evaluation expenditure is dependent on the future successful outcome from exploration activity or alternatively the sale of the respective areas of interest.

**(ii) Shared-based payment transactions**

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using a binomial formula taking into account the terms and conditions upon which the instruments were granted.

**(f) Going concern**

The Financial Report has been prepared on a going concern basis. At balance date, the Company had an excess of current assets over current liabilities of \$517,279. Current liabilities decreased by 63% to \$373,306 in 2016 from \$1,004,967 in 2015 financial year. The significant decrease in current liabilities is mainly a result of application monies of \$690,387 from the rights issue being received just prior to the 2015 year end, where shares were not issued until the 2016 financial year.

Notwithstanding the positive abovementioned working capital position at balance date, a 12 month cash flow forecast suggests that the Company will need to raise additional funds in the coming year to meet its operating expenditure and planned exploration expenditure. Smaller exploration companies are finding it difficult to raise additional capital in the current market. If the Company is unable to raise capital, there is a material uncertainty that may cast significant doubt as to whether the Company 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 audit report for the 2016 financial year an "emphasis of matter" paragraph.



# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

Subsequent to year end, the Company announced that it would be undertaking a non-renounceable rights issue to raise up to approximately \$1.4 million.

**(g) Foreign currency translations**

The functional currency of the Company is Australian dollars and the functional currency of the controlled entities based in Tanzania are United States dollars (US\$). The presentation currency of the Group is Australian dollars.

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- available-for-sale equity investments (except on impairment in which case foreign currency differences that are recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

**(ii) Foreign Operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates.

Foreign currency differences are recognised in other comprehensive income, and presented in foreign currency translation reserve (translation reserve) in equity upon translation to presentation currency. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned or likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

**(h) Segment reporting**

Operating segments are reported in a manner consistent with internal reporting provided to the Board of Directors who are responsible for allocating resources and assessing the performance of the operating segments.

# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

**(i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

**(i) Sale of goods and interests in exploration assets**

Revenue is recognised when the significant risks and rewards of ownership of the goods/exploration assets have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods/exploration assets to the buyer.

**(ii) Services rendered**

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at balance date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably.

**(iii) Interest received**

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

**(j) Expenses**

**(i) Operating lease payments**

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

**(ii) Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(iii) Financing costs**

Financing costs comprise interest payable on borrowings calculated using the effective interest method and interest receivable on funds invested.

**(k) Depreciation**

Depreciation is charged to the statement of comprehensive income on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation rates used in the current and comparative periods are as follows:

- plant and equipment           5%-50%
- motor vehicles               18.75%-37.5%

The residual value, if not insignificant, is reassessed annually.

**(l) Income tax**

Income tax in the statement of comprehensive income comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(m) Goods and Services Tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(n) Impairment**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cashflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income. Receivables with a short duration are not discounted.

**(o) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of six months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**(p) Trade and other receivables**

Trade and other receivables are stated at cost less impairment losses (see accounting policy (n)).

**(q) Non-current assets held for sale and discontinued operations**

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable AIFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned also may qualify.

# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

**(r) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**(s) Financial assets**

**(i) Financial assets at fair value through profit or loss**

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

**(ii) Available-for-sale investments**

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

**(t) Derecognition of financial assets and financial liabilities**

**(i) Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either):

(a) has transferred substantially all the risks and rewards of the asset, or

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(u) Impairment of financial assets**

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired:

**(i) Financial assets carried at amortised cost**

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**(ii) Financial assets carried at cost**

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

**(iii) Available-for-sale investments**

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

**(v) Exploration, evaluation and tenement acquisition costs**

Exploration, evaluation and tenement acquisition costs in relation to separate areas of interest for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest is carried forward as an asset in the statement of financial position so long as the following conditions are satisfied:

- 1) the rights to tenure of the area of interest are current; and
- 2) at least one of the following conditions is also met:
  - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
  - (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount. Where this is the case an impairment loss is recognised. Where a decision is made to proceed with development, in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development. Accumulated expenditure will be amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

**(w) Trade and other payables**

Trade and other payables are stated at cost. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

**(x) Employee benefits**

**(i) Superannuation**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

**(ii) Share-based payment transactions**

The Group provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Group currently provides benefits under an Employee Share Option Plan.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the number of awards that, in the opinion of the directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.



# **Liontown Resources Limited**

## **Notes to the Consolidated Financial Statements**

For the year ended 30 June 2016

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

**(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits**

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

**(y) Provisions**

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

**(z) Issued capital**

**(i) Ordinary share capital**

Ordinary shares and partly paid shares are classified as equity

**(ii) Transaction costs**

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

**(aa) Earnings per share**

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element

**(ab)** The financial information for the parent entity, Liontown Resources Limited, disclosed in note 21, has been prepared on the same basis as the consolidated financial statements, except as set out below.

**(i) Investments in subsidiaries, associates and joint venture entities**

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

**(ii) Share-based payments**

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.



# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

### 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 costs. Results of both segments are reported to the Board of Directors at each Board meeting or more frequently if required.

	Exploration and Evaluation		Corporate		Total	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$	\$
Impairment of exploration and evaluation assets	(4,661,484)	(770,326)	-	-	(4,661,484)	(770,326)
Exploration costs written off	(3,194)	(97,103)	-	-	(3,194)	(97,103)
Loss on disposal of assets	(5,053)	-	-	-	(5,053)	-
Depreciation	-	-	(4,154)	(8,975)	(4,154)	(8,975)
Business development costs	(306,281)	(30,170)	-	-	(306,281)	(30,170)
Corporate and administrative expenses	-	-	(514,277)	(437,941)	(514,277)	(437,941)
Other income	42,932	487,528	-	-	42,932	487,528
Segment net gain/(loss) before tax	(4,933,080)	(410,071)	(518,431)	(446,916)	(5,451,511)	(856,987)
<b>Unallocated income/(expenses)</b>						
Net financing income					(2,781)	10,694
<b>Loss before income tax</b>					(5,454,292)	(846,293)

	Exploration and Evaluation		Corporate		Total	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$	\$
<b>Segment assets:</b>						
Exploration and evaluation assets	1,924,935	5,110,462	-	-	1,924,935	5,110,462
Other	123,321	102,888	67,745	10,826	191,066	113,714
	2,048,256	5,213,350	67,745	10,826	2,116,001	5,224,176
<b>Unallocated assets</b>					776,571	903,685
<b>Total assets</b>					2,892,572	6,127,861
<b>Segment Liabilities</b>	266,055	60,281	107,251	944,142	373,306	1,004,967

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

### 3. Revenue and expenses

#### (a) Other income

	2016 \$	2015 \$
Exploration rent and rates reimbursed on tenements previously written off	-	22,028
Consideration from sale of mineral property	-	465,500
Government grant	39,954	-
Insurance recoveries	2,978	-
Interest received	7,362	10,694
	<u>50,294</u>	<u>498,222</u>

#### (b) Corporate administrative expenses

	2016 \$	2015 \$
Depreciation and amortisation	4,154	8,975
Insurance	28,129	31,620
Legal fees	8,821	4,449
Office costs	1,625	2,225
Personnel expenses	303,637	255,606
Regulatory and compliance	117,142	78,222
Corporate and administration office rent	60,500	71,500
Interest paid	10,143	-
Other	(5,577)	(5,681)
	<u>528,574</u>	<u>446,916</u>

### 4. Personnel expenses

	2016 \$	2015 \$
Wages and salaries	38,828	149,846
Directors' fees	112,423	87,063
Other associated personnel expenses	(3,286)	(6,723)
Superannuation fund contributions	21,852	21,915
Equity-settled transactions	133,820	3,505
	<u>303,637</u>	<u>255,606</u>

Due to market conditions and with an emphasis on conserving cash reserves, directors agreed, from 1 October 2015, to continue to accrue directors' fees but defer the payment of directors' fees until further notice. Of the \$112,423 directors' fees reported above, \$34,827 was owing at 30 June 2016.

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

### 5. Auditor's remuneration

	2016 \$	2015 \$
Audit services		
HLB Mann Judd		
Audit and review of financial reports	25,000	27,000
Other services	-	-
	<u>25,000</u>	<u>27,000</u>

### 6. Income tax

	2016 \$	2015 \$
--	------------	------------

(a) The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax benefit in the financial statements as follows:

Accounting loss before tax from continuing operations (5,454,293) (846,293)

Income tax benefit calculated at 30% (1,636,288) (253,888)

Tax effect of amounts which are not tax deductible (taxable) in calculating taxable income:

Non-deductible expenses 1,438,701 241,553

Share based payments 39,984 1,051

Deferred tax assets and liabilities not recognised 157,603 11,284

Income tax expense/(benefit) reported in the statement of comprehensive income - -

(b) Unrecognised deferred tax balances

The following deferred tax assets and liabilities have not been brought to account:

*Deferred tax assets comprise:*

Revenue losses available to offset against future taxable income 3,047,958 2,888,405

Share issue expenses 3,462 22,419

Accrued expenses and liabilities 70,592 29,387

3,122,012 2,940,211

*Deferred tax liabilities comprise:*

Exploration expenditure capitalised 97,482 16,482

Accrued interest 72 87

Foreign Exchange Difference (20,108) 4,836

Prepayments 3,500 2,796

80,946 24,201

(c) Income tax benefit not recognised directly in equity during the year:

Share issue costs 545 14,318

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

### 7. Earnings per share

#### Basic and diluted earnings/loss per share

The calculation of basic and diluted earnings/loss per share for the year ended 30 June 2016 was based on the loss attributable to ordinary shareholders of \$5,454,292 [2015: loss of \$846,293] and a weighted average number of ordinary shares outstanding during the year ended 30 June 2016 of 603,472,355 [2015: 453,672,359].

#### Profit/(loss) attributable to ordinary shareholders

Loss attributable to ordinary shareholders  
Loss attributable to ordinary shareholders (diluted)

2016 \$	2015 \$
(5,454,292)	(846,293)
(5,456,292)	(846,293)

#### Weighted average number of ordinary shares

Weighted average number of ordinary shares at 30 June  
Weighted average number of ordinary shares (diluted)  
at 30 June

No.	No.
603,472,355	453,672,359
603,472,355	453,672,359

### 8. Cash and cash equivalents

Bank accounts  
Petty cash  
Cash and cash equivalents in the statement of cash flows

2016 \$	2015 \$
782,648	898,951
18,300	8,931
800,948	907,882

Cash at bank earns interest at floating rates based on daily bank deposit rates. Refer to note 16.

### 9. Trade and other receivables

Current  
Other trade receivables  
Prepayments

2016 \$	2015 \$
74,208	14,286
15,429	16,294
89,637	30,580

Refer to note 16 for information about the Group's exposure to credit and liquidity risk.

### 10. Financial assets

Non-current  
Bank guarantee deposits

2016 \$	2015 \$
25,000	25,000
25,000	25,000

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

### 11. Exploration and evaluation expenditure

Costs carried forward in respect of areas of interest in the exploration and evaluation phases (at cost):

	2016 \$	2015 \$
Balance at beginning of year	5,110,462	4,251,255
Acquisition of 34% of Jubilee Reef Gold Project	-	72,000
Acquisition of Bynoe Project	80,000	-
Expenditure incurred during the year	1,521,240	880,293
Impairment of exploration and evaluation assets <sup>(1)</sup>	(4,661,489)	(770,326)
Exploration expenditure written off	(3,194)	(97,103)
Transfer to business development costs	(306,281)	(30,170)
Effects of movements in exchange rates	184,197	804,513
	<b>1,924,935</b>	<b>5,110,462</b>

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

### 12. Property, plant and equipment

	2016 \$	2015 \$
At cost	249,672	244,386
Less: accumulated depreciation	(197,620)	(190,449)
	<b>52,052</b>	<b>53,937</b>
<b>Plant and equipment</b>		
Carrying amount at 1 July	53,937	67,379
Exchange differences	665	4,504
Additions	12,787	-
Assets written off	(4,938)	-
Depreciation	(10,399)	(17,946)
Carrying amount at end of period	<b>52,052</b>	<b>53,937</b>

### 13. Trade and other payables

	2016 \$	2015 \$
Trade payables	25,558	52,346
Accrued expenses	333,605	242,714
Application monies received	-	690,387
	<b>359,163</b>	<b>985,447</b>

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

### 14. Employee benefits

Liability for annual leave  
Total employee benefits

2016 \$	2015 \$
14,143	19,520
14,143	19,520

Share based payments

#### Employee Share Option Plan

The Company has an Employees and Consultants Option Plan ('ESOP').

Under the terms of the Employees and Consultants Option Plan, the Board may offer options at no consideration to full-time or part-time employees (including persons engaged under a consultancy agreement) and executive and non-executive directors.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options is such price as determined by the Board.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period, if any.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the issued ordinary shares when the options have been exercised.

The number and weighted average exercise prices of employee share options are as follows:

	Weighted average exercise price (\$) 2016	Number of options 2016	Weighted average exercise price (\$) 2015	Number of options 2015
Outstanding at the beginning of the year	0.02	5,850,000	0.02	5,850,000
Granted during the year	0.04	8,800,000	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	0.03	14,650,000	0.02	5,850,000
Exercisable at the end of the year	0.03	14,650,000	0.02	5,850,000

The options outstanding at 30 June 2016 have a range of exercise prices from \$0.01727 to \$0.05 and a weighted average remaining contractual life of 2.8 years.

During the year, no employee share options were exercised.

The fair value of the options is estimated at the grant date using a Black Scholes option-pricing model.

The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2016.

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

	2016
Share price at grant date (weighted average)	0.022
Exercise price (weighted average)	0.035
Expected volatility (expressed as weighted average volatility used in the modelling under Black Scholes option-pricing model)	100%
Option life (expressed as weighted average life used in the modelling under Black Scholes option-pricing model)	5 years
Expected dividends	Nil
Risk-free interest rate	1.92%

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

	2016 \$	2015 \$
Share options granted in 2016 - equity settled	133,820	3,505
Total expense recognised as personnel expenses (note 4)	133,820	3,505

### 15. Issued capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the Company

2016	Issued capital (a) \$	Accumulated losses \$	Foreign currency translation reserve \$	Share based payments reserve (b) \$	Total equity \$
Balance at 1 July 2015	27,646,045	(23,525,824)	959,687	42,986	5,122,894
Share issue - in lieu of directors' fees	91,220	-	-	-	91,220
Share issue - rights issue	808,712	-	-	-	808,712
Share issue - listed options exercised	17	-	-	-	17
Share issue - placements	1,347,000	-	-	-	1,347,000
Share issue - settlement of directors' Loan	350,000	-	-	-	350,000
Less costs of share issues	(48,028)	-	-	-	(48,028)
Share based payment expense	-	-	-	133,820	133,820
Loss for the period	-	(5,454,292)	-	-	(5,454,292)
Currency translation differences	-	-	167,923	-	167,923
Balance at 30 June 2016	30,194,966	(28,980,116)	1,127,610	176,806	2,519,266



# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2015	Issued capital (a) \$	Accumulated losses \$	Foreign currency translation reserve \$	Share based payments reserve (b) \$	Total equity \$
Balance at 1 July 2014	27,543,459	(22,679,531)	219,139	39,481	5,122,548
Share issue - in lieu of directors' fees	78,144	-	-	-	78,144
Share issue - remaining 34% of Jubilee Reef Project	72,000	-	-	-	72,000
Share issue - listed options exercised	167	-	-	-	167
Small shareholding share buyback - transaction costs	(47,725)	-	-	-	(47,725)
Share based payment expense	-	-	-	3,505	3,505
Loss for the period	-	(846,293)	-	-	(846,293)
Currency translation differences	-	-	740,548	-	740,548
Balance at 30 June 2015	27,646,045	(23,525,824)	959,687	42,986	5,122,894

### (a) Issued capital

	2016 No.	2015 No.
On issue at 1 July	460,769,515	446,161,370
Issue of fully paid ordinary shares - in lieu of directors' fees (1)	7,017,000	2,604,800
Issue of shares - rights issue (2)	115,530,219	-
Issue of fully paid ordinary shares - acquisition of remaining 34% of Jubilee Reef Project	-	12,000,000
Issue of fully paid ordinary shares - share placements (3)	89,800,001	-
Issue of fully paid ordinary shares - listed options exercised	333	3,345
Issue of fully paid ordinary shares - settlement of directors' loan (4)	23,333,333	-
On issue at 30 June	696,450,401	460,769,515

### Ordinary shares

- (1) In November 2015 shareholders approved the issue of 7,017,000 ordinary fully paid shares to the directors in full satisfaction of unpaid directors fees of \$49,119 accrued between October 2014 and September 2015. The deemed price of the issue (0.7 cents) was determined by reference to the capital raising undertaken by the Company in July 2015.
- (2) The shares for the 1 for 4 non-renounceable rights issue raising \$808,711 (\$767,706 net of costs) which was completed on 24 June 2015 were issued on 1 July 2015.
- (3) In March 2016 the Company undertook a share placement of 89,800,001 ordinary fully paid shares to raise \$1,347,000 at an issue price at 1.5 cents per share.
- (4) In May 2016 shareholders approved the issue of 23,333,333 shares to Tim Goyder at a deemed price of 1.5 cents per share in full satisfaction of a \$350,000 loan facility provided to the company during the year.

All shares were issued and fully paid during the year.

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, the ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

**(b) Share options**

**Unlisted share options**

On issue at 1 July  
Options issued during the year  
Options lapsed during the year  
On issue at 30 June

2016 No.	2015 No.
5,850,000	5,850,000
8,800,000	-
-	-
14,650,000	5,850,000

At 30 June the Company had 14,650,000 unlisted options on issue under the following terms and conditions:

Number	Expiry Date	Exercise Price
2,000,000	30 November 2016	0.01727
2,000,000	30 November 2016	0.02302
1,850,000	30 June 2017	0.05
8,800,000	31 March 2021	0.035

Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 14.

**Listed share options**

On issue at 1 July  
Options issued during the year  
Options exercised during the year  
Options expired during the year  
On issue at 30 June

2016 No.	2015 No.
32,645,703	32,649,048
-	-
(333)	(3,345)
32,645,370	-
-	32,645,703

**(c) Nature and purpose of reserves**

**Share based payments reserve**

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

**Foreign currency translation reserve**

The foreign currency translation reserve is used to record the exchange differences arising from the translation of the financial statements of foreign subsidiaries.

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

### 16. Financial instruments

#### (a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Group consists of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses as disclosed in note 15.

The Board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

#### (b) Market risk exposures

Market risk is the risk that changes in market prices such as foreign exchange rates, equity prices and interest rates will affect the Group's income or value of its holdings of financial instruments.

##### Foreign exchange rate risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The Group does not hedge this exposure. The Group manages its foreign exchange risk by constantly reviewing its exposure and ensuring that there are appropriate cash balances in order to meet its commitments.

##### Equity prices

The Group currently has no significant exposure to equity price risk.

##### Interest rate risk exposures

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

30 June 2016	Note	1 year or less \$	Over 1 to 5 years \$	Floating interest \$	Non- interest bearing \$	Total \$	Weighted average int. rate
<b>Financial assets</b>							
Bank balances	8	-	-	642,068	158,880	800,948	1.32%
Bank guarantee	10	25,000	-	-	-	25,000	2.44%
Trade and other receivables	9	-	-	-	89,637	89,637	-
<b>Financial liabilities</b>							
Trade payables and accrued expenses	13	-	-	-	359,163	359,163	-

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

30 June 2015	Note	1 year or less \$	Over 1 to 5 years \$	Floating interest \$	Non- interest bearing \$	Total \$	Weighted average int. rate
<b>Financial assets</b>							
Bank balances	8	-	-	774,480	124,471	898,951	1.50%
Bank guarantee	10	25,000	-	-	-	25,000	2.92%
Trade and other receivables	9	-	-	-	30,580	30,580	-
<b>Financial liabilities</b>							
Trade payables and accrued expenses	13	-	-	-	295,060	295,060	-
Share Issue - application monies held on trust	13	-	-	-	690,387	690,387	-

**(c) Credit risk exposure**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is not significant and currently arises principally from sundry receivables which represent an insignificant proportion of the Group's activities.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts, as disclosed in the notes to the financial statements.

**(d) Liquidity risk exposure**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board actively monitors the Group's ability to pay its debts as and when they fall due by regularly reviewing the current and forecast cash position based on the expected future activities.

The Group has non-derivative financial liabilities which include trade and other payables of \$359,163 all of which are due within 60 days.

**(e) Net fair values of financial assets and liabilities**

The carrying amounts of all financial assets and liabilities approximate the net fair values.

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

### 17. Capital and other commitments

#### Exploration expenditure 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:

	2016 \$	2015 \$
Within 1 year	578,060	145,457
Within 2 - 5 years	2,471,954	407,179
Later than 5 years	89,550	273,960
	<b>3,139,564</b>	<b>826,596</b>

### 18. Reconciliation of cash flows from operating activities to loss for the period

	2016 \$	2015 \$
Loss for the period	(5,454,292)	(846,293)
Adjustments for:		
Depreciation and amortisation	4,154	8,975
Carrying amount of assets written off	5,053	-
Net gain on foreign exchange	(18,070)	(22,672)
Gain on sale of mineral tenement	-	(465,500)
Impairment of exploration and evaluation assets	4,661,484	770,326
Exploration expenditure written off (net)	3,194	75,074
Business development costs	306,281	30,170
Directors fees paid in equity	91,220	78,144
Equity-settled share-based payment expenses	133,820	3,505
<b>Operating loss before changes in working capital and provisions</b>	<b>(267,156)</b>	<b>(368,271)</b>
(Increase)/decrease in trade and other receivables	(7,934)	11,713
Increase/(decrease) in trade creditors and accruals	(19,301)	(20,782)
(Increase)/decrease in other financial assets	167	346
Increase/(decrease) in provisions	(5,377)	(4,049)
<b>Net cash used in operating activities</b>	<b>(299,601)</b>	<b>(381,043)</b>

### 19. Key management personnel

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

#### Directors

T R B Goyder

D R Richards

C R Williams

A J Cipriano

#### Executive

R K Hacker (Chief Financial Officer)

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

The key management personnel compensation is as follows:

	2016 \$	2015 \$
Short-term employee benefits	286,134	251,850
Post-employment benefits	21,559	22,251
Equity-settled transactions	107,810	3,505
	<u>415,503</u>	<u>277,606</u>

### Shares issues to directors in lieu of fees

Due to market conditions and with an emphasis on conserving cash reserves, directors agreed, from 1 October 2014, to continue to accrue directors' 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 on 24 November 2015, shareholders approved the following issue of shares at 0.7 cents per share:

	Directors' Fees Outstanding	Shares Issued
Tim Goyder	\$2,683	383,286
Craig Williams	\$23,218	3,316,857
Anthony Cipriano	\$23,218	3,316,857
Total	<u>\$49,119</u>	<u>7,017,000</u>

At the date the directors resolved to issue shares in lieu of the directors fees, the basis for determining the numbers of shares was calculated using a deemed issue price of 0.7 cents per share, which was determined by the capital raising price in July 2015. Shareholder approval was obtained in November 2015 for the issue of the shares. AASB 2 requires share based payments to be valued at the date of grant (i.e. after shareholder approval) as opposed to the date of the board resolution. The share price at the date of grant was 1.3 cents per share resulting in a higher expense for accounting purposes, compared to when the shares were valued at the date of the board resolution.

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 30 June 2016 the balance of directors' fees owing was \$34,827.

### Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation is provided in the Remuneration Report section of the Directors' Report.

### Loans to key management personnel and their related parties

No loans were made to key management personnel and their related parties.

### Other key management personnel transactions with the Group

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

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. Interest was payable at the prevailing ANZ Bank overdraft rate (commercial plus \$100,000) plus 2%. The loan was repayable by 30 June 2016 and if not repaid by that date, subject to shareholder approval, Mr Goyder could elect to convert the outstanding balance into fully paid ordinary shares at the 20 day VWAP share price prior to 30 June 2016.

In May 2016 the shareholders approved to issue Tim Goyder 23,333,333 shares at a deemed price of 1.5 cents per share in full satisfaction of the \$350,000 loan facility provided to the company during the year. Interest of \$10,143 was paid to Mr Goyder.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

		Note	Amounts paid or payable 2016 \$	Amounts paid or payable 2015 \$
<b>Key management persons</b>	<b>Transaction</b>			
<b>Other related parties</b>				
Chalice Gold Mines Limited	Corporate Services	(i)	66,000	71,500

- (i) The Group receives corporate services including office rent and facilities, accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder was a director, Mr Hacker was the CFO and Mrs Stevens was the company secretary of Chalice Gold Mines Limited during the year. 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.

Amounts payable to key management personnel at reporting date arising from these transactions were as follows:

Liabilities arising from the above transactions	2016 \$	2015 \$
Current payables	(5,500)	(16,500)
	(5,500)	(16,500)

### 20. Group entities

The consolidated financial statements includes the following entities:

	Country of incorporation	Ownership interest		Investment	
		2016	2015	2016	2015
Liontown Resources (Tanzania) Limited	Tanzania	100%	100%	\$9,412	\$9,559
LRL (Aust) Pty Ltd (i)	Australia	100%	-	\$1	-
ERL (Aust) Pty Ltd (i)	Australia	100%	-	\$1	-
Chela Resources Ltd	Tanzania	0%*	0%*	0%*	0%*

\*Beneficial interest only

- (i) These subsidiaries were incorporated during the year with each having share capital of \$1.



# Liontown Resources Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

### 21. Parent entity disclosures

The parent entity of the Group was Liontown Resources Limited throughout the financial years ended 30 June 2015 and 30 June 2016.

	2016 \$	2015 \$
<b>Results of parent entity</b>		
Loss for the year	(2,139,378)	(184,424)
Total comprehensive loss for the year	(2,319,378)	(184,424)
<b>Financial position of parent entity at year end</b>		
Current assets	822,314	888,627
Non current assets	1,985,306	5,085,456
Total assets	2,807,620	5,974,083
Current liabilities	288,354	851,189
Total liabilities	288,354	851,189
	2016 \$	2015 \$
<b>Total equity of the parent entity comprising of:</b>		
Issued capital	30,194,968	27,646,045
Share based payments reserve	176,806	42,986
Accumulated losses	(27,892,508)	(22,566,137)
<b>Total equity</b>	<b>2,519,266</b>	<b>5,122,894</b>

### 22. Subsequent events

Subsequent to year end the Company entered into a binding, conditional agreement with Ramelius Resources Limited to acquire 100% of the Kathleen Valley Project (excluding gold and nickel rights). The consideration payable will be the issue of 25,000,000 shares to Ramelius Resources plus a royalty.

In August 2016 3,000,000 ordinary shares were issued to a consultant of the Company in consideration for the provision of corporate communications and investor support.

In September 2016 the Company commenced a 1 for 5 non-renounceable Rights Issue at \$0.01 per share to raise up to \$1,398,900 before issue costs. The Rights Issue is expected to be completed by October 2016.

There were no other events subsequent to reporting date requiring disclosure in this report.

### 23. Contingent assets and liabilities

There are no contingent assets or liabilities.

## **Liontown Resources Limited**

### **Directors' Declaration**

- 1 In the opinion of the directors of Liontown Resources Limited ('the Company'):
  - (a) the financial statements, notes and additional disclosures of the Group are in accordance with the Corporations Act 2001 including:
    - (i) giving a true and fair view of the financial position of the Group as at 30 June 2016 and of its performance for the year then ended; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
  - (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
- 2 This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

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



David R Richards  
Managing Director  
Dated this 28th day of September 2016

**INDEPENDENT AUDITOR'S REPORT**

To the members of Liontown Resources Limited

**Report on the Financial Report**

We have audited the accompanying financial report of Liontown Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

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

**Auditor's opinion**

In our opinion:

- (a) the financial report of Lontown Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 1(f) in the financial report, which indicates that the Group will 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 financial statements. Should additional funding not 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 its assets and extinguish its liabilities in the normal course of business.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion**

In our opinion, the Remuneration Report of Lontown Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB Mann Judd  
Chartered Accountants

A handwritten signature in black ink that reads 'L Di Giallonardo'.

L Di Giallonardo  
Partner

Perth, Western Australia  
28 September 2016

## Liontown Resources Limited

### ASX Additional Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

#### Shareholdings

##### Substantial shareholders

The number of shares held by substantial shareholders and their associated interests as at 27 September 2016 were:

Shareholder	Number of ordinary shares held	Percentage of capital held %	Number of unlisted options held	Percentage of unlisted options held %
Timothy R B Goyder	188,487,483	26.95	2,000,000	13.65
Luieta Pty Ltd	50,521,080	7.22	-	-
Graham Kluck Management & Investment Pty Ltd<G Kluck Drilling S/F A/C>	35,386,109	5.06	-	-

#### Class of Shares and Voting Rights

At 27 September 2016 there were 699,450,401 holders of the ordinary shares of the Company and 12 holders of unlisted options. The Company has 14,650,000 unlisted options on issue at 27 September 2016, all of which were issued under the Employee Share Option Plan.

The voting rights to the ordinary shares set out in the Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or Classes of shares -

- a) at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney: and
- b) on a show of hands every person who is a member has one vote and on a poll every person in person or by proxy or attorney has one vote for each ordinary share held."

Holders of options do not have voting rights.

#### Distribution of equity security holders as at 27 September 2016:

Category	Number of equity security holders	
	Ordinary Shares	Unlisted Share Options
1 - 1,000	88	-
1,001 - 5,000	10	-
5,001 - 10,000	18	-
10,001 - 100,000	259	-
100,001 and over	366	12
<b>Total</b>	<b>741</b>	<b>12</b>

The number of shareholders holding less than a marketable parcel at 27 September 2016 was 154.

# Liontown Resources Limited

## ASX Additional Information

Twenty largest Ordinary Fully Paid Shareholders  
as at 27 September 2016

Name	Number of ordinary shares held	Percentage of capital held %
Timothy R B Goyder	188,487,483	26.95
Lujeta Pty Ltd <The Margaret Account>	50,521,080	7.22
Graham Kluck Management & Investment Pty Ltd	35,386,109	5.06
Delta Resource Management	32,000,000	4.58
Bellarine Gold Pty Ltd	16,139,891	2.31
Claw Pty Ltd <Corp Super Fund>	15,000,000	2.14
Calm Holdings Pty Ltd	12,800,014	1.83
Craig Williams	12,219,268	1.75
Hazardous Investments Pty Ltd	11,000,000	1.57
DM Middletons Pty Ltd	10,500,000	1.50
Albion Bay Pty Ltd	10,295,334	1.47
JP Morgan Nominees Australia Limited	10,045,007	1.44
Mr Robert Jessie Hunt	8,603,757	1.23
Clement Pty Ltd	7,274,361	1.04
Greymar Holdings Pty Ltd	7,099,999	1.02
Baffles (QLD) Pty Ltd	7,000,000	1.00
Anthony Kiernan	6,042,495	0.86
Anthony Cipriano	5,308,732	0.76
Dog Trap Investments Pty Ltd	5,200,000	0.74
Melita Station Pty Ltd	5,000,000	0.71
<b>Total</b>	<b>455,923,530</b>	<b>65.18</b>