



LIONTOWN RESOURCES LIMITED

ABN: 39 118 153 825

HALF YEAR REPORT

31 DECEMBER 2021

Liontown Resources Limited

Corporate Directory

Directors

Timothy Goyder	Chairman
Antonino Ottaviano	Managing Director / CEO
David Richards	Technical Director (resigned 24 th November 2021)
Craig Williams	Non-Executive Director
Anthony Cipriano	Non-Executive Director
Steven Chadwick	Non-Executive Director
Jennifer Morris	Non-Executive Director (appointed 24 th November 2021)

Company Secretary

Clinton McGhie

Principal Place of Business & Registered Office

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Auditors

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PERTH, WESTERN AUSTRALIA 6000

Share Registry

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Home Exchange

Australian Securities Exchange Limited
Level 40, Central Park
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ASX Codes

Share Code: LTR

Liontown Resources Limited

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Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2021

Your directors submit the financial report for Liontown Resources Limited (**Liontown** or the **Company**) and the entities it controlled as at and for the half-year ended 31 December 2021 (the **Group**). In compliance with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

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

Timothy Goyder	Chairman
Antonino Ottaviano	Managing Director
David Richards	Technical Director (resigned 24 th November 2021)
Craig Williams	Non-Executive Director
Anthony Cipriano	Non-Executive Director
Steven Chadwick	Non-Executive Director
Jennifer Morris	Non-Executive Director (appointed 24 th November 2021)

REVIEW OF OPERATIONS

1. Overview

During the half year ended 31 December 2021, the Group completed technical and financial studies at its flagship 100% owned Kathleen Valley Lithium Project located in Western Australia. The Company divested non-lithium assets located in Western Australia through the demerger of wholly owned subsidiary Minerals 260 Limited which was subsequently listed on the ASX as part of an Initial Public Offering (**IPO**).

At Kathleen Valley, the Definitive Feasibility Study (**DFS**) confirmed the technical and financial viability of a long life, high-grade mining and processing operation. The DFS outlined a Tier-1 global lithium project with exceptionally strong financial and technical merits, combined with a class-leading sustainability and ESG framework that is being fully integrated with the Project's development. Final investment decision (**FID**) is targeted for Q2, 2022 with first production expected in the first half of 2024.

Continued work on the Downstream Scoping Study (**DSS**) investigating the production of lithium hydroxide monohydrate (**LHM**) at Kathleen Valley was also completed. Results reinforce the exceptional financial and economic returns that would be generated by the addition of an on-site downstream processing plant. The DSS has provided a strong basis to proceed with a Downstream Pre-Feasibility Study which will further investigate the robust fundamentals and compelling economics of a downstream refinery at Kathleen Valley.

Liontown executed a royalty termination deed with Ramelius Resources Limited (ASX: RMS) in August 2021 which saw the Company pay \$30.25m to terminate the royalty rights Ramelius held over the Kathleen Valley Project. Removal of the royalty obligation aligns clearly with the Company's stated objective of reducing the operating costs of the Project.

The Company signed a landmark Native Title Agreement (**NTA**) with the Tjiwarl Native Title Holders (the Tjiwarl). The agreement represents a significant Project approval, enabling the finalisation of key permit submissions for Kathleen Valley. The agreement defines a process and pathway for ongoing active engagement with the Tjiwarl as the Project develops and matures.

In November 2021, Liontown released its inaugural Environmental, Social and Governance (**ESG**) Report, summarising the Company's strategy and performance on its most critical ESG issues for the year ended 30 June 2021. Liontown has established a Climate Strategy Roadmap, that puts it on a trajectory to achieve net zero emissions by 2034.

During the period, Liontown completed institutional placements totalling \$502m (before costs). The Company received strong demand from high-quality domestic and offshore institutions reinforcing the strength of Liontown's world-class Kathleen Valley Lithium-Tantalum Project. The Company now has a significant capital base for which to accelerate the development of Kathleen Valley.

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

The Kathleen Valley Project is located in Western Australia, ~680km north-east of Perth and ~350km north-northwest of Kalgoorlie, within the Eastern Goldfields of the Archaean Yilgarn Craton. Liontown commenced work at Kathleen Valley in 2017 and has since defined a world-class Mineral Resource Estimate of 156Mt @ 1.4% Li₂O and 130ppm Ta₂O₅ and completed a Definitive Feasibility Study (DFS) which confirms the potential for a long-life, standalone mining and processing operation.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2021

HALF YEAR ACHIEVEMENTS AND HIGHLIGHTS:

- Definitive Feasibility Study (DFS) confirms the technical and financial viability of a standalone 2.5Mtpa increasing to 4Mtpa mining and processing operation based on an updated Ore Reserve of **68.5Mt @ 1.34% Li₂O and 120ppm Ta₂O₅**.
- Ore Reserve underpins a 23-year mine life with initial production of ~511ktpa 6% Li₂O spodumene concentrate (SC6.0) and 428tpa of 30% Ta₂O₅ concentrate.
- A Downstream Scoping Study (DSS) leveraging off the DFS demonstrates the significant financial upside of an integrated mining, processing and refining operation based on the production of LHM using SC6.0 from Kathleen Valley as feedstock.

Completion of Definitive Feasibility Study (DFS)

The DFS, completed in November 2021, builds on the previous study completed in October 2020, delivering an updated Ore Reserve of **68.5Mt @ 1.34% Li₂O and 120ppm Ta₂O₅** which will underpin a 2.5 increasing to 4Mtpa mining and processing operation over a 23-year mine life. The Ore Reserve was based on the April 2021 MRE of 156Mt @ 1.4% Li₂O and 130ppm Ta₂O₅.

The DFS evaluated a mining and processing operation delivering an initial 511ktpa of SC6.0 and 428tpa of a 30% Ta₂O₅ tantalum concentrate. Following conventional underground and open pit mining and delivery to the Run-of-Mine pad, ore will be processed by Whole of Ore Flotation (**WOF**) to produce spodumene and tantalum concentrates which will then be transported in bulk for delivery to downstream customers.

The DFS outlines a Tier-1 global lithium project with exceptionally strong financial and technical merits, combined with a class-leading sustainability and ESG framework that is being fully integrated with the Project's development. Liontown's focus on an integrated, value-adding ESG framework was adopted as part of the DFS, ensuring that project permitting, social licence and engineering-related initiatives are permeated throughout the mine schedule, power usage/supply mix and project layout.

Capital costs were updated as part of the DFS to reflect current conditions in the WA resource sector and in global supply chains, with an overall weighted increase of 15%-20% in steel, copper and labour prices incorporated into cost estimates.

Updated Ore Reserve

Snowden Mining Industry Consultants (**Snowden**) was responsible for the mining component of the DFS. Snowden prepared the Ore Reserve Estimate (JORC 2012) for the Kathleen Valley underground and open pit mines as of November 2021.

The summary of the Ore Reserve prepared by Snowden is shown in **Table 1**.

Table 1: Kathleen Valley Project – Ore Reserve Estimate (November 2021)

Category	Tonnage (Mt)	Li ₂ O (%)	Li ₂ O (t)	Ta ₂ O ₅ (ppm)	Ta ₂ O ₅ (t)
Underground					
Proved	-	-	-	-	-
Probable	65.4	1.34	878,966	119	7,799
Sub-Total	65.4	1.34	878,966	119	7,799
Open Pit					
Proved	2.7	1.30	33,581	141	374
Probable	0.5	0.93	4,696	148	75
Sub-Total	3.2	1.21	38,277	142	449
TOTAL	68.5	1.34	917,243	120	8,247

Notes:

- Tonnages and grades are diluted and reported at Li₂O cut-off grade of 0.5% (open pit) and 0.7 - 1.2% (Underground) and use a US \$740/ dmt FOB SC6.0 pricing assumption.
- Tonnages and grades have been rounded.

Liontown Resources Limited

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Mineral Resources were converted to Ore Reserves in line with the material classifications which reflect the level of confidence within the resource estimate. The Ore Reserve reflects that portion of the Mineral Resource which can be economically extracted by open pit and underground mining methods.

Metallurgy

An extensive metallurgical test work program completed for the DFS confirmed the ability to produce a low impurity 6-6.5% Li₂O concentrate while producing a ~12% Ta₂O₅ concentrate onsite.

The metallurgical process developed consists of 2-stage crushing following by milling, a sequential magnetic—gravity circuit for tantalum extraction followed by WOF and filtration to produce a +6% Li₂O concentrate. The plant design was optimised by Lycopodium Minerals Pty Ltd (**Lycopodium**) to ensure efficient ramp-up, throughput and recovery certainty by also provisioning for better operability and maintenance.

DFS Financial Outcomes

Based on a proposed increased 2.5-4Mtpa standalone mining and processing operation, the DFS has demonstrated very strong financial metrics for the Project (**Table 2**).

Table 2: Kathleen Valley Project – DFS Base Case Key Metrics

Study Outcomes	DFS
Post-tax NPV _{8%} (real, post-tax) (A\$B)	\$4.2B
Internal Rate of Return (IRR %)	57%
Payback (years post-production)	2.3
Life of mine (years)	~ 23 years
Pre-production capital cost ⁽³⁾ ⁽⁴⁾	\$473M
Cash operating costs (Years 1-5, US\$/dmt) ⁽¹⁾ ⁽²⁾ (including tantalum credits)	~\$314/dmt of SC6.0
Cash operating costs (Years 1-10, US\$/dmt) ⁽¹⁾ ⁽²⁾ (including tantalum credits)	~\$319/dmt of SC6.0
Cash operating costs LOM, US\$/dmt) ⁽¹⁾ ⁽²⁾ (including tantalum credits)	~\$327/dmt of SC6.0
Cash operating costs (LOM, US\$/dmt) ⁽¹⁾ ⁽²⁾ (including tantalum credits and royalty)	~\$433/dmt of SC6.0)
AISC (Years 1-10 US\$/ dmt) ⁽⁵⁾	~\$452/dmt of SC6.0
Average steady state production	SC6.0 – 511ktpa first four years and 658ktpa after year six (excludes 12-month ram-up at start) 30% Ta ₂ O ₅ concentrate – 428tpa first four years and 587tpa after year six (excludes 12-month ramp-up at start)

¹ Cash operating costs include all mining, processing, transport, freight to port, port costs and site administration, tantalum credit and overhead costs. Excludes sustaining capital, expansion capital and royalties.

² Royalties are predominately sales price dependent therefore not included, DFS Li₂O weighted average price of US\$1,1172/t FOB for years 1-5, US\$1,287/t FOB for years 1-10, US\$1,392/t FOB for LOM. Royalties equate to US\$88/t for years 1-5, US\$98/t for years 1-10 and US \$106/t for LOM.

³ Pre-Production Capital Costs include Project Capex, \$107M pre-production, \$23M paste fill plant and \$31M contingency.

⁴ Project CAPEX excludes working capital, finance costs, sustaining capital and corporate costs associated with project development.

⁵ All in Sustaining Capital Costs (AISC), as referred above, are cash operating costs included all mining, processing transport, freight to port, port costs, site administration/overhead costs, tantalum credits, all royalties and sustaining capital. Excludes expansion capital.

The production inventory and forecast financial information referred to in the DFS comprise Proved Ore Reserves (3.3%), Probable Ore Reserves (79.5%) and Inferred Mineral Resources (17.2%).

The DFS was completed to an overall +/- 15% accuracy using the key parameters and assumptions set out in Liontown's ASX release dated 11 November 2021.

Implementation and Schedule

The project execution strategy proposed for Kathleen Valley is an Engineering, Procurement and Construction Management (EPCM) approach and this formed the basis of the capital estimate and schedule. Liontown continues to work towards securing the EPCM partner to build and commission the Project.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2021

The Company is undertaking detailed engineering and further mine planning while progressing towards final investment decision (FID) which is expected to be made in Q2, 2022. First production is planned for H1, 2024.

Downstream Scoping Study (DSS)

An updated Downstream Scoping Study (DSS) was completed following the release of the DFS which reinforced the exceptional financial and economic returns that would be generated by the addition of an on-site, downstream processing plant to produce battery-grade pre-cursor product.

Liontown engaged Lycopodium to evaluate the impact of integrating a downstream refinery with the mine and process plant (Integrated Project) at Kathleen Valley to produce battery-grade LHM.

As the financial analysis demonstrates below, an Integrated Project is an improved commercial proposition, given the location of the Project relative to key infrastructure including power and gas, the supply of key consumables such as acid from the nearby mining and logistics centre of Kalgoorlie and, importantly, having a suitable area for storage of tailings. Reduced transport volumes of final product would also significantly reduce operating costs.

Downstream Scoping Study Financial Outcomes

Based on a proposed 2.5Mtpa increasing to 4Mtpa integrated mining, processing and refining operation, the DSS demonstrated strong financial metrics for the Integrated Project as outlined below:

Table 3: Kathleen Valley Integrated Project – Key Metrics

Description	LHM ⁽⁹⁾
Integrated Project Economics	
Post-tax NPV _{8%} (A\$B real, post-tax)	\$9.6
Internal Rate of Return (IRR %)	56%
LOM Free Cashflow (A\$B, post tax)	\$32.4
SC6.0 Metrics	
Average cost of SC6.0 produced per DFS (US\$/dmt LOM including tantalum credits, royalties and excludes transport and logistics) ^{(7) (8)}	US\$378
SC6.0 Transport costs to Geraldton including port charged (US\$/dmt SC6.0 for product sold and not converted to LHM)	US\$55
SC6.0 AISC per DFS (US\$/dmt SC6.0 produced), excluding transport ⁽¹⁰⁾	US\$400
LHM Metrics	
Design produced rate per LHM train (ktpa LHM)	28.8ktpa
LOM Integrated Capex (A\$B, SC6.0 Plant + Refinery) ^{(2) (3) (5)}	\$2.0B
Average weighted LHM pricing Real Spot (US\$/dmt sold) ⁽⁶⁾	US\$29,401
LOM Average LHM cash operating costs (US\$/t LHM produced) ^{(1) (4) (7) (8)}	US\$5,894

¹ Cash operating costs for LHM produced includes all mining, processing, downstream refining, transport, state and private royalties, freight to port, port costs, site administration, overhead costs and tantalum credits. Excludes sustaining capital.

² Integrate Capex for LHM production includes \$538M for the mine/SC6.0 processing plant (DFS) and \$1.5B for the downstream refinery. Excludes working capital, finance costs, sustaining capital and corporate costs associated with project development.

³ SC6.0 plant capital to DFS level +/- 15% accuracy, DSS to +/- 30% accuracy.

⁴ DFS included no contingency on SC6.0 operating costs, DSS included no contingency on operating costs.

⁵ DFS included (\$31M) capital contingency, DSS included (\$258M) contingency on capital costs. Project totals exclude working capital, finance costs, sustaining capital and corporate costs associated with project development.

⁶ LHM pricing per Roskill price estimates from 2024-2041, 2041 price assumed for years after 2041.

⁷ SC6.0 Pricing per ASX announcement "Kathleen Valley DFS confirms Tier-1 global lithium project with outstanding economics and sector-leading sustainability credentials" released 11 November 2021.

⁸ All SC6.0 concentrate metrics based on a normalised 6% concentrate basis.

⁹ All costs expressed in Australian dollars unless noted otherwise.

¹⁰ All In Sustaining Capital Costs (AISC), as referred to above, are cash operating costs including all mining, processing, site administration/overhead costs, state and private royalties, tantalum credits and sustaining capital.

The DSS was completed to an overall +/- 30% accuracy based on material assumptions outlined in Liontown's ASX release dated 11 November 2021.

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For the half-year ended 31 December 2021

The compelling economic upside to the DSS justified Liontown commencing the Downstream PFS, which will refine the envisaged strategy of developing an integrated processing and LHM refining operating in distinct stages utilising the SC6.0 feedstock from Kathleen Valley.

Metallurgy and Process Flowsheet

The envisaged LHM flowsheet was sized to process up to 570ktpa of SC6.0 comprising three parallel processing trains to produce a nominal total of 86ktpa battery grade LHM. A staged low risk approach to the construction of the downstream refinery has been adopted in the Company's analysis with a single refining train expected to be commissioned in year six of the SC6.0 plant operating followed by a further two trains three years later.

Native Title Agreement

Liontown and the Tjiwarl Native Title Holders (**the Tjiwarl**) signed a landmark Native Title Agreement (**NTA**) for the Project. The NTA followed two and a half years of negotiations between the Tjiwarl and Liontown, resulting in the formalisation of an agreement that embodies the spirit of genuine collaboration and respect which facilitates project development while protecting heritage and country. Early inclusion of the Tjiwarl in the planning of the Project ensured that vital cultural and heritage considerations have been included in the fundamental design and layout.

The agreement is a major milestone for the Project and enables the finalisation of remaining project permitting submissions for the Project.

3. Buldania Project, Western Australia (100% owned)

The Buldania Project is located in the Eastern Goldfields, approximately 600km east of Perth and 200km north of the regional port of Esperance. Historical mapping and exploration delineated a large spodumene-bearing pegmatite swarm which had not previously been assessed for lithium or associated rare metals. Drilling defined by Liontown has defined a maiden Mineral Resources Estimate of 14.9Mt @ 0.97% Li₂O and 44ppm Ta₂O₅.

During the half year, Liontown completed an RC drilling program comprising 42 drill holes (BDRC0179-0220) for 6,338m. Drilling was designed to test regional geochemical targets for shallow LCT pegmatite hosted Lithium mineralisation peripheral the Anna resource area and in the NW of the project.

The geological observations from the regional drilling indicate multiple, thin, stacked LCT pegmatites throughout the broader area, however the majority were not spodumene bearing. Where spodumene was observed the drilling was immediately adjacent to the Anna resource area. Final assay results are awaited.

4. Corporate

Termination of Kathleen Valley Royalty

Liontown executed a royalty termination deed with Ramelius Resources Limited (ASX: RMS) which saw the Company pay \$30.25m to terminate the royalty rights Ramelius held over the Kathleen Valley Project. Removal of the royalty obligation aligns clearly with the Company's stated objective of reducing the operating costs of the Project.

Demerger and IPO of Minerals 260

The Company completed a demerger of wholly owned subsidiary Minerals 260 Limited, which was subsequently listed on the ASX as part of an Initial Public Offer (IPO), divesting the non-lithium exploration assets in Western Australia. Projects divested include Moora, Koojan JV, Dingo Rocks and Yalwest. The demerger was undertaken by way of an in-specie distribution.

The Minerals 260 IPO successfully raised \$30 million and closed heavily subscribed. Minerals 260 commenced trading on the Australian Securities Exchange on 12 October 2021 under the ASX code "MI6".

Release of Inaugural ESG Report

Liontown released the inaugural Environmental, Social and Governance (ESG) Report, summarising the Company's strategy and performance on its most critical ESG issues for the year ended 30 June 2021. The framework developed includes a strong focus on stakeholder engagement, minimising future carbon emissions, water usage and land disturbance in-line with industry best practice.

The Company has established a Climate Strategy Roadmap which will be formalised over the next 12 months with the aim to achieve net-zero emissions by 2034. Liontown is designing and building a state-of-the-art project for the future with a minimum 60% renewable power supply from the outset and a bio-fuel ready mine and transport fleet.

Equity Capital Raisings

During the period, Liontown completed two institutional placements totalling \$502m (before costs). On 22 July 2021, the Company completed a placement to raise \$52 million (before costs) by issuing 68,420,000 fully paid ordinary shares at an issue price of \$0.76 per share. On 7 December 2021, the Company completed a placement to raise \$450 million (before costs) by issuing 272,727,273 fully paid ordinary shares at an issue price of \$1.65 per share.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2021

S&P ASX 200 & MSCI Australia Index Inclusion

Liontown was included in the benchmark S&P ASX 300 Index of the ASX effective 20 September 2021 and then subsequently included in the S&P ASX 200 Index of the ASX effective 20 December 2021. This reflected the substantial increase in the Company's market capitalisation and increased depth of its share register during the period.

Liontown was also included in the MSCI Australia Index with effect from 30 November 2021.

Board changes

Highly-regarded company director Ms Jennifer Morris OAM joined the Company's Board as an independent Non-Executive Director having been elected at the Annual General Meeting in November 2021.

The appointment adds further experience, independence and diversity to Liontown's Board as it continues on its rapid growth trajectory to become a leading global battery materials producer through the development of its world-class Kathleen Valley Lithium-Tantalum Project in Western Australia.

Ms Morris is an accomplished corporate executive and non-executive Director and is currently a non-executive Director of ASX-listed iron ore producer Fortescue Metals Group Ltd (ASX: FMG) and copper producer Sandfire Resources Ltd (ASX: SFR).

Mr David Richards retired from his position as Liontown's Technical Director and commenced his new role as Managing Director of Minerals 260 Limited. Mr Richards retired at the Annual General Meeting in November 2021.

RESULTS OF OPERATIONS

At 31 December 2021 the Group had net assets of \$460,533,589 (30 June 2021: \$13,487,275) and an excess of current assets over current liabilities of \$458,822,452 (30 June 2021: \$10,933,157). At 31 December 2021, cash at bank totalled \$170,988,779 (30 June 2021: \$12,545,059) with additional term deposits of \$290,014,195 classified as current financial assets.

The Group reported a net profit before tax for the period of \$48,456,904 (31 December 2020 net loss before tax: \$4,959,489) which included a gain on the demerger of Minerals 260 Limited of \$90,960,000 and \$37,592,150 in exploration and evaluation expenditure expensed (\$30.25 million in relation to termination of a Kathleen Valley royalty) in accordance with the Group's accounting policy (31 December 2020: \$3,336,010).

IMPACT OF COVID-19

The COVID-19 pandemic has had an impact on, individuals, communities and businesses globally. Employees at all levels of the business have changed the way they work and how they interact professionally and socially. Together with the various Government health measures, the Group implemented controls and requirements to protect the health and safety of its workforce, their families, local supplies and neighbouring communities while ensuring a safe working environment.

No adjustments have been made to the Company's results as at 31 December 2021 for the impacts of COVID-19. However, the scale of duration of the COVID-19 pandemic and possible future Government measures, vaccine rollout and their impact on the Company's operations and financial situation necessarily remains uncertain.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 12 January 2022, the Company announced a binding term sheet with LG Energy Solution (LGES) with an initial term of five years commencing 2024 and the ability to extend the agreement for a further five years. LGES has agreed to purchase 100,000 dry metric tonnes (DMT) in the first year, increasing to 150,000 DMT per year in subsequent years. The agreement is subject to the Parties completing negotiations and executing detailed definitive agreements by 31 March 2022 otherwise the term sheet will terminate (unless mutually extended).

On 4 February 2022, the Company completed the Share Purchase Plan (**SPP**) announced on 1 December 2021. The Company issued 7,819,543 ordinary shares at \$1.65 to raise \$12.9 million. The funds will be used to fund the development of the Kathleen Valley Lithium Project, as well as for exploration and study costs, general corporate costs and working capital.

On 16 February 2022, the Company announced a binding spodumene concentrate sale and purchase term sheet with Tesla Inc (Tesla) with an initial term of five years commencing 2024. Tesla has agreed to purchase 100,000 dry metric tonnes (DMT) in the first year, increasing to 150,000 DMT per year in subsequent years. The agreement is subject to the Parties completing negotiations and executing detailed definitive agreements by 30 May 2022 otherwise the term sheet will terminate (unless mutually extended).

There are no other significant events after balance date that required disclosure in this report.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2021

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 12 and forms part of this directors' report for the half-year ended 31 December 2021.

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*.



Antonino Ottaviano
Managing Director

Dated at Perth this 11th day of March 2022

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2021

COMPETENT PERSON'S STATEMENT

The Information in this report that relates to Exploration Results and Mineral Resources for the Kathleen Valley Project is extracted from the ASX announcement "Strong progress with Kathleen Valley Definitive Feasibility Study as ongoing work identifies further key project enhancements" released on 8 April 2021 which is available on www.ltresources.com.au.

Kathleen Valley Project – Mineral Resource Estimate as at April 2021

Resource category	Million tonnes	Li ₂ O %	Ta ₂ O ₅ ppm
Measured	20	1.3	145
Indicated	109	1.4	130
Inferred	27	1.3	113
Total	156	1.4	130

- Notes:
- Reported above a Li₂O cut-off grade of 0.55%.
 - Tonnages and grades have been rounded to reflect the relative uncertainty of the estimate.

The Information in this report that relates to metallurgical testwork and process design, Ore Reserves, Production Target and DFS for the Kathleen Valley Project is extracted from the ASX announcement "Kathleen Valley DFS confirms Tier-1 global lithium project with outstanding economics and sector-leading sustainability credentials" released on 11 November 2021 which is available on www.ltresources.com.au.

The information in this report that relates to the Downstream Scoping Study (DSS) is extracted from the ASX announcement "Updated Downstream Scoping Study Highlights Next Growth Horizon for Kathleen Valley Project" released on 11 November 2021 which is available on www.ltresources.com.au.

The Information in this report that relates to Mineral Resources for the Buldania Project is extracted from the ASX announcement "Liontown announces maiden Mineral Resource Estimate for its 100%-owned Buldania Lithium Project, WA" released on the 8 November 2019 which is available on www.ltresources.com.au.

Anna Deposit, Buldania Project – Mineral Resource as at October 2019

Resource category	Million tonnes	Li ₂ O %	Ta ₂ O ₅ ppm
Indicated	9.1	0.98	45
Inferred	5.9	0.95	42
Total	14.9	0.97	44

- Notes:
- Reported above a Li₂O cut-off grade of 0.5%
 - Tonnages and grades have been rounded to reflect the relative uncertainty of the estimate

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 and that all material assumptions and technical parameters underpinning the estimates or production targets or forecast financial information derived from a production target (as applicable) in the relevant market announcements continue to apply and have not materially changed. 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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Liontown Resources Limited for the half-year ended 31 December 2021, 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
11 March 2022



D I Buckley
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

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

Liontown Resources Limited
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Note	31 Dec 21 \$	31 Dec 20 \$
Continuing Operations			
Other income	3(a)	1,125,994	-
Gain on demerger	3(a), 5	90,960,000	-
Exploration and evaluation expenditure expensed	3(b)	(37,592,150)	(3,336,010)
Corporate administrative expenses	3(c)	(3,842,317)	(562,959)
Share based payments		(2,241,450)	(1,068,917)
Profit/(Loss) from continuing operations		48,410,077	(4,967,886)
Net finance income		46,827	8,397
Profit/(Loss) before income tax		48,456,904	(4,959,489)
Income tax expense		(336,000)	-
Net Profit/(Loss) after tax		48,120,904	(4,959,489)
Other comprehensive loss items that will not be reclassified to profit or loss			
Net loss on fair value of financial assets, net of tax		(784,000)	-
Total comprehensive Income/(Loss) for the period attributable to owners of the Company		47,336,904	(4,959,489)
Earnings per share attributable to owners of the Company			
Basic profit/(loss) per share (dollars per share)		0.0249	(0.0028)
Diluted profit/(loss) per share (dollars per share)		0.0247	(0.0028)

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Liontown Resources Limited
Condensed Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 Dec 21 \$	30 June 21 \$
Current assets			
Cash and cash equivalents		170,988,779	12,545,059
Trade and other receivables		368,689	176,322
Prepayments		392,734	109,525
Financial Assets	4	290,014,195	-
Total current assets		461,764,397	12,803,906
Non-current assets			
Financial Assets	4	1,198,313	2,316,813
Property, plant and equipment		414,951	180,977
Right-of-use assets		247,226	60,946
Total non-current assets		1,860,490	2,558,736
Total assets		463,624,887	15,389,642
Current liabilities			
Trade and other payables		2,614,010	1,628,902
Employee benefits		172,013	192,914
Lease Liabilities		155,922	48,933
Total current liabilities		2,941,945	1,870,749
Non-Current liabilities			
Employee benefits		13,966	4,999
Lease Liabilities		135,387	26,619
Total non-current liabilities		149,353	31,618
Total liabilities		3,091,298	1,902,367
Net assets		460,533,589	13,487,275
Equity			
Share capital	6	563,070,641	77,922,263
Accumulated losses		(105,417,689)	(68,469,455)
Reserves		2,880,637	4,034,467
Total equity		460,533,589	13,487,275

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Liontown Resources Limited
Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Investment Revaluation reserve	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	63,219,270	(58,996,115)	2,157,428	139,091	-	6,519,674
Loss for the period	-	(4,959,489)	-	-	-	(4,959,489)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss for the period	-	(4,959,489)	-	-	-	(4,959,489)
Transactions with Owners in their capacity as Owners:						
Issue of shares (net of costs)	13,549,689	-	-	-	-	13,549,689
Share-based payments	-	-	1,068,917	-	-	1,068,917
Transfer between equity items	324,231	837,721	(1,161,952)	-	-	-
Balance at 31 December 2020	77,093,190	(63,117,883)	2,064,393	139,091	-	16,178,791
Balance at 1 July 2021	77,922,263	(68,469,455)	2,747,376	139,091	1,148,000	13,487,275
Profit for the period	-	48,120,904	-	-	-	48,120,904
Other comprehensive loss	-	-	-	-	(784,000)	(784,000)
Total comprehensive loss for the period	-	48,120,904	-	-	(784,000)	47,336,904
Transactions with Owners in their capacity as Owners:						
Issue of shares (net of costs)	488,427,960	-	-	-	-	488,427,960
Share-based payments	820,000	-	1,421,450	-	-	2,241,450
Transfer between equity items	-	1,791,280	(1,791,280)	-	-	-
Demerger of Minerals 260 Limited	(4,099,582)	(86,860,418)	-	-	-	(90,960,000)
Balance at 31 December 2021	563,070,641	(105,417,689)	2,377,546	139,091	364,000	460,533,589

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Liontown Resources Limited
Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2021

	31 Dec 21	31 Dec 20
	\$	\$
Cash flows from operating activities		
Receipts from operations	857,838	-
Cash paid to suppliers and employees	(3,560,732)	(856,404)
Payments for exploration and evaluation	(6,561,921)	(3,312,825)
Interest received	41,549	13,036
Interest Paid	(7,929)	(4,627)
Government Grants and Incentives	-	238,200
Termination of royalty rights	(30,250,000)	-
Net cash (used in) operating activities	(39,481,195)	(3,922,620)
Cash flows from investing activities		
Payments for plant and equipment	(264,651)	(20,926)
Proceeds from sale of exploration tenement	-	1,500,000
Minerals 260 demerger and IPO costs	(679,797)	-
Term deposits	(290,000,000)	-
Net cash (used)/ from in investing activities	(290,944,448)	1,479,074
Cash flows from financing activities		
Proceeds from issue of shares	503,992,327	14,152,000
Payments for share issue costs	(15,096,480)	(585,179)
Repayment of lease liabilities	(26,500)	(20,403)
Net cash from financing activities	488,869,347	13,546,418
Net increase in cash and cash equivalents	158,443,704	11,102,872
Effects of exchange rate fluctuations on cash held	16	(22)
Cash and cash equivalents at 1 July	12,545,059	5,257,849
Cash and cash equivalents at 31 December	170,988,779	16,360,699

The condensed consolidated statement of cash flows to be read in conjunction with the accompanying notes.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2021

1. Significant accounting policies

(a) Statement of compliance

The financial report was authorised for issue on 11th March 2022.

These interim condensed 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).

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

The financial statements comprise the condensed consolidated interim financial statements for the Group. For the purposes of preparing the condensed consolidated financial statements, the Group is a for-profit entity.

The interim financial statements do 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 these interim statements be read in conjunction with the annual financial report for the year ended 30 June 2021 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 are consistent with those of the previous financial year and corresponding half year, except for the impact of the new Standards and Interpretations effective disclosed in note 1(d). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) Basis of preparation

The interim report has been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for assets, goods and services. 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 2021, except for the impact of the new Standards and Interpretations effective 1 July 2021 as disclosed in note 1(d).

(d) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable for the half year ended 31 December 2021

In the period ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period. Their adoption has not had a material impact on the disclosures and/or amounts reported in these financial statements.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2021

1. Significant accounting policies (continued)

(e) Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

2. Segment reporting

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

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

	Exploration and Evaluation		Corporate		Total	
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	\$	\$	\$	\$	\$	\$
Other income	-	-	1,125,994	-	1,125,994	-
Gain on demerger	-	-	90,960,000	-	90,960,000	-
Exploration and evaluation expenditure expensed	(37,592,150)	(3,336,010)	-	-	(37,592,150)	(3,336,010)
Corporate and administrative expenses	-	-	(3,842,317)	(562,959)	(3,842,317)	(562,959)
Share based payments	-	-	(2,241,450)	(1,068,917)	(2,241,450)	(1,068,917)
Net Financing Income	-	-	46,827	8,397	46,827	8,397
Profit / (loss) before income tax	(37,592,150)	(3,336,010)	86,049,054	(1,623,479)	48,456,904	(4,959,489)
	31 Dec 21	30 Jun 21	31 Dec 21	30 Jun 21	31 Dec 21	30 Jun 21
	\$	\$	\$	\$	\$	\$
Segment assets	136,421	105,055	1,230,476	256,796	1,366,897	361,851
Unallocated assets					462,257,990	15,027,791
Total assets					463,624,887	15,389,642
Segment liabilities	1,681,757	1,039,073	1,409,541	863,294	3,091,298	1,902,367
Total Liabilities					3,091,298	1,902,367

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2021

3. Revenue and expenses

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

(a) Revenue

- Other Income
- Gain on demerger ¹

31 Dec 21	31 Dec 20
\$	\$
1,125,994	-
90,960,000	-
92,085,994	-

¹ Fair gain on demerger of Minerals 260 Limited. Please refer to Note 5.

(b) Exploration and evaluation expenditure

Exploration and Feasibility Expenditure

- Kathleen Valley
- Buldania
- Toolebuc
- Moora ²
- Other ²

31 Dec 21	31 Dec 20
\$	\$
5,540,459	2,383,739
1,479,289	227,272
33,842	3,679
241,791	719,363
46,769	1,957
7,342,150	3,336,010
30,250,000	-
37,592,150	3,336,010

Royalty acquisition

Acquisition of revenue and production royalties

² During the period, the Company demerged the subsidiary Minerals 260 Limited which held the Moora Gold-Nickel-Copper-PGE Project, Dingo Rocks Project and the Yalwest Project. The subsidiary also held an option to earn a 51% interest in the Koojan Gold-Nickel-Copper-PGE Project.

(c) Corporate administrative expenses

- Depreciation and amortisation
- Insurance
- Legal fees
- Office costs
- Personnel expenses (3(d))
- Promotions and investor relations
- Conferences and travel
- Regulatory and compliance
- Fixed assets written off
- Costs related to Minerals 260 Demerger and IPO
- Consultants – corporate advisory
- Other

31 Dec 21	31 Dec 20
\$	\$
86,940	40,008
52,763	26,788
96,107	17,183
44,608	28,476
1,590,039	187,049
44,245	19,030
31,586	33,685
243,592	78,255
1,131	403
679,797	-
565,860	-
405,649	132,082
3,842,317	562,959

(d) Personnel expenses

- Directors' fees, wages and salaries
- Other associated personnel expenses
- Annual leave and long service leave

31 Dec 21	31 Dec 20
\$	\$
1,259,485	105,952
267,952	70,346
62,602	10,751
1,590,039	187,049

Liontown Resources Limited

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2021

4. Financial Assets

	31 Dec 21	30 Jun 21
	\$	\$
<i>Current financial assets</i>		
Term Deposits (b)	290,014,195	-
Total current financial assets	290,014,195	-
<i>Non-current financial assets</i>		
Security deposits	78,312	76,813
Investments in equity securities (a)	1,120,000	2,240,000
Total non-current financial assets	1,198,312	2,316,813
Total financial assets	291,212,507	2,316,813

(a) Investments in equity securities

The Company holds 40,000,000 shares in Lachlan Star Limited (ASX: LSA) as a long-term investment and as such the Fair-value adjustment is classified as Equity in Investment revaluation reserve.

(b) Term deposits

The Company recognises term deposits as a financial asset where there is a maturity of more than three months and it is not intended to be used for short-term cash commitments. Financial assets are initially recognised at the fair value of consideration, net of transaction costs and are recognised at their trade date.

Financial assets are subsequently carried at fair value or amortised costs based on:

- the business model for holding the financial assets;
- whether the financial asset's contractual terms give rise to cash flows that are solely payments of principal and interest.

The below table summarises the measurement category based on the business model and contractual cashflows:

Contractual cash flow	Business model	Category
Solely principal and interest	Hold in order to collect contractual cash flows	Amortised cost
Solely principal and interest	Hold in order to collect contractual cash flows and sell	Fair value through other comprehensive income
Solely principal and interest	Hold in order to sell	Fair value through profit or loss

Term deposits are subsequently measured at amortised cost.

5. Demerger of Minerals 260 Limited

On 1 October 2021, by way of an in-specie distribution, the Company completed the demerger of Minerals 260 Limited (a wholly owned subsidiary). The demerger was undertaken to divest the non-lithium exploration assets in Western Australia. Projects divested include Moora, Koojan JV, Dingo Rocks and Yalwest.

The fair value of Minerals 260 at the date of demerger was determined to be of \$90.96 million calculated using the volume weighted average price (VWAP) of Mineral 260s' shares as traded on the ASX over the first five trading days after the IPO date (\$0.5685) multiplied by the number of Mineral 260s' shares on initial listing (160,000,000).

The demerger distribution is accounted for as a reduction in equity, split between a reduction in share capital of \$4.10 million and a reduction in accumulated losses (Demerger Dividend) of \$86.86 million. The amount treated as a reduction in share capital has been calculated by reference to the market value of Mineral 260 Limited's shares and the market value of the Company's shares post demerger. The difference between the fair value and the capital reduction amount is the Demerger Dividend.

Refer to the announcement dated 26 November 2021 for further information regarding reduction in share capital in relation to the demerger of Minerals 260 Limited.

Liontown Resources Limited

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2021

6. Issued capital

	6 months to 31 Dec 21		Year to 30 Jun 21	
	No.	\$	No.	\$
On issue at the beginning of the year	1,819,109,981	77,922,263	1,711,285,201	63,219,270
Rights issues and placements ^{1 2}	341,147,273	501,999,200	54,347,826	12,500,000
Issue of shares for unlisted options	23,648,401	1,993,125	49,642,394	2,272,000
Issue of shares for service rights	-	-	3,834,560	550,119
Issue of shares for consulting ⁴	500,000	820,000	-	-
Less reduction in share capital ³	-	(4,099,581)	-	-
Less share issue costs	-	(15,564,367)	-	(619,126)
Movement during the period	365,295,674	485,148,377	107,824,780	14,702,993
Balance at end of period	2,184,405,655	563,070,640	1,819,109,981	77,922,263

¹ On 22 July 2021, the Company completed a placement to raise \$52 million (before costs) by issuing 68,420,000 fully paid ordinary shares at an issue price of \$0.76 per share.

² On 7 December 2021, the Company completed a placement to raise \$450 million (before costs) by issuing 272,727,273 fully paid ordinary shares at an issue price of \$1.65 per share.

³ Refer to Note 5 and the announcement dated 26 November 2021 for further information regarding reduction in share capital in relation to the demerger of Minerals 260 Limited.

⁴ The shares were recognised as share based payments and were expensed during the period.

7. Share options and performance rights

Share options issued under Employee Incentive Scheme

The number and weighted average exercise prices of the Employee Incentive Scheme (EIS) share options under the Scheme is as follows:

	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
	6 months to 31 Dec 2021	6 months to 31 Dec 2021	Year to 30 June 2021	Year to 30 June 2021
At 1 July	0.223	36,900,000	0.082	70,150,000
Options granted	2.450	500,000	0.464	11,000,000
Options exercised	0.185	(24,566,666)	0.048	(43,500,000)
Options lapsed/expired	-	-	0.150	(750,000)
Adjustment to exercise price for Minerals 260 Demerger ¹	(0.002)	-	-	-
Total share options on issue at the end of the period	0.411	12,833,334	0.233	36,900,000
Exercisable at the end of the period	0.526	3,833,333	0.192	26,649,999

On 24 November 2021, 500,000 share options were granted to Jennifer Morris following appointment as a Non-Director of the Company at the 2021 Annual General Meeting. The options vested immediately.

¹ As a result of the Minerals 260 Demerger and as announced on 26th November 2021, the option exercise price of 12,333,334 options on issue at the date of the demerger was reduced by \$0.0021 per option.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2021

7. Share options and performance rights (Continued)

Share options issued under Employee Incentive Scheme (Continued)

The fair value of options granted was determined using a Black Scholes pricing model. The following table provides the assumptions made in determining the fair value of the options granted during the period:

	6 months to 31 Dec 2021	Year to 30 Jun 21
Share price at grant date (weighted average)	\$1.805	\$0.366
Exercise price (weighted average)	\$2.450	\$0.460
Expected volatility (weighted average)	78%	96%
Expected life (years, expressed as weighted average used in the modelling under Black Scholes option pricing model)	3.00	2.55
Vesting period (years, weighted average)	3.00	0.85
Expected dividends	Nil	Nil
Risk-free interest rate (weighted average)	0.99%	0.10%

Refer to the table below for inputs to the Black Scholes option-pricing model for EIS options granted during the period:

Series	O24
Grant Date	24/11/2021
Dividend yield (%)	-
Expected volatility	78%
Risk-free interest rate	0.99%
Expected life of option (years)	3
Exercise price (dollars)	2.45
Grant date share price \$	1.80

The weighted average contractual life remaining as at 31 December 2021 is 0.97 years (30 June 2021: 1.72 years).

The weighted average fair value of options granted during the period was \$0.778 (30 June 2021: \$0.182). During the period \$771,350 was recognised as a share based payment expense in relation to new and existing EIS options.

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

Service Rights issued under Employee Securities Incentive Scheme

Service Rights were granted to Directors and Employees in lieu of payment of cash salary or fees otherwise payable. Service Rights are granted with a 3-month vest period from the start of the relevant quarter.

The number of EIS service rights under the Scheme is as follows:

	Number of Service Rights	Number of Service Rights
	6 months to 31 Dec 2021	Year to 30 June 2021
At 1 July	-	1,761,422
Service Rights granted	-	2,073,138
Service Rights exercised	-	(3,834,560)
Total Service Rights on issue at the end of the period	-	-
Exercisable at the end of the period	-	-

There were no EIS service rights granted or exercised during the period.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2021

7. Share options and performance rights (Continued)

Performance Rights issued under Employee Incentive Scheme

Performance rights are granted to Directors and Employees with certain objectives required to be met (including market, non-market based and employment status) in order to vest, at the discretion of the Board and have a nil exercise price.

The number of EIS performance rights under the Scheme is as follows:

	Number of Performance Rights	Number of Performance Rights
	6 months to 31 Dec 2021	Year to 30 June 2021
At 1 July	6,386,948	-
Performance Rights granted	-	6,386,948
Total Performance Rights on issue at the end of the period	6,386,948	6,386,948
Exercisable at the end of the period	-	-

There were no EIS performance rights granted or exercised during the period. During the period \$650,100 was recognised in relation to existing performance rights.

Other Share Based Payments – Options

The number and weighted average exercise prices of Non-EIS options is as follows:

	Weighted average exercise price		Weighted average exercise price	
	\$	Number of options	\$	Number of options
	6 months to 31 Dec 2021	6 months to 31 Dec 2021	Year to 30 June 2021	Year to 30 June 2021
Outstanding at beginning of the period	0.035	1,500,000	0.041	7,900,000
Granted during the period	-	-	-	-
Exercised during the period	0.035	(1,500,000)	0.042	(6,400,000)
Outstanding at the end of the period	-	-	0.035	1,500,000
Exercisable at the end of the period	-	-	0.035	1,500,000

There were no Non-EIS performance rights granted during the period.

8. Related Parties

(a) Key management personnel

Key management personnel compensation is as follows:

	6 months to 31 Dec 21 \$	6 months to 31 Dec 20 \$
Short-term employee benefits	1,202,658	346,856
Post-employment benefits	76,064	25,049
Equity-settled transactions	1,370,463	984,091
	2,649,185	1,355,996

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Liontown Resources Limited

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2021

8. Related Parties (Continued)

(b) Loans made to key management personnel and related parties

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

(c) Other transactions with key management personnel

A number of KMP's, or their related parties hold position 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 Company or its subsidiaries in the reporting period. The terms and conditions of the transaction with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transaction to non-key management personnel related entities on an arm's length basis.

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

	6 months to 31 Dec 21 \$	6 months to 31 Dec 20 \$
Corporate services recharge and provision of KMP Services ¹	193,143	-
Minerals 260 Demerger and IPO related costs ²	943,419	-
Corporate advisory services of KMP ³	147,500	-
Technical consultancy services of KMP ⁴	30,000	17,000
Database management and field services ⁵	43,750	61,551
Accounting services ⁶	-	5,650
	1,357,812	84,201

In addition to the above, Liontown paid Minerals 260 Limited \$74,535 related to the transfer of employee leave balances.

¹ The Company supplied office facilities and corporate services such as CFO, company secretarial, commercial and geotechnical to Minerals 260 Limited. Mr McGhie is a KMP of Minerals 260 Limited. Amounts were billed on a proportionate share of the costs to the Company of providing the services and are due and payable under normal commercial terms.

² The Company incurred costs related to the Demerger, Initial Public Offer (IPO) and project costs of Minerals 260 Limited which were recharged subsequent to and conditional on the successful listing on the Australian Securities Exchange (ASX) in October 2021.

³ The Company received corporate, financial advisory services and general support services through a consultancy agreement (as disclosed to the ASX on 12 May 2021) from Mr Cipriano at a rate of \$2,500 per day and are payable under normal payment terms. The services ended on 31 December 2021.

⁴ The Company's Non-Executive Director, Mr Chadwick provides general metallurgical and technical advisory services to the Company through a consultancy agreement. There is no fixed remuneration component under the consultancy agreement for these services and those services are provided on an "as required basis" at a rate of \$2,000 per day. Either party may terminate the agreement by providing one months' notice and are payable under normal payment terms.

⁵ The Group receives database management and field services from related parties of Director, Mr Richards (resigned 24 November 2021). Amounts paid are on normal commercial terms.

⁶ The Company received accounting services from a related party of the CFO, Mr Hasson. Amounts paid are on normal commercial terms.

Amounts payable to key management personnel at reporting date arising from related party transactions was \$48,000 (31 December 2020: \$8,858).

9. Events Subsequent to Reporting Date

On 12 January 2022, the Company announced a term sheet with LG Energy Solution (LGES) with an initial term of five years commencing 2024 and the ability to extend the agreement for a further five years. LGES has agreed to purchase 100,000 dry metric tonnes (DMT) in the first year, increasing to 150,000 DMT per year in subsequent years. The agreement is subject to the Parties completing negotiations and executing detailed definitive agreements by 31 March 2022 otherwise the term sheet will terminate (unless mutually extended).

Liontown Resources Limited

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2021

9. Events Subsequent to Reporting Date (Continued)

On 4 February 2022, the Company completed the Share Purchase Plan (**SPP**) announced on 1 December 2021. The Company issued 7,819,543 ordinary shares at \$1.65 to raise \$12.9 million. The funds will be used to fund the development of the Kathleen Valley Lithium Project, as well as for exploration and study costs, general corporate costs and working capital.

On 16 February 2022, the Company announced a binding spodumene concentrate sale and purchase term sheet with Tesla Inc (Tesla) with an initial term of five years commencing 2024. Tesla has agreed to purchase 100,000 dry metric tonnes (DMT) in the first year, increasing to 150,000 DMT per year in subsequent years. The agreement is subject to the Parties completing negotiations and executing detailed definitive agreements by 30 May 2022 otherwise the term sheet will terminate (unless mutually extended).

There are no other significant events after balance date that required disclosure in this report.

10. Exploration commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Group is required to perform minimum exploration or work requirements to meet the minimum expenditure requirements specified by various governments. These obligations are subject to renegotiation when application or extension for a mining lease is made and at other times. The amounts stated are based on the maximum commitments. The Group may in certain situations apply for exemptions under relevant mining legislation. These obligations are not provided for in the financial report and are payable:

	31 Dec 21
	\$
Within 1 year	1,073,147
Within 2 – 5 years	1,680,011
Later than 5 years*	3,811,564
	6,564,722

*Commitments predominantly relate to the Kathleen Valley mining licences with some expiry dates currently out to year 2041.

11. Contingent assets and liabilities

During the period Liontown reached an agreement with Currie Rose Resources Inc (TSXV: **CUI**) to dispose of the Toolebuc Vanadium Project, located in north-west Queensland, in consideration for 12.5 million ordinary shares, 4 million share purchase warrants at C\$0.10 with a two-year expiry and a 2% Net Gross Revenue Royalty. The consideration is contingent on CIU receiving statutory approvals and completing a placement to raise C\$1.1 million. The contingent consideration is valued at approximately \$1.16 million as at 31 December 2021.

As at 31 December 2021, the contingent consideration has not been recorded as income in the financial statements as it is contingent upon the outcome of a possible future event, however, the Directors have determined, that based on information available, it is considered probable that the consideration will become due and payable to Liontown.

Liontown Resources Limited
Directors' Declaration

For the half-year ended 31 December 2021

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

1. The accompanying interim financial statements and notes are 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 2021 and of its performance for the half-year then ended; and
 - b. complying with Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.
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.
3. The interim financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2021.

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

Dated this 11th day of March 2022.



Antonino Ottaviano
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Liontown Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Liontown Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the group's financial position as at 31 December 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company is 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.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 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*.

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

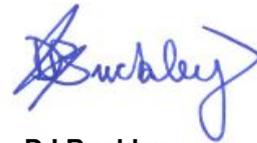
Independence

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
11 March 2022



D I Buckley
Partner