



LIONTOWN RESOURCES LIMITED

ABN 39 118 153 825

**Half-Year Report
31 December 2017**

Liontown Resources Limited

Corporate Directory

Directors

Timothy Rupert Barr Goyder	Chairman
David Ross Richards	Managing Director
Craig Russell Williams	Non-executive Director
Anthony James Cipriano	Non-executive Director

Company Secretary

Kym Verheyen

Principal Place of Business & Registered Office

Level 2, 1292 Hay Street
WEST PERTH, WESTERN AUSTRALIA 6005
Tel: (+61 8) 9322 7431
Fax: (+61 8) 9322 5800
Web: www.ltresources.com.au
Email: info@ltresources.com.au

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH, WESTERN AUSTRALIA 6000

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERTH, WESTERN AUSTRALIA 6000
Tel: 1300 557 010

Home Exchange

Australian Securities Exchange Limited
Level 40, Central Park
152- 158 St Georges Terrace
PERTH, WESTERN AUSTRALIA 6000

ASX Codes

Share Code: LTR

Liontown Resources Limited

Contents

Directors' Report	4
Auditor's Independence Declaration	9
Condensed Consolidated Statement of Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	14
Notes to the Condensed Consolidated Financial Statements	15
Directors' Declaration	24
Independent Auditor's Review Report	25

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2017

Your directors submit the financial report for Liontown Resources Limited ("Liontown") and the entities it controlled as at and for the half-year ended 31 December 2017 ("the Group"). In compliance with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

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

REVIEW OF OPERATIONS

AUSTRALIAN PROJECTS

1. Kathleen Valley Lithium Project (Western Australia) (100% of Lithium Rights)

The Kathleen Valley Project is located in Western Australia, approximately 680km north-east of Perth within the Eastern Goldfields of the Archaean Yilgarn Craton. Historical exploration had defined a large swarm of spodumene-bearing pegmatites at Kathleen Valley and an initial phase of drilling by Liontown in 2017 confirmed the potential for significant widths of high-grade lithium and tantalum mineralisation.

Statutory clearances required to undertake further drilling on the priority Mt Mann and Kathleen's Corner targets were received during the period, and a 21 hole/2,700m Reverse Circulation drilling program was completed in early February 2018.

The second phase of drilling was designed to test along strike of previously reported 2017 intersections (up to 58m @ 1.2% Li₂O) and beneath high grade (>1.5% Li₂O) outcropping mineralisation.

At Mt Mann, high-grade lithium mineralisation has now been intersected over a strike length of more than 500m hosted by moderately south-west dipping pegmatites with the trend open towards the south and at depth.

Better intersections from the latest drill program include:

- **22m @ 1.2% Li₂O from 26m (KVRC0020), including:**
 - **5m @ 1.7% Li₂O from 26m; and**
 - **10m @ 1.6% Li₂O from 34m**
- **15m @ 1.4% Li₂O from 18m (KVRC0024), including:**
 - **4m @ 1.8% Li₂O from 23m; and**
 - **2m @ 2.0% Li₂O from 29m**

(NB true widths approximately 85-95% of downhole widths listed above)

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2017

At Kathleen's Corner, initial drill testing has intersected multiple, flat-to-shallowly dipping pegmatites up to 20m thick.

Better intersections from the drill program include:

- **21m @ 1.9% Li₂O from 71m (KVRC0035), including:**
 - **17m @ 2.2% Li₂O from 74m**
- **14m @ 1.7% Li₂O from 63m (KVRC0037), including:**
 - **2m @ 2.5% Li₂O from 64m; and**
 - **7m @ 2.1% Li₂O from 69m**

(NB true widths approximately 85-95% of downhole widths listed above)

Importantly, the lithium values appear to be largely related to spodumene mineralisation with minor lepidolite also observed.

Following a geological review of the Kathleen Valley tenement package, Liontown divested a number of non-core tenements to neighbouring gold companies Draig Resources and Ramelius Resources.

The divestment provides additional funding, reduces costs and allows Liontown to focus on its priority lithium exploration projects.

2. Buldania Lithium Project (Western Australia) (100% of Lithium Rights)

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 indicated a large spodumene-bearing pegmatite swarm that had not been assessed for lithium or associated rare metals. In October 2017, Liontown entered into an agreement with Avoca Resources Pty Ltd, a wholly-owned subsidiary of Westgold Resources Limited (ASX: WGX), whereby it has secured the rights to lithium (and related metals) while Avoca retains the rights and priority access to all other metals.

Previous nickel and gold exploration on the Buldania Project, including geological mapping (Anaconda, 1973) and petrological analyses (WMC, 1993) defined a large (1.6km x 0.8km), spodumene-bearing pegmatite swarm that had not been assessed for its lithium potential.

Since acquiring the Buldania Lithium Project, Liontown has completed detailed geological mapping and reconnaissance rock chip sampling.

The results of this work indicate the following:

- Multiple pegmatites occur over a significantly larger area of 1.3km x 2km, compared with that indicated by the historical mapping;
- Surface dimensions of individual pegmatites measure up to 400m in length x 160m wide; and
- There is widespread spodumene-related lithium mineralization, with assay values in rock chip sampling of up to 4.2% Li₂O.

Two main target areas have been identified - the **Anna** and **Conda** prospects.

The Anna prospect comprises a 550m long, NW-SE trending zone containing a large pegmatite with a surface width of 60-160m. The Conda prospect comprises multiple stacked, SW-NE trending pegmatites up to 200m long and 60m wide at surface.

Limited outcrop exposure means that the true thicknesses of the pegmatites have not yet been determined.

A maiden 25-35 hole Reverse Circulation drilling program totalling 3,000-3,500m has been designed to test the main targets as well as a number of thinner (10-20m) pegmatites located to the north and east. The drilling

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2017

program commenced in late February 2018 following the receipt of heritage clearances. Drilling is ongoing and is expected to be completed by the end of March 2018.

The Project is close to major road and rail infrastructure, with direct links to the Port of Esperance, approximately 200km to the south, critical to the mining and production of bulk commodities such as spodumene concentrates.

Liontown has entered into an Agreement with Avoca Resources Pty Ltd, a wholly-owned subsidiary of Westgold Resources Limited (ASX: WGX), whereby it has secured the rights to lithium and related metals (which include beryllium, caesium, niobium, rubidium, tantalum and tin) for the Buldania Project while Avoca retains the right and priority access to all other metals. Avoca will be paid \$2 per tonne for any lithium ore mined and 1.5% of the gross sales receipts (the "Buldania Royalties").

3. Norcott Project (Western Australia) (Right to 100%)

The Norcott Project is located immediately south-east of the Buldania Project and covers the strike extension of the same lithium-prospective stratigraphy. Liontown has entered into a Binding Term Sheet with private company, Galahad Resources Pty Ltd, whereby it can acquire two Exploration Licences, including rights to all metals, covering a total area of 370km².

There has been no previous exploration at Norcott for lithium or related metals; however, limited reconnaissance has recorded multiple pegmatites in the same stratigraphy that hosts the spodumene-bearing pegmatites at the Buldania Project to the north.

The Norcott exploration licences are still in the application phase and Liontown's immediate focus will be to progress these tenements to grant with initial fieldwork comprising geochemical sampling scheduled for the second quarter of 2018.

4. RJC Vanadium Project (Queensland) (Liontown 100%)

The RJC Vanadium Project is located in NW Queensland, approximately 440km west of Townsville, in a region which hosts a number of large vanadium resources defined as part of previous exploration for hydrocarbons in oil shale. Liontown has secured five tenements which adjoin and partially incorporate existing resources. The Project represents a low-cost entry into vanadium, a commodity that is part of the battery metal suite, critical to the future of energy storage.

Initial reconnaissance work has been completed with 14 wide-spaced rock chip samples collected.

Results confirm the presence of significant vanadium mineralisation with grades of up to 0.36% V₂O₅ returned.

A 20kg sample of the mineralised material has been sent to ANSTO Minerals which has been engaged to undertake preliminary metallurgical test work to assess process options for the extraction of vanadium from the weathered shales that host the mineralisation.

This work is expected to take 2-3 months, with the results expected to be available late in the first quarter of 2018.

5. Sale of Bynoe Lithium Project

The sale of the Bynoe Lithium Project in the Northern Territory to Core Exploration Limited (ASX: CXO) ("Core") was completed during the period.

Liontown received \$1.5 million in cash and 39,232,025 shares in Core (representing approximately 8.2% of Core's current issued capital). In addition, a further \$1.5 million is payable in cash or Core shares (at Core's election) upon the definition of a JORC compliant Mineral Resource exceeding 5 million tonnes within Liontown's Bynoe tenure.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2017

The shares issued to Liontown are subject to a 12-month escrow where Liontown may sell one third of the Consideration Shares four months after the date of issue and one third every four months thereafter. A block trade may also be made during the escrow period subject to the agreement of Core.

TANZANIAN PROJECTS

The effects of recently released Mining Regulations relating to amendments made to the Tanzanian Mining Act (2010), enacted in July 2017, continue to be assessed.

Following the withdrawal from the Mohanga lithium project option agreement, the Company holds one project, the Jubilee Reef gold project in Tanzania. A senior consultant has been retained on contract in Tanzania to administer the tenement portfolio until the practical effects of the changed legislation and new regulations are understood.

At Jubilee Reef, the Retention Licence which Liontown applied for over the Simba resource (prior to the amendments) has been rejected by the Tanzanian Ministry of Mines. A third party, Chela Resources Limited (in which Liontown previously held a beneficial interest), has subsequently applied for tenements over the Simba resource. Liontown has entered into an Option Agreement whereby it has a right to acquire all the shares in Chela if the tenements are converted to licences that can be legally owned by a foreign entity.

CORPORATE

At 31 December 2017 the Group had net assets of \$5,498,900 (30 June 2017: \$1,502,266) and an excess of current assets over current liabilities of \$5,402,501 (30 June 2017: \$1,350,155). At 31 December 2017, cash at bank totalled \$2,063,030 (30 June 2017: \$1,415,601) and shares held in Core Exploration Limited and Draig Resources Limited were recorded at a value of \$3,325,098.

The Group reported a net profit for the period of \$2,852,154 (31 December 2016 net loss restated: \$1,750,799).

EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to period end, the Company sold all of its 1,000,000 shares in Draig Resources Limited (see note 5). At the date of this report, the shares in Core Exploration Limited have a market value of 6.4 cents per share.

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

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 9 and forms part of this directors' report for the half-year ended 31 December 2017.

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



David Richards
Managing Director

Dated at Perth this 14th day of March 2018.

Liontown Resources Limited

Directors' Report

For the half-year ended 31 December 2017

Competent Person's Statement

The Information in this report that relates to the Exploration Results for the Kathleen Valley Project is extracted from ASX announcements entitled "Liontown intersects strong lithium and tantalum mineralisation in maiden drill program at Kathleen Valley, WA", "Shallow high-grade lithium mineralisation intersected in initial Phase 2 drill program at Kathleen Valley, WA", "Latest assays confirm continuity of shallow high-grade lithium mineralisation at Kathleen Valley, WA" and "Growing resource potential as significant high-grade lithium mineralisation confirmed at second prospect at Kathleen Valley, WA" released on the 20th March 2017, 5th February 2018, 19th February 2018 and 26th February 2018 respectively which are available on www.ltresources.com.au.

The Information in this report that relates to the Exploration Results for the Buldania and Norcott Projects is extracted from the ASX announcements entitled "Liontown acquires highly prospective lithium projects in WA's Eastern Goldfields", "Surface samples of up to 4.6% Li₂O confirm widespread lithium mineralisation at the Buldania Lithium Project, WA", "Mapping more than doubles area of spodumene-bearing pegmatite swarm at the Buldania Lithium Project, WA" and "Maiden drilling program commences at Liontown's second Australian lithium project" released on the 23rd October 2017, 30th October 2017, 5th December 2017 and 22nd February 2018 respectively which are available on www.ltresources.com.au.

The Information in this report that relates to Exploration Results for the RJC Vanadium Project is extracted from the ASX announcements entitled "Quarterly activities report For the Quarter ended 31 December 2017" released on the 24th January 2018 which is available on www.ltresources.com.au .

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

Forward Looking Statement

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

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Liontown Resources Limited for the half-year ended 31 December 2017, 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
14 March 2018



L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

Liontown Resources Limited
**Condensed Consolidated Statement of Comprehensive
Income**

For the half-year ended 31 December 2017

		Consolidated	
		31 December 2017	Restated* 31 December 2016
		\$	\$
Note			
Continuing Operations			
	Revenue	14,748	6,348
	Proceeds from sale of exploration and evaluation tenements	3,814,297	-
	Exploration and evaluation expenditure expensed as incurred	(505,223)	(1,459,854)
	Corporate administrative expenses	(649,483)	(297,293)
	Business development costs	(47,655)	-
	Profit/(loss) before income tax	2,626,684	(1,750,799)
	Income tax benefit	225,470	-
	Profit/(loss) for the period attributable to owners of the parent	2,852,154	(1,750,799)
Other comprehensive income, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
	Changes in the fair value of available-for-sale investments	750,956	-
	Exchange differences on translation of foreign operations	155	7,855
	Other comprehensive income, net of tax	751,111	7,855
	Total comprehensive income/(loss) after tax	3,603,265	(1,742,944)
	Basic earnings/(loss) per share attributable to ordinary equity holders (cents)	0.29	(0.20)
	Diluted earnings/(loss) per share attributable to ordinary equity holders (cents)	0.29	(0.22)

The accompanying notes form part of these financial statements

*Refer to Note 2 for details about restatement for the voluntary change in accounting policy.

Liontown Resources Limited
Condensed Consolidated Statement of Financial Position
As at 31 December 2017

	Note	Consolidated	
		31 December 2017 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents		2,063,030	1,415,601
Trade and other receivables		86,029	75,272
Financial assets	5	3,358,566	-
Total current assets		5,507,625	1,490,873
Non-current assets			
Financial assets	5	50,000	107,081
Property, plant and equipment		46,399	45,030
Total non-current assets		96,399	152,111
Total assets		5,604,024	1,642,984
Current liabilities			
Trade and other payables		62,317	98,614
Employee benefits		42,807	42,104
Total current liabilities		105,124	140,718
Total liabilities		105,124	140,718
Net assets		5,498,900	1,502,266
Equity			
Issued capital	6	34,371,248	34,347,020
Accumulated losses		(30,271,449)	(33,144,913)
Reserves		1,399,101	300,159
Total equity		5,498,900	1,502,266

Liontown Resources Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

	Consolidated					Total equity \$
	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Fair value revaluation reserve	
Balance at 30 June 2017	34,347,020	(33,144,913)	160,514	139,645	-	1,502,266
Profit for the period	-	2,852,154	-	-	-	2,567,309
Other comprehensive income for the period						
Net change in fair value of available-for-sale investments, net of tax	-	-	-	-	750,956	750,956
Exchange differences on translation of foreign operations	-	-	-	155	-	155
Total comprehensive income for the period	-	2,852,154	-	155	750,956	3,603,265
Transfer from reserve	-	21,310	(21,310)	-	-	-
Share options vested	-	-	369,141	-	-	369,141
Share issue - exercise of unlisted options - cash received	26,250	-	-	-	-	26,250
Less - cost of share issues	(2,022)	-	-	-	-	(2,022)
Balance at 31 December 2017	34,371,248	(30,271,449)	508,345	139,800	750,956	5,498,900

Liontown Resources Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

	Issued capital	Accumulated losses	Consolidated Share based payments reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
Balance at 30 June 2016 restated*	30,194,966	(29,920,254)	176,806	142,813	594,331
Loss for the period restated*	-	(1,750,799)	-	-	(1,750,799)
Exchange differences on translation of foreign operations restated*	-	-	-	7,856	7,856
Total comprehensive loss for the period	-	(1,750,799)	-	7,856	(1,742,943)
Transfer from reserve	-	18,370	(18,370)	-	-
Share options vested	-	-	42,619	-	42,619
Share issue - rights issue	1,398,902	-	-	-	1,398,902
Share issue - in lieu of consulting fees	60,000	-	-	-	60,000
Share issue - Kathleen Valley tenement purchase	425,000	-	-	-	425,000
Less - cost of share issues	(54,795)	-	-	-	(54,795)
Balance at 31 December 2016 restated*	32,024,073	(31,652,683)	201,055	150,669	723,114

The accompanying notes form part of these financial statements

*Refer to Note 2 for details about restatement for the voluntary change in accounting policy

Liontown Resources Limited
Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

	Consolidated	
	31 December 2017 \$	Restated* 31 December 2016 \$
Cash flows from operating activities		
Cash paid to suppliers and employees	(290,593)	(306,059)
Payments for mining exploration and evaluation and business development costs	(555,742)	(1,157,438)
Proceeds from the sale of mining exploration and evaluation tenements	1,525,000	-
Interest received	9,245	5,225
Income taxes paid	(59,375)	-
Other	744	985
Net cash from/(used) in operating activities	629,279	(1,457,287)
Cash flows from investing activities		
Payments for plant and equipment	(10,264)	(9,948)
Proceeds from sale of plant and equipment	2,879	-
Net cash used in investing activities	(7,385)	(9,948)
Cash flows from financing activities		
Proceeds from issue of shares	26,250	1,398,902
Payments for share issue costs	-	(50,671)
Other (bank guarantee)	-	(25,000)
Net cash from financing activities	26,250	1,323,231
Net increase / (decrease) in cash and cash equivalents	648,144	(144,004)
Cash and cash equivalents at the beginning of the period	1,415,600	800,948
Effects of exchange rate fluctuations on cash held	(714)	4,570
Cash and cash equivalents at 31 December	2,063,030	661,514

The accompanying notes form part of these financial statements

*Refer to Note 2 for details about restatement for the voluntary change in accounting policy

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2017

1. **Significant accounting policies**

(a) **Statement of compliance**

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Liontown Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) **Basis of preparation**

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

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

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2017.

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

Standards and Interpretations applicable to 31 December 2017

In the period ended 31 December 2017, 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 annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

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 2017. 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 2017

2. Voluntary change in accounting policy

(a) Exploration and Evaluation Accounting Policy

As stated in the 2017 Annual Report, the financial report has been prepared on the basis of a retrospectively applied voluntary change in accounting policy related to exploration and evaluation expenditure.

The new accounting policy is to expense exploration and evaluation expenditure, including the cost of acquisition, to the Statement of Comprehensive Income in the year when it is incurred.

In previous financial reporting periods, the costs incurred in connection with exploration of areas with current rights of tenure were capitalised in the Statement of Financial Position. The criteria for carrying forward the costs were:

- Such costs were expected to be recovered through successful development and exploitation of the area of interest or alternatively by its sale; and
- Exploration and/or evaluation activities were continuing in the area of interest and had not yet reached a stage which permitted a reasonable assessment of the existence or otherwise of economically recoverable resources, and active and significant operations in, or in relation to, the area were continuing.

Costs carried forward in respect of an area of interest that was abandoned were written off in the year in which the decision to abandon was made.

The directors are of the opinion that the change in accounting policy provides users with more relevant and no less reliable financial information, as the policy is more transparent and less subjective.

Both the previous and new accounting policies are compliant with AASB 6 Exploration for and Evaluation of Mineral Resources.

(b) Impact on Financial Statements

As a result of the change in accounting policy for exploration and evaluation expenditure, prior year financial statements have been restated in line with requirements of accounting standards. The comparative amounts for the half year ended 31 December 2016 as disclosed in the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows have been restated to reflect the change in accounting policy for exploration and evaluation expenditure. The following table outlines the changes to reflect the change in accounting policy.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2017

Consolidated statement of comprehensive income	Prior year restatement		
	Previously stated	Effect of restatement	Restated
	31 December 2016		31 December 2016
	\$	\$	\$
Continuing Operations			
Revenue	6,348	-	6,348
Exploration and evaluation expenditure expensed as incurred	(58,511)	(1,401,343)	(1,459,854)
Business development costs		-	-
Corporate administrative expenses	(297,293)	-	(297,293)
Loss before income tax	(349,456)	(1,401,343)	(1,750,799)
Income tax expense	-	-	-
Loss for the period attributable to owners of the parent	(349,456)	(1,401,343)	(1,750,799)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	33,689	(25,834)	7,855
Total comprehensive loss after tax	(315,767)	(1,427,177)	(1,742,944)
Basic loss per share attributable to ordinary equity holders (cents)	(0.04)	(0.16)	(0.20)
Diluted loss per share attributable to ordinary equity holders (cents)	(0.04)	(0.18)	(0.22)

Consolidated statement of changes in equity	Prior year restatement		
	Previously stated	Effect of restatement	Restated
	31 December 2016		31 December 2016
	\$	\$	\$
Accumulated losses at 30 June 2016	(28,980,116)	(940,138)	(29,920,254)
Loss for the half-year ended 31 December 2016	(349,456)	(1,401,343)	(1,750,799)
Accumulated losses at 31 December 2016	(29,311,202)	(2,341,481)	(31,652,683)

Consolidated statement of cash flows	Prior year restatement		
	Previously stated	Effect of restatement	Restated
	31 December 2016		31 December 2016
	\$	\$	\$
Net cash used in operating activities	(299,849)	(1,157,438)	(1,457,287)
Net cash used in investing activities	(1,116,386)	1,157,438	(9,948)

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2017

2. Segment reporting
Geographical segments

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

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

	Exploration and Evaluation		Corporate		Total	
	31 December 2017	Restated* 31 December 2016	31 December 2017	Restated* 31 December 2016	31 December 2017	Restated* 31 December 2016
	\$	\$	\$	\$	\$	\$
Revenue	1,553	985	-	-	1,553	985
Proceeds from sale of exploration and evaluation tenements	3,814,297	-	-	-	3,814,297	-
Exploration and evaluation expenditure expensed as incurred	(505,223)	(1,459,854)	-	-	(505,223)	(1,459,854)
Business development costs	(47,655)	-	-	-	(47,655)	-
Corporate and administrative expenses	-	-	(649,483)	(297,293)	(649,483)	(297,293)
Segment net profit/(loss) before tax	3,262,972	(1,458,869)	(649,483)	(297,293)	2,613,489	(1,756,162)
Unallocated income/(expenses)						
Net financing income					13,195	5,363
Profit/(Loss) before income tax					2,626,684	(1,750,799)

	Exploration and Evaluation		Corporate		Total	
	31 December 2017	30 June 2017	31 December 2017	30 June 2017	31 December 2017	30 June 2017
	\$	\$	\$	\$	\$	\$
Segment assets:						
Other	95,075	101,132	66,376	75,758	161,451	176,890
	95,075	101,132	66,376	75,758	161,451	176,890
Unallocated assets					5,442,573	1,466,094
Total assets					5,604,024	1,642,984
Segment liabilities	(20,722)	(46,918)	(84,402)	(93,800)	(105,124)	(140,718)

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2017

3. Profit before income tax

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

	2017 \$	2016 \$
(a) Revenue		
Insurance refund	744	985
Interest received	13,197	5,363
Profit on sale of plant and equipment	807	-
	14,748	6,348
(b) Proceeds from sale of exploration and evaluation tenements		
Bynoe Lithium Project ⁽ⁱ⁾	3,579,297	-
Kathleen Valley Tenements ⁽ⁱⁱ⁾	235,000	-
	3,814,297	-
<p>(i) In November 2017, the Company completed the sale of its Bynoe Lithium Project in the Northern Territory to Core Exploration Limited (“Core”). Consideration for the sale was as follows:</p> <ul style="list-style-type: none"> • \$1,500,000 in cash; • 39,232,025 Core Shares (subject to certain escrow restrictions); and • A contingent payment of \$1,500,000 in cash or Core shares (at Core’s election) upon Core defining a JORC compliant Mineral resource totalling 5 million tonnes within Liontown’s Bynoe tenure. <p>At the date of sale, the fair value of the Core shares received as part consideration was \$2,079,297.</p>		
<p>(ii) During the period the Company divested seven non-core mining leases at its Kathleen Valley Project to Draig Resources Limited (“Draig”) in consideration for 1,000,000 Draig shares and \$25,000 cash.</p> <p>At the date of sale, the fair value of the Draig shares received as part consideration was \$210,000.</p>		
(c) Exploration and evaluation expenditure		
Australia	335,290	1,254,668
Tanzania	169,933	205,186
	505,223	1,459,854
(d) Corporate administrative expenses		
Depreciation and amortisation	3,779	3,247
Insurance	11,711	13,488
Legal fees	2,130	(1,500)
Corporate service charge	33,000	33,000
Personnel expenses	148,035	129,355
Share based payments	369,141	-
Regulatory and compliance	61,701	105,562
Other	19,986	14,141
	649,483	297,293

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2017

4. Income tax benefit

	31 December 2017 \$	31 December 2016 \$
Current income tax benefit	284,845	-
Under provision of prior year tax	(59,375)	-
	225,470	-

5. Financial Assets

	31 December 2017 \$	30 June 2017 \$
Current		
Security Deposits and Bonds	33,468	-
Available-for-sale investments		
Core Exploration Limited (ASX:CXO)	3,060,098	-
Draig Resources Limited (ASX:DRG)	265,000	-
	3,325,098	-
	3,358,566	-
Non-Current		
Bank Guarantee	50,000	50,000
Security Deposits and Bonds	-	57,081
	50,000	107,081

Available-for-sale investments represents 39,232,025 shares in Core Exploration Limited received from the sale of the Bynoe Lithium Project in the Northern Territory and 1,000,000 Draig Resources Limited shares from the divestment of the non-core Kathleen Valley tenement package (see note 3(b)).

The shares held in Core are subject to a 12-month voluntary escrow where Liontown may sell one third of the Core Exploration Limited Shares four months after the date of issue and every four months thereafter.

The closing price of Core shares on 31 December 2017 was 7.8 cents per share. The investment has been fair valued under Level 1 of the AASB 13 Fair Value Hierarchy at \$3,060,098 with an increase in value of \$980,801 recorded to the fair value revaluation reserve.

The closing price of Draig shares on 31 December 2017 was 26.5 cents per share. The investment has been fair valued under Level 1 of the AASB 13 Fair Value Hierarchy at \$265,000 with an increase in value of \$55,000 recorded to the fair value revaluation reserve.

The total increase in fair value of available-for-sale investments of \$1,035,801 has been recorded in the fair value reserve, less a deferred tax liability application of \$284,840 (at 27.5%).

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2017

6. Issued capital

	31 December 2017 No.		30 June 2017 No.	
Issued and fully paid ordinary shares	991,090,635		990,340,635	

	6 months to 31 December 2017		Year to 30 June 2017	
	No.	\$	No.	\$
Balance at 1 July	990,340,635	34,347,020	696,450,401	30,194,966
Share issue - rights issue	-	-	139,890,234	1,398,902
Share issue - in lieu of consulting fees	-	-	3,000,000	48,000
Share issue - purchase of Kathleen Valley Lithium Project acquisition	-	-	25,000,000	425,000
Share issue - placements	-	-	126,000,000	2,520,000
Exercise of options	750,000	26,250	-	-
Less share issue costs	-	(2,022)	-	(239,848)
Balance at end of period	991,090,635	34,371,248	990,340,635	34,347,020

7. Share Options

	6 months to 31 December 2017 No.	Year to 30 June 2017 No.
Movements in unlisted options over ordinary shares on issue:		
At 1 July	10,800,000	14,650,000
Options lapsed	(750,000)	(1,000,000)
Options expired	-	(5,850,000)
Options exercised	(750,000)	-
Options issued	23,700,000	3,000,000
Total share options on issue	33,000,000	10,800,000

On 28 November 2017, 16,000,000 share options were granted to Directors following shareholder approval at the 2017 Annual General Meeting. 7,700,000 share options were granted to employees under the terms of the Company's Employee Share Option Plan.

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2017

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 half year to directors and executives:

	6 months to 31 December 2017
Share price at grant date (weighted average)	0.0195
Exercise price (weighted average)	0.021
Expected volatility	100%
Option life (expressed as weighted average life used in the modelling under Black Scholes option-pricing model)	4.5 years
Expected dividends	Nil
Risk free interest rate	2.30%

Share options are granted under service conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services rendered.

8. Related Parties

Key management personnel compensation is as follows:

	6 months to 31 December 2017	6 months to 31 December 2016
	\$	\$
Short-term employee benefits	156,719	140,621
Post-employment benefits	14,227	12,594
Equity-settled transactions	365,092	-
	536,038	153,215

Other related parties transactions

The group receives corporate services including office rent and facilities, management, accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder is a Director of Chalice Gold Mines Limited. Amounts billed are based on a proportionate share of the cost to Chalice Gold Mines Limited of providing the services and have normal payment terms. The total amount invoiced during the period was \$33,000 (six months ended 31 December 2016: \$33,000). An amount of \$5,500 (30 June 2017: \$5,500) was outstanding and payable at the end of the period which has subsequently been paid.

Mr Richards's son provided labour under a contractor agreement during the period on an arm's length basis. The total amount invoiced during the period was \$6,006. An amount of \$131 was outstanding and payable at the end of the period which has subsequently been paid.

9. Events Subsequent to Reporting Date

Subsequent to period end, the Company sold all of its 1,000,000 shares in Draig Resources Limited (see note 5). At the date of this report, the shares in Core Exploration Limited have a market value of 6.4 cents per share.

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

Liontown Resources Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2017

10. Capital and other commitments

Exploration expenditure commitments

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

	2017
	\$
Within 1 year	319,110
Within 2 - 5 years	653,521
Later than 5 years	274,801
	1,247,432

Contingent liabilities

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

11. Financial Instruments

The directors consider that the carrying values of the financial assets and financial liabilities recognised in the condensed statement of financial position approximate their fair values. In particular, available for sale investments which comprise 39,232,025 shares in ASX listed Core Exploration Limited and 1,000,000 shares in ASX listed Draig Resources Limited are measured at fair value using quoted market prices at the reporting date (Level 1 fair value measurement).

The directors have assessed the fair value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Liontown Resources Limited

Directors' Declaration

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration 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 2017.

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

Dated this 14th day of March 2018



David Richards
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Liantown Resources Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Liantown Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of 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 notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2017 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*.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim 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 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation



A review of an interim 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

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
14 March 2018**

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

**L Di Giallonardo
Partner**