ERL (AUST) PTY LTD

ACN 612 667 106

FINANCIAL REPORT

For the year ended 30 June 2021

General Purpose Financial Statements

CONTENTS

CORPORATE DIRECTORY

Board of Directors

Tony Ottaviano (appointed 5 May 2021)
David Richards
Timothy Goyder
Richard Hacker (resigned 4 May 2021)

Company Secretary

Clinton McGhie (appointed 5 May 2021)
Craig Hasson (resigned 4 May 2021)

Principal & Registered Office

Level 2, 1292 Hay Street,
West Perth, WA 6005
Tel: (+61 8) 6186 4600

Auditors

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street,
Perth WA 6000

The Board of Directors of ERL (Aust) Pty Ltd (the **Company**) presents the Directors' Report together with the financial statements of the Company for the year ended 30 June 2021.

Director's Information

The following persons were directors of the Company at any time during or since the end of the year:

Tony Ottaviano
(appointed 5 May 2021)

Mr Ottaviano is a global mining executive, with over 30 years leading operations across Australia, the Americas, Asia, Europe and Africa. Prior to joining Liontown, he held senior executive roles with two of the world's largest mining companies, BHP and Rio Tinto, establishing a successful track record in Operations, M&A, project delivery and business transformation programs, most recently as Group Performance and Improvement Officer with BHP Limited. Tony holds a Bachelor of Mechanical Engineering and an MBA.

David Richards
(appointed 27 May 2016)

Mr Richards has over 35 years' experience in mineral exploration in Australia, Southeast Asia and eastern Africa. His career includes exploration and resource definition for a variety of mineral deposit styles, and he led the teams that discovered Liontown's Kathleen Valley lithium deposit, as well as the multi-million ounce, high grade Vera-Nancy gold deposits in North Queensland. He has held senior positions with Battle Mountain Australia Inc, Delta Gold Limited, AurionGold Limited and was Managing Director of ASX-listed Glengarry Resources Limited from 2003 – 2009 and Liontown from 2010 to 2021.

Timothy Goyder
(appointed 27 May 2016)

Mr Goyder is an experienced mining executive and has over 40 years' experience in the resource industry. He has been involved in the formation and management of a number of publicly listed companies and is currently Non-Executive Chairman of Chalice Mining Limited, Liontown and DevEx Resources Limited.

Richard Hacker
(appointed 27 May 2016, resigned 4 May 2021)

Mr Hacker is a Chartered Accountant and Chartered Secretary with over 20 years of professional and corporate experience in the energy and resources sector in Australia and the United Kingdom. Richard has previously worked in senior finance roles with global energy companies including Woodside Petroleum Limited and Centrica Plc. Prior to this, Richard was in private practice with major accounting practices.

Company Secretary

The following persons were company secretaries of the Company at any time during or since the end of the year:

Clinton McGhie
(appointed 5 May 2021)

Mr McGhie is an experienced Chartered Accountant and Company Secretary who commenced his career at a large international accounting firm and has since been involved with a number of ASX and AIM listed exploration and development companies operating in the resources sector, including Liontown, Salt Lake Potash Limited, Berkeley Energia Limited and Sovereign Metals Limited. Mr McGhie is a Fellow of the Governance Institute of Australia (Chartered Secretary), and a Fellow of the Financial Services Institute of Australasia.

Craig Hasson
(appointed 5 November 2019, resigned 4 May 2021)

Directors' Interests

The directors have no direct interests in the securities of the Company at the date of this report.

Meetings of Directors

There were no meetings held by the Board for the Company. Board meetings were held by Liontown Resources Limited ("Parent") during the period.

Review of Operations

The Company made an operating loss of $1,751,820 (2020: Loss of $308,591) after income tax for the year ended 30 June 2021. During the period a maiden drilling program was undertaken at the Moora Project with encouraging results and initial geochemical sampling was undertaken at the new Koojan JV Project.

Principal Activity

The Company's principal activity during the year was mineral exploration.

Significant Changes to State of Affairs

On 27 January 2021, the Parent company announced it had entered into a binding term sheet to acquire the right to earn up to a 51% equity interest in the Koojan Project from a listed third party. The asset is located adjacent to and immediately west of the Company's Moora Project. The term sheet provides for three stages to earn the total 51% equity interest as follows:

	Period from execution	**Spend $**	**Holding %**
Stage 1 – committed	18 months	500,000	-
Stage 2 – not committed	60 months	1,000,000	30
Stage 3 – not committed	60 months	2,500,000	51
Total	60 months	4,000,000	51

The Company has the right to cease the earn in process at any time after the Stage 1 commitment.

On 13 April 2021 the Parent company announced that assays from its maiden drilling program at the Moora Project defined three zones of bedrock mineralisation with potential for a significant discovery.

On 4 May 2021 Richard Hacker resigned as director of the Company.

On 5 May 2021 Tony Ottaviano was appointed director and Clinton McGhie was appointed company secretary of the Company. Craig Hasson resigned as company secretary of the Company.

On the 6 May the Parent company announced encouraging initial results from initial wide-spaced, first-pass geochemical sampling at the Koojan JV Project.

On 3 June 2021 the current Parent Company announced in-principle support for a proposed demerger and IPO of the projects held by the Company. Liontown is now working through the necessary regulatory and approval requirements.

There were no other significant changes in the state of affairs of the Company during the year.

Events subsequent to Reporting Date

On 14 July 2021, the Parent Company announced that a second phase of geochemical sampling at the Koojan JV had confirmed previously identified PGE and gold anomalies and also defined a number of new targets. These latest results will optimize planning of ground geophysical surveys designed to prioritise targets for drill testing.

On 21 July 2021 the Company applied for licence Marloo E59/2604.

No matters or circumstances have arisen since the 30 June 2021 that have significantly affected, or may significantly affect, the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Future developments, prospects and business strategies

The Company's next phase of exploration activity will comprise optimisation of existing targets for drill testing and identification of new areas that warrant assessment for the target commodities.

Environmental regulation

The Company's exploration activities are subject to various environmental regulations under Commonwealth and State legislation. The Directors are responsible for the regular monitoring of environmental exposures and compliance with environmental regulations. The Directors believe that the Company has adequate systems in place for the management of the requirements under those regulations and are not aware of any breach of such requirements as they apply to the Company.

Dividends

No dividends were paid or declared during the year.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification of officers and auditor

During the financial year, the Parent Company paid a premium under a contract insuring all Directors and Officers of the Company against liability incurred in that capacity. Disclosure of the nature of liabilities insured and the premium is subject to a confidentiality clause under the contract of insurance.

Proceedings on behalf of the Company

No person has applied under section 237 of the Corporations Act 2001 (Cth) for leave of the Court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor's independence declaration

HLB Mann Judd was appointed and continues in office in accordance with section 327 of the Corporations Act 2001 (Cth).

The auditor's independence declaration is included on page 7 of this report.

DIRECTORS' REPORT

Dated this 29th day of July 2021

Signed in accordance with a resolution of the directors:

David Richards
Director

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of ERL (Aust) Pty Ltd for the year ended 30 June 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
29 July 2021

D I Buckley
Partner

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 $	2020 $
Continuing operations			
Revenue		**-**	**-**
Exploration and evaluation expenditure	5	(1,690,745)	(308,306)
Corporate administrative expenses	5	(61,075)	(285)
(Loss) before income tax		**(1,751,820)**	**(308,591)**
Income tax (expense) / benefit	4	-	-
(Loss) from continuing operations		(1,751,820)	(308,591)
Other comprehensive (loss) for the year, net of tax		-	-
Total comprehensive (loss) for the year			
Attributable to owners of the company		**(1,751,820)**	**(308,591)**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2021

	Note	2021 $	2020 $
Current liabilities			
Trade and other payables	6	47,043	28,536
Borrowings	7	2,032,750	299,437
Total current liabilities		**2,079,793**	327,973
Total liabilities		**2,079,793**	327,973
Net liabilities		**(2,079,793)**	(327,973)
Equity			
Share capital	8	1	1
Accumulated losses		(2,079,794)	(327,974)
Total deficiency		**(2,079,793)**	**(327,973)**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued capital $	Accumulated losses $	Total equity $
As at 1 July 2020	**1**	**(327,974)**	**(327,973)**
Loss for the year	-	(1,751,820)	(1,751,820)
Other comprehensive income/(loss) for the year, net of tax	-	-	-
Total comprehensive loss for the year	**-**	**(1,751,820)**	**(1,751,820)**
As at 30 June 2021	**1**	**(2,079,794)**	**(2,079,793)**

	Issued capital $	Accumulated losses $	Total equity $
As at 1 July 2019	**1**	**(19,383)**	**(19,382)**
(Loss) for the year	-	(308,591)	(308,591)
Other comprehensive (loss) for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(308,591)	(308,591)
As at 30 June 2020	1	**(327,974)**	**(327,973)**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general-purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (**AASB**). The financial statements of the Company also comply with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

The presentational and functional currency is Australian Dollars. The financial statements have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes.

The Company's Parent entity, Liontown Resources Limited, includes the Company in its consolidated financial statements, which are prepared in accordance with Australian Accounting Standards and also comply with the IFRS as issued by the IASB. The consolidated financial statements are available to the public and may be obtained from the Company's registered office at Level 2, 1292 Hay Street, West Perth, Western Australia 6005.

b. Use of estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from the Parent entity.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below.

- Deferred taxation: Deferred tax assets in respect of temporary differences have not been brought to account as it is not considered probable that the Company will be able to use these difference and subsequent taxation losses into the future through generating taxable profits.

c. Going Concern

The financial statements have been prepared on a going concern basis and is dependent on the continuous financial support from its Parent entity in order to meet its commitments and working capital needs for a period not less than twelve months from the date of the financial statements. The Directors have received a letter of support from its Parent entity confirming its continued support for this period.

On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis. The financial statements do not include any adjustment to the carrying amount or classification of assets and liabilities that would occur if the Company was unable to continue as a going concern.

d. Exploration and evaluation expenditure

Costs incurred in the exploration and evaluation stages of specific areas are expensed in the statement of profit or loss and other comprehensive income as incurred. All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs, project generation and drilling costs, are expensed as incurred. In addition, costs associated with acquiring interests in new exploration licences and study related costs are also expensed. Once the technical feasibility and commercial viability of extracting a mineral resource is demonstrable in respect to an area of interest, development expenditure is capitalised to the statement of financial position.

e. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

f. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non – assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted as at balance date. Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxation profit or loss. Deferred income tax assets and liabilities are recognised to the extent that it is probable that the future tax profits will be available against which deductible temporary differences will be utilised. The Company is currently part of a consolidated tax group. The agreements between the head company and ERL (Aust) Pty Ltd provides for the transfer of losses from the Company to the Parent entity at the conclusion of each tax year. A compensating loss payment is only made where it is probable that the losses will be utilised.

No deferred tax balances or associated benefits from the tax agreements have been recognised through the year as it is not considered probable that asset recognition criteria have would be met.

g. Goods and Services Tax

The current Parent Company accounts for GST on behalf of ERL (Aust) Pty Ltd. As a result, revenues, expenses and assets are recognised net of the amount of goods and services tax (GST). Receivables and payables are stated net of GST.

h. Borrowings and Borrowing Costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, which are capitalised until the asset is ready for its intended use or sale.

i. Financial Instruments

Recognition, initial measurement and recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation

i. Financial Instruments (continued)

Recognition, initial measurement and recognition (continued)

techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:
- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:
- The contractual cash flow characteristics of the financial assets; and
- The entities business model for managing the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

i. Financial Instruments (continued)

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

j. Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

k. New Accounting Standards for application in future periods

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for annual reporting periods beginning on or after 1 July 2020. It has been determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company

NOTE 2: FINANCIAL RISK MANAGEMENT

The Directors provide principles for overall risk management, as well as policies covering specific areas and oversees the Company's risk profile.

a. Financial risk management objectives

The Directors monitor and manage the financial risk relating to the operations of the Company. The Company's activities include exposure to liquidity risk only. The overall risk management strategy for the Company focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on the financial performance of the Company. Risk management is carried out under the direction of the Directors.

b. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

c. Market price risk

The Company is involved in the exploration and development of mining tenements for minerals. Should the Company successfully progress to a producer, revenues associated with mineral sales, and the ability to raise funds through equity and debt, will have some dependence upon commodity prices.

d. Credit risk

The Company is not exposed to changes in credit risk and market interest rates.

The Company does not presently have customers and consequently does not have credit exposure to outstanding receivables. The Company may in the future be exposed to interest rate risk should it borrow funds for acquisition and development.

e. Fair value of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Company at balance date are recorded at amounts approximating their carrying amount.

f. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Directors. The Directors have determined an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

g. Cash flow and interest rate risk

The Company's operating cash flows are not exposed to changes in market interest rates.

NOTE 3: SEGMENT INFORMATION

The Company has one segment, which is mineral exploration in Australia.

NOTE 4: INCOME TAX

Income tax expense comprises:

	2021 $	2020 $
Current tax expenses	-	-
Deferred tax expense relating to originating or reversing of temporary differences	-	-
Total tax expense / (benefit)	-	-

Numerical reconciliation between tax expense and pre-tax net loss:

	2021 $	2020 $
Loss before tax	(1,751,820)	(308,591)
Income tax benefit using the domestic corporation tax rate of 26% (2020: 27.5%)	(455,473)	(84,863)
(Increase)/Decrease in income tax benefit due to:		
Temporary differences	(16)	1,154
Deferred tax assets and liabilities transferred to the Parent entity	455,489	83,709
Income tax expense on loss before tax	-	-

Unrecognised deferred tax balances

As the Company is in a consolidated tax group, the Company does not recognise deferred tax assets for taxation losses that have been assumed by the Parent company. The unrecognised timing differences as at the reporting date are:

	2021 $	2020 $
Accrued expenses	-	(1,170)
S40-880	16	16
Total deferred tax assets not recognised	16	(1,154)

NOTE 5: INCOME AND EXPENSES

Corporate and administration expenses

	2021 $	2020 $
Regulatory and compliance	61,075	285
	61,075	**285**

Exploration and evaluation expenditure

	2021 $	2020 $
Moora project	1,397,152	308,306
Yalwest project	11,580	-
Dingo Rocks project	27,521	-
Koojan project	254,492	-
	1,690,745	**308,306**

Tenement schedule as at 30 June 2021:

Project	Tenement No.	Nature of Interest	Current Status	Date Granted
Moora	E70/5217	100%	Granted	8/05/2019
	E70/5286	100%	Granted	8/11/2019
	E70/5287	100%	Granted	13/11/2019
Yalwest	E59/2541	100%	Under application	N/A
Dingo Rocks	E63/2070	100%	Under application	N/A
Koojan	E70/5312	Nil	Farming in	N/A
	E70/5337	Nil	Farming in	N/A
	E70/5429	Nil	Farming in	N/A
	E70/5450	Nil	Farming in	N/A
	E70/1743	Nil	Farming in	N/A

Tenement schedule as at 30 June 2020:

Project	Tenement No.	Nature of Interest	Current Status	Date Granted
Moora	E70/5217	100%	Granted	8/05/2019
	E70/5286	100%	Granted	8/11/2019
	E70/5287	100%	Granted	13/11/2019

NOTE 6: TRADE AND OTHER PAYABLES

	2021 $	2020 $
Accrued expenses	47,043	28,356
	47,043	**28,356**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

NOTE 7: BORROWINGS

This note provides information about the contractual terms of the Company's intercompany loans from the Parent entity.

	2021 $	2020 $
Loan from Liontown Resources Limited (Parent)	2,032,750	299,437
	2,032,750	**299,437**

The loans are unsecured, repayable on demand and are not interest bearing. Due to the short-term nature of the liabilities, their carrying value is assumed to be the same as their fair value.

NOTE 8: ISSUED CAPITAL

	2021 $	2020 $
1 (2020:1) fully paid ordinary share	1	1

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Company in proportion to the number and amounts paid on the shares held.

NOTE 9: DIVIDENDS

No dividends were declared or paid for the year ended 30 June 2021 (30 June 2020: Nil).

NOTE 10: RELATED PARTY TRANSACTIONS

a. Key management personnel

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

Directors

- T Goyder
- T Ottaviano (appointed 5 May 2021)
- D Richards
- R Hacker (resigned 4 May 2021)

The directors received no remuneration during the period (2020 - $Nil). The directors are remunerated by a fellow group undertaking.

b. Loans made to key management personnel and related parties

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

c. Transactions with related parties

	2021 $	2020 $
Payments for exploration and evaluation expenditure	1,978,284	281,949
Payments to suppliers and employees	25,029	285
	2,003,313	**282,234**

d. Payable related parties

	2021 $	2020 $
Loan from Liontown Resources Limited (Parent)		
Beginning of year	299,437	17,203
Movements	2,003,313	282,234
End of year	**2,302,750**	**299,437**

The Company has no active bank account as at reporting date.

e. Terms and conditions

The terms of the loan are set out in note 7.

NOTE 11: FINANCIAL INSTRUMENTS

a. Maturity profile of financial instruments

The following table details the Company's exposure to interest rate risk and the maturity profile of financial liabilities:

As at 30 June 2021	Non-interest bearing $
Financial liabilities	
Amounts due to related companies	**2,302,750**

As at 30 June 2020	Non-interest bearing $
Financial liabilities	
Amounts due to related companies	299,437

b. Risk and sensitivity

Refer to Note 2 for details on the Company's approach to financial risk management.

NOTE 12: COMMITMENTS

In order to maintain current rights of tenure to exploration tenements the Company, together with its joint venture partners, is required to perform exploration work to meet the minimum expenditure requirements specified by the State governments. These amounts are subject to negotiation when application for a lease application and renewal is made and at other times. The approximate minimum level of expenditure to retain current tenements which are not provided for in the Company's financial statements are detailed below:

Moora Tenements:

	2021 $	2020 $
Within 1 year	169,747	90,296
1-5 years	400,827	569,780
>5 years	-	-
	570,574	**660,076**

In relation to:

- Yalwest and Dingo Rocks tenements nil commitment as they are under application and have not yet granted.
- Koojan tenements has a minimum commitment in relation to the Farm-In of $500,000 within 18 months of settlement, which has not yet occurred.

To the extent that expenditure commitments are not met, tenement areas may be reduced, and other arrangements made in negotiation with the relevant state and territory government departments on renewal of tenements to defer expenditure commitments or partially exempt the Company.

NOTE 13: CONTINGENT LIABILITIES AND ASSETS

For the year ended 30 June 2021, there are no contingent assets (30 June 2020: nil).

NOTE 14: AUDITOR'S REMUNERATION

	2021 $	2020 $
HLB Mann Judd – audit services		
Audit and review of financial reports	4,000	4,000

The Company's auditor did not provide any non-audit services during the year and audit fees were paid by related parties (refer to Note 10) on behalf of the Company.

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

The Company's next phase of exploration activity will comprise optimisation of existing targets for drill testing and identification of new areas that warrant assessment for the target commodities.

On 21 July 2021 the Company applied for licence Marloo E59/2604.

No other matters or circumstances have arisen since the 30 June 2021 that have significantly affected, or may significantly affect, the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

The Directors have determined that the Company is not a reporting entity and that this general purpose financial report was prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors declare that:

a. The financial statements, notes and additional disclosures, are in accordance with the *Corporations Act 2001 (Cth*) (**Corporations Act**), including:

   i. complying with Accounting Standard as described in Note 1 to the financial statements and the Corporations Regulations 2001; and

   ii. giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended 30 June 2021 in accordance with the accounting policies described in Note 1 to the financial statements.

b. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act.

On behalf of the Directors

David Richards
Director

Dated this 29th day of July 2021

INDEPENDENT AUDITOR'S REPORT
To the members of ERL (Aust) Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ERL (Aust) Pty Ltd ("the Company") which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
29 July 2021

D I Buckley
Partner