



**LIONTOWN RESOURCES LIMITED**

**ABN 39 118 153 825**

**Half-Year Report  
31 December 2016**

# Liontown Resources Limited

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# Liontown Resources Limited

## Directors' Report

### For the half-year ended 31 December 2016

#### DIRECTORS' REPORT

Your directors submit the financial report for Liontown Resources Limited ("Liontown") and the entities it controlled as at and for the half-year ended 31 December 2016 ("the Group"). In compliance with the provisions of the Corporations Act 2001, the directors report as follows:

#### Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

<b>Tim Goyder</b>	<b>Chairman</b>
<b>David Richards</b>	<b>Managing Director</b>
<b>Craig Williams</b>	<b>Non-Executive Director</b>
<b>Anthony Cipriano</b>	<b>Non-Executive Director</b>

#### REVIEW OF OPERATIONS

##### **1. Bynoe Lithium-Tantalum Project (Northern Territory) (right to earn 100%)**

*The Bynoe Project is located in the Northern Territory approximately 35km SSW of Darwin, 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 more than 60 rare metal pegmatites. The pegmatites are similar to those that host economic lithium mineralisation elsewhere in Australia. Exploration drilling by Liontown has proven the potential for spodumene-related lithium mineralisation.*

Since acquiring the Bynoe Project in February 2016, Liontown has completed two programs of drilling including a 34 hole, 3,750m, drilling program completed in November 2016 to follow up results from an initial program which resulted in the discovery of thick spodumene-bearing pegmatites including the Sandras and BP33 pegmatites.

Best results, which included intercepts of 42m @ 1.0% Li<sub>2</sub>O from 93m and 24m @ 1.1% Li<sub>2</sub>O from 70m, were returned from the Sandra's prospect where a pegmatite up to 40m thick and at least 300m long has been defined from surface with strike extensions obscured by transported cover. Better results from drilling during the follow up program in November 2016 at Sandras included 27m @ 1.1% Li<sub>2</sub>O from 94m, including 3m @ 1.6% Li<sub>2</sub>O and 2m @ 1.8% Li<sub>2</sub>O; and 28m @ 1.0% Li<sub>2</sub>O from 77m, including 2m @ 1.6% Li<sub>2</sub>O, 3m @ 1.5% Li<sub>2</sub>O and 3m @ 1.5% Li<sub>2</sub>O.

A large number of pegmatites (more than 50) remain to be tested at Bynoe and, in order to prioritise future drilling, a soil sampling program was undertaken during the period across Liontown's tenure with ~1,000 samples collected on a 400m by 100m spacing. The results have defined a number of high-order, coincident lithium and tantalum anomalies which will form the basis of future drilling programs in the second quarter of 2017.

##### **2. Kathleen Valley Lithium Project (Western Australia) (100%)**

*The Kathleen Valley Project is located in Western Australia approximately 680km north-east of Perth within the Eastern Goldfields of the Archaean Yilgarn Craton. Historical exploration has defined a large swarm of spodumene-bearing pegmatites which have not been drill tested.*

During the period, Liontown finalised the purchase agreement to acquire the project from Ramelius Resources through the issue of 25 million ordinary shares in the Company and undertook a heritage survey over the main prospect areas.

Previous work at Kathleen Valley has defined multiple spodumene-bearing pegmatites with numerous high grade lithium (>2% Li<sub>2</sub>O) values recorded.

# Liontown Resources Limited

## Directors' Report

### For the half-year ended 31 December 2016

Liontown has validated historical geological mapping and rock chip sampling results and delineated two prospect areas – Mt Mann and Kathleen's Corner – which represent immediate drill targets.

Geological mapping from the mid-1990s indicated that the Mt Mann pegmatite occurred over a 700m strike with surface widths of up to 30m. Traversing by Liontown geologists has identified additional pegmatite outcrops, doubling the strike length to greater than 1.4km with the trend remaining open to the north-west, where it is obscured by transported cover.

At Kathleen's Corner, traversing by Liontown geologists has confirmed the continuity of numerous shallowly dipping, strongly mineralised pegmatites over a strike length of 600m with the strike extensions again obscured by transported cover.

A maiden RC drill program comprising 19 holes for 2,053m was completed in February 2017. This drilling targeted the northern part of the pegmatite field, including outcropping zones of mineralisation, where statutory and heritage clearances have been received for drilling. Assays are pending.

#### **3. Lake Percy Lithium Project (Western Australia) (earning 70%)**

*The Lake Percy Project is located in Western Australia approximately 430km east of Perth 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 historical 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.*

Initial fieldwork undertaken during the period has defined strongly anomalous lithium-in-soil values coincident with very large pegmatites at Lake Percy, which is located near Poseidon Nickel's Lake Johnson/Maggie Hayes treatment plant.

The fieldwork, which comprised detailed geological mapping and soil sampling, complemented previous nickel exploration which had only partially defined the poorly exposed and strongly weathered pegmatites.

The anomalous lithium trend, which contains values of up to 354ppm Li<sub>2</sub>O, has been outlined over a strike length of 2km and is coincident with pegmatites which locally exceed 100m true thickness.

Liontown is strongly encouraged by the initial results given the known lithium mineralisation at Mt Day in the same greenstone belt approximately 20km to the south; the large size of the pegmatites, which previous nickel drilling indicates locally exceed 100m true width; and the project's location in an emerging lithium province which includes Kidman Resources' large Earl Grey discovery approximately 60km to the west.

A maiden 2,000 -2,500m reverse circulation drilling program designed to test beneath the strongest lithium anomalism has commenced in mid-March 2017. All statutory permissions required to drill at Lake Percy have been received.

#### **4. Jubilee Reef Project (Northern Tanzania) (100%)**

*The Jubilee Reef Project is located approximately 850km northwest of Dar es Salaam 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 has defined an Inferred Mineral Resource estimate of approximately 8.5Mt @ 1.4g/t gold (~390,000 ounces) for the Jubilee Reef Gold Project.*

Work during the period focussed on identifying exploration targets with the potential to add to the Inferred Mineral Resources previously estimated at the Simba and Panapendesa prospects.

Previous drilling results at Simba have defined a 1km long, SW/NE trending arcuate zone of continuous gold mineralisation largely hosted by carbonate-altered syenite. The mineralised trend including the Inferred Mineral Resource is open along strike where it is obscured by transported cover and there are a number of significant intersections to the east and southeast implying potential for parallel zones.

# Liontown Resources Limited

## Directors' Report

### For the half-year ended 31 December 2016

At Tembo, located in the north of the Project approximately 8km from Simba, high grade gold values (up to 6g/t) were recorded from trenching and a 1km, up to 50m wide mineralised trend has now been defined. This trend has not been tested by drilling and is one of a number of targets on the Jubilee Reef Project, excluding the resource areas, warranting further work.

The Jubilee Reef Project remains an important and valuable asset. The Board is assessing alternatives to advance the Jubilee Reef Project while maintaining momentum and focus on its Australian lithium projects.

#### CORPORATE

At 31 December 2016 the Group had net assets of \$4,075,225 (30 June 2016: \$2,519,266) and an excess of current assets over current liabilities of \$620,716 (30 June 2016 current assets over current liabilities: \$517,279). At 31 December 2016, cash at bank totalled \$661,514 (30 June 2016: \$800,948).

The Group reported a net loss for the period of \$349,456 (31 December 2015: \$4,860,977).

During the half year the accrued non-executive Directors fees from 1 October 2015 to 30 June 2016 (\$34,827) were paid out in cash to the Directors. Directors' fees will continue to be accrued from July 2016 until the Company and non-executive directors agree otherwise.

#### EVENTS SUBSEQUENT TO THE REPORTING DATE

In January 2017 the Company completed a \$2.5 million placement to institutional and professional investors. 126,000,000 fully paid ordinary shares were issued at \$0.02 per share. The funds will be used by the Company to accelerate its drilling programs at the Kathleen Valley, Lake Percy and Bynoe Lithium Projects.

#### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2016.

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



David Richards  
Managing Director

Dated at Perth this 13th day of March 2017.

The Information in this report that relates to Exploration Results for the Bynoe Project is extracted from the ASX announcements titled "Initial Assays from Second Phase of Drilling at Bynoe Lithium Project Confirm Extensions to Sandras Prospect", "New Drill Targets Outlined at Bynoe Lithium Project Following Successful Soil Sampling Program" and "Joint Airborne Geophysical Survey Commences across Bynoe/Finniss Pegmatite-Lithium Field, NT" released on the 2<sup>nd</sup> November 2016, 6<sup>th</sup> December 2016 and 10<sup>th</sup> January 2017 respectively all of which are available on [www.ltresources.com.au](http://www.ltresources.com.au).

**Liontown Resources Limited**  
**Directors' Report**  
**For the half-year ended 31 December 2016**

The Information in this report that relates to the Exploration Results for the Kathleen Valley Project is extracted from the ASX announcements titled "Liontown enters into agreement for the acquisition of highly prospective WA lithium-tantalum project from Ramelius Resources" and "Lithium-tantalum potential at Kathleen Valley significantly expanded" released on the 4<sup>th</sup> August 2016 and 6<sup>th</sup> September 2016 respectively both of which are available on [www.ltresources.com.au](http://www.ltresources.com.au).

The information in this report which relates to Exploration Results for the Lake Percy Project is extracted from the ASX announcements titled "Liontown confirms lithium potential at Lake Percy" and "Liontown identifies 2km-long lithium trend just 60km from Kidman's world-class discovery in WA" released on the 27<sup>th</sup> October 2016 and 9<sup>th</sup> January 2017 respectively both of which are available on [www.ltresources.com.au](http://www.ltresources.com.au).

The information in this report which relates to the Mineral Resources for the Jubilee Reef Project is extracted from the ASX announcement titled "Liontown Announces Maiden 390,000oz Mineral Resource for the Jubilee Reef Gold Project in Tanzania, East Africa" released on 30 November 2015 and which is available on [www.ltresources.com.au](http://www.ltresources.com.au).

The information in this report which relates to Exploration Results for the Jubilee Reef Project is extracted from the ASX announcement titled "Quarterly activities report for the Quarter ending 30<sup>th</sup> September 2016" released on the 12<sup>th</sup> October 2016 which 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.

This Half Year Report contains forward-looking statements which involve a number of risks and uncertainties. These forward looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the consolidated financial report of Liontown Resources Ltd for the half-year ended 31 December 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 review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia**  
**13 March 2017**

**L Di Giallonardo**  
**Partner**

**Liontown Resources Limited**  
**Condensed Statement of Comprehensive Income**  
For the half-year ended 31 December 2016

	Note	Consolidated	
		31 December 2016 \$	31 December 2015 \$
<b>Continuing Operations</b>			
Revenue	3a	6,348	42,407
Impairment of exploration and evaluation assets		-	(4,679,348)
Exploration and evaluation expenditure expensed as incurred	4	(58,511)	(3,208)
Business development costs		-	(61,790)
Corporate administrative expenses	3b	(297,293)	(159,038)
<b>Loss before income tax</b>		<b>(349,456)</b>	<b>(4,860,977)</b>
Income tax expense		-	-
<b>Loss for the period attributable to owners of the parent</b>		<b>(349,456)</b>	<b>(4,860,977)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		33,689	214,877
<b>Total comprehensive loss after tax</b>		<b>(315,767)</b>	<b>(4,646,100)</b>
Basic loss per share attributable to ordinary equity holders (cents)		(0.04)	(0.89)
Diluted loss per share attributable to ordinary equity holders (cents)		(0.04)	(0.89)

**Liontown Resources Limited**  
**Condensed Statement of Financial Position**  
**As at 31 December 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2016</b>	<b>30 June 2016</b>
		<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents		661,514	800,948
Trade and other receivables		157,943	89,637
<b>Total current assets</b>		<b>819,457</b>	<b>890,585</b>
<b>Non-current assets</b>			
Financial assets		50,000	25,000
Property, plant and equipment		52,397	52,052
Exploration and evaluation assets	4	3,352,112	1,924,935
<b>Total non-current assets</b>		<b>3,454,509</b>	<b>2,001,987</b>
<b>Total assets</b>		<b>4,273,966</b>	<b>2,892,572</b>
<b>Current liabilities</b>			
Trade and other payables		189,839	359,163
Employee benefits		8,902	14,143
<b>Total current liabilities</b>		<b>198,741</b>	<b>373,306</b>
<b>Total liabilities</b>		<b>198,741</b>	<b>373,306</b>
<b>Net assets</b>		<b>4,075,225</b>	<b>2,519,266</b>
<b>Equity</b>			
Issued capital	5	32,024,073	30,194,966
Accumulated losses		(29,311,202)	(28,980,116)
Reserves		1,362,354	1,304,416
<b>Total equity</b>		<b>4,075,225</b>	<b>2,519,266</b>

**Liontown Resources Limited**  
**Condensed Statement of Changes in Equity**  
For the half-year ended 31 December 2016

	Consolidated				
	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total equity \$
<b>Balance at 30 June 2016</b>	30,194,966	(28,980,116)	176,806	1,127,610	2,519,266
Loss for the period	-	(349,456)	-	-	(349,456)
Exchange differences on translation of foreign operations	-	-	-	33,689	33,689
<b>Total comprehensive loss for the period</b>	-	<b>(349,456)</b>	-	<b>33,689</b>	<b>(315,767)</b>
Transfer from reserve	-	18,370	(18,370)	-	-
Share options vested	-	-	42,619	-	42,619
Share issue – rights issue	1,398,902	-	-	-	1,398,902
Share issue – in lieu of consulting fees	60,000	-	-	-	60,000
Share issue – Kathleen Valley tenement purchase	425,000	-	-	-	425,000
Less - cost of share issues	(54,795)	-	-	-	(54,795)
<b>Balance at 31 December 2016</b>	<b>32,024,073</b>	<b>(29,311,202)</b>	<b>201,055</b>	<b>1,161,299</b>	<b>4,075,225</b>
	Consolidated				
	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total equity \$
<b>Balance at 30 June 2015</b>	27,646,045	(23,525,824)	42,986	959,687	5,122,894
Loss for the period	-	(4,860,977)	-	-	(4,860,977)
Exchange differences on translation of foreign operations	-	-	-	214,877	214,877
<b>Total comprehensive loss for the period</b>	-	<b>(4,860,977)</b>	-	<b>214,877</b>	<b>(4,646,100)</b>
Share issue – rights issue	808,712	-	-	-	808,712
Share issue – in lieu of directors fees	91,221	-	-	-	91,221
Share issue – listed options exercised	17	-	-	-	17
Less - cost of share issues	(9,576)	-	-	-	(9,576)
<b>Balance at 31 December 2015</b>	<b>28,536,419</b>	<b>(23,386,801)</b>	<b>42,986</b>	<b>1,174,564</b>	<b>1,367,168</b>

**Liontown Resources Limited**  
**Condensed Statement of Cash Flows**  
For the half-year ended 31 December 2016

	Consolidated	
	31 December 2016 \$	31 December 2015 \$
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees	(306,059)	(142,942)
Interest received	5,225	2,505
Other (government grant)	-	39,954
Other	985	-
<b>Net cash used in operating activities</b>	<b>(299,849)</b>	<b>(100,483)</b>
<b>Cash flows from investing activities</b>		
Payments for mining exploration and evaluation and business development costs	(1,157,438)	(745,111)
Payments for plant and equipment	(9,948)	-
<b>Net cash used in investing activities</b>	<b>(1,167,386)</b>	<b>(745,111)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,398,902	808,896
Payments for share issue costs	(50,671)	(39,691)
Proceeds from borrowings	-	100,000
Other (application monies held on trust – shares now issued)	-	(690,554)
Other (bank guarantee)	(25,000)	-
<b>Net cash from financing activities</b>	<b>1,323,231</b>	<b>178,651</b>
Net decrease in cash and cash equivalents	(144,004)	(666,943)
Cash and cash equivalents at the beginning of the period	800,948	907,882
Effects of exchange rate fluctuations on cash held	4,570	18,387
<b>Cash and cash equivalents at 31 December</b>	<b>661,514</b>	<b>259,326</b>

**Liontown Resources Limited**  
**Notes to the Condensed Financial Statements**  
**For the half-year ended 31 December 2016**

**1. Significant accounting policies**

**(a) Statement of compliance**

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Liontown Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2016 and for the corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**(b) Basis of preparation**

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Group is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

**(c) Significant accounting judgments and key estimates**

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2016.

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

The directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for half-year reporting periods beginning on or after 1 July 2016. The directors note that there is no material impact on the financial report as a result.

The directors have also 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 reporting periods beginning on or after 1 January 2017. The directors note that there is no material impact on the financial report as a result.

Liontown Resources Limited  
**Notes to the Condensed Financial Statements**  
For the half-year ended 31 December 2016

**2. Segment reporting**

**Geographical segments**

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the allocation of costs; whether they are corporate related costs or exploration costs. Results of both segments are reported to the Board of Directors at each board meeting.

	Exploration and Evaluation		Corporate		Total	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	\$	\$	\$	\$	\$	\$
Revenue	985	39,954	-	-	985	39,954
Impairment of exploration and evaluation assets	-	(4,679,348)	-	-	-	(4,679,348)
Exploration and evaluation expenses written off	(58,511)	(3,208)	-	-	(58,511)	(3,208)
Business development costs	-	(61,790)	-	-	-	(61,790)
Corporate and administrative expenses	-	-	(297,293)	(159,038)	(297,293)	(159,038)
Segment net gain/ loss after tax	(57,526)	(4,704,392)	(297,293)	(159,038)	(354,819)	(4,863,430)
<b>Unallocated income/(expenses)</b>						
Net financing income					5,363	2,453
<b>Loss before income tax</b>					(349,456)	(4,860,977)
<b>Segment assets:</b>	Exploration and Evaluation		Corporate		Total	
	31 December 2016	30 June 2016	31 December 2016	30 June 2016	31 December 2016	30 June 2016
	\$	\$	\$	\$	\$	\$
Exploration and evaluation assets	3,352,112	1,924,935	-	-	3,352,112	1,924,935
Other	122,454	123,321	100,923	67,745	223,377	191,066
	<b>3,474,566</b>	<b>2,048,256</b>	<b>100,923</b>	<b>67,745</b>	<b>3,575,489</b>	<b>2,116,001</b>
Unallocated assets					698,477	776,571
<b>Total assets</b>					<b>4,273,966</b>	<b>2,892,572</b>
<b>Segment liabilities</b>	(126,712)	(266,055)	(72,029)	(107,251)	(198,741)	(373,306)

**Liontown Resources Limited**  
**Notes to the Condensed Financial Statements**  
For the half-year ended 31 December 2016

**3. Loss before income tax**

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

	<b>2016</b> \$	<b>2015</b> \$
<b>(a) Revenue</b>		
Government grant	-	39,954
Insurance refund	985	-
Interest received	5,363	2,453
	<b>6,348</b>	<b>42,407</b>

	<b>2016</b> \$	<b>2015</b> \$
<b>(b) Corporate administrative expenses</b>		
Depreciation and amortisation	3,247	2,077
Insurance	13,488	14,534
Legal fees	(1,500)	160
Corporate service charge	33,000	27,500
Personnel expenses	129,355	77,398
Regulatory and compliance	105,562	49,610
Other	14,141	(12,241)
<b>Total</b>	<b>297,293</b>	<b>159,038</b>

**4. Exploration and evaluation expenditure**

	<b>6 months to 31 December</b> \$	<b>Year to 30 June</b> \$
	<b>2016</b> \$	<b>2016</b> \$
Cost brought forward	1,924,935	5,110,462
Acquisition of Bynoe Project	-	80,000
Acquisition of Kathleen Valley Project	425,000	-
Expenditure incurred during the period	1,034,856	1,521,240
Impairment of exploration and evaluation assets	-	(4,661,489)
Exploration and evaluation expenditure expensed as incurred	(58,511)	(3,194)
Transfer to business development costs	-	(306,281)
Effects of movements in exchange rates	25,832	184,197
<b>Total</b>	<b>3,352,112</b>	<b>1,924,935</b>

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

**Liontown Resources Limited**  
**Notes to the Condensed Financial Statements**  
For the half-year ended 31 December 2016

**5. Issued capital**

	31 December 2016 No.	30 June 2016 No.
Issued and fully paid ordinary shares	<b>864,340,635</b>	<b>696,450,401</b>
<hr/>		
	6 months to 31 December 2016	Year to 30 June 2016
	No.	\$
Balance at 1 July	696,450,401	30,194,966
Share issue – in lieu of directors' fees	-	-
Share issue – rights issue <sup>(1)</sup>	139,890,234	1,398,902
Share issue – in lieu of consulting fees <sup>(2)</sup>	3,000,000	60,000
Share issue – purchase of Kathleen Valley tenements <sup>(3)</sup>	25,000,000	425,000
Share issue – listed options exercised	-	-
Share issue - placements	-	-
Share issue – settlement of directors' loan	-	-
Less share issue costs	-	(54,795)
Balance at end of period	<b>864,340,635</b>	<b>32,024,073</b>
	<b>696,450,401</b>	<b>30,194,966</b>

(1) The 1-for-5 non-renounceable rights issue raising \$1,398,902 was completed on 13<sup>th</sup> October 2016.

(2) 3,000,000 fully paid ordinary shares were issued in August 2016 to a consultant of the Company in consideration for the provision of corporation communications and investor relations support.

(3) In December 2016, 25,000,000 fully paid ordinary shares were issued to Ramelius Resources Limited in consideration for the acquisition of the Kathleen Valley Project.

**Liontown Resources Limited**  
**Notes to the Condensed Financial Statements**  
For the half-year ended 31 December 2016

**6. Share Options**

	<b>6 months to 31 December 2016</b>	<b>Year to 30 June 2016</b>
	No.	No.
Movements in unlisted options over ordinary shares on issue:		
At 1 July	14,650,000	5,850,000
Options expired	(4,000,000)	-
Options issued	3,000,000	8,800,000
At balance date	<b>13,650,000</b>	<b>14,650,000</b>
Movements in listed options over ordinary shares on issue:		
At 1 July	-	32,645,703
Listed options exercised	-	(333)
Listed options expired	-	(32,645,370)
At balance date	<b>-</b>	<b>-</b>
Total share options on issue	<b>13,650,000</b>	<b>14,650,000</b>

**7. Related Parties**

**Key management personnel**

Key management personnel including non-executive directors receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payment awards. For the six months ended 31 December 2016, executive personnel received total compensation of \$110,000 (six months ended 31 December 2015: \$85,785) and non-executive directors were due a total compensation of \$35,160 (six months ended 31 December 2015: \$60,641).

During the half year the accrued non-executive Directors fees from 1 October 2015 to 30 June 2016 (\$34,827) were paid out in cash to the Directors. Directors' fees will continue to be accrued from July 2016 until the Company and non-executive directors agree otherwise.

At 31 December 2016 the balance of non-executive directors' fees owing was \$23,218.

**Other related parties transactions**

The group receives corporate services including office rent and facilities, management, accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder is a Director of Chalice Gold Mines Limited. Amounts billed are based on a proportionate share of the cost to Chalice Gold Mines Limited of providing the services and have normal payment terms. The total amount invoiced during the period was \$33,000 (six months ended 31 December 2015: \$33,000). An amount of \$5,500 (six months ended 31 December 2015: \$16,500) was outstanding and payable at the end of the period which has subsequently been paid.

**8. Events Subsequent to Reporting Date**

In January 2017 the Company completed a \$2.5 million placement to institutional and professional investors. The funds will be used by the Company to accelerate its drilling programs at the Kathleen Valley, Lake Percy and Bynoe Lithium Projects.

Liontown Resources Limited  
**Notes to the Condensed Financial Statements**  
For the half-year ended 31 December 2016

**9. Capital and other commitments**

**Exploration expenditure commitments**

As a result of the acquisition of the Kathleen Valley Project during the period, the Group's exploration commitments have increased significantly due to statutory annual minimum commitment expenditure and rents from those disclosed in the 2016 annual report. The Group's maximum exploration expenditure commitments (subject to those conditions disclosed in the 2016 annual report) are payable:

	<b>2016</b>
Within 1 year	\$ 745,119
Within 2 – 5 years	3,035,141
Later than 5 years	2,223,062
	<b>6,003,322</b>

**Contingent liabilities**

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

**10. Financial Instruments**

The directors consider that the carrying values of the financial assets and financial liabilities recognised in the condensed statement of financial position approximate their fair values.

## Liontown Resources Limited **Directors' Declaration**

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 13th day of March 2017

A handwritten signature in blue ink, appearing to read "David Richards".

David Richards  
Managing Director

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Liotown Resources Limited

**Report on the Condensed Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Liotown Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Liotown Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*HLB Mann Judd*

**HLB Mann Judd**  
Chartered Accountants

*Di Giannonardo.*

**L Di Giannonardo**  
Partner

**Perth, Western Australia**  
**13 March 2017**