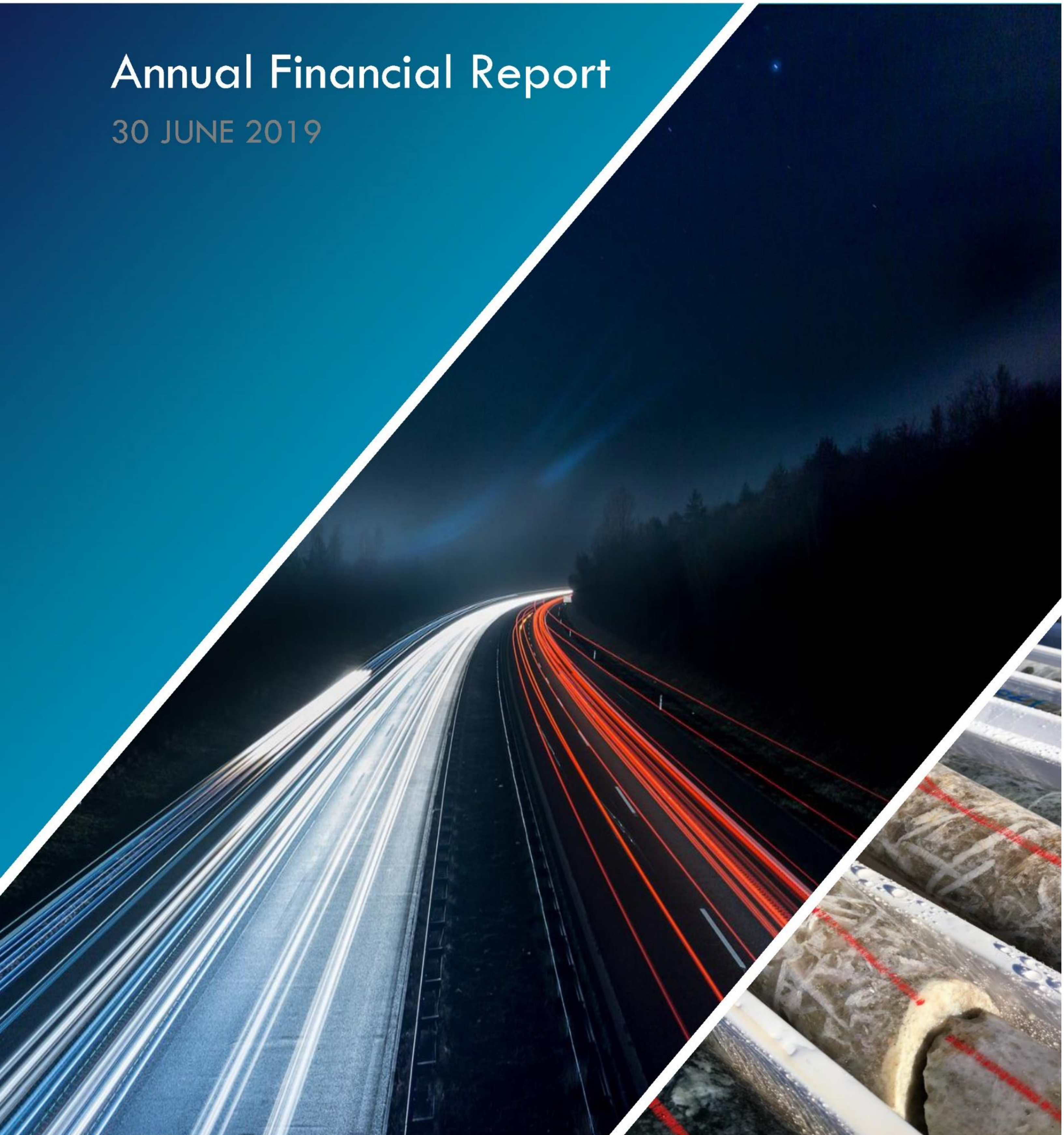
Liontown

Annual Financial Report

30 JUNE 2019



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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
Steven John Micheil Chadwick	Non-executive Director

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ASX CODES

Share Code: LTR

Tim Goyder
Chairman

Dear Fellow Shareholders,

I am pleased to report on what has been a year of significant accomplishment for your Company, with the many milestones achieved transforming Liontown in short order from junior explorer to an emerging developer owning a globally significant lithium resource.

This fast-paced and exciting period has been driven largely by our success in rapidly expanding our flagship Kathleen Valley Lithium Project from a maiden Mineral Resource Estimate (MRE) of 21.2Mt at 1.4% Li_2O and 170ppm Ta_2O_5 last year, with an impressive 353% increase to the current MRE of 74.9 million tonnes at 1.3% Li_2O and 140ppm Ta_2O_5 in July 2019.

The size, grade and location of the Kathleen Valley deposit make it stand out amongst its peers and has rapidly elevated the project to become the 5th largest hard rock lithium resource in Australia.

The current MRE forms part of a larger high-grade mineralised system at Kathleen Valley which has so far been defined over a strike length of at least 1km. The Resource remains open both at depth and along strike and offers significant potential for further growth.

At the time of writing, a resource expansion drilling program is in full swing and I am confident this will be a catalyst to deliver further value for Shareholders over the coming months. The completion of the current Pre-Feasibility Study (PFS) in Q4 2019, and the commencement of the Definitive Feasibility Study (DFS) immediately thereafter remain Liontown's unwavering objective.

With Kathleen Valley as our cornerstone asset, Liontown is ideally positioned to become a significant player in the global battery metals space through the construction of a standalone mining operation in a well-established mining district of Western Australia.

Ensuring that Liontown is at the fore front of the next generation of successful lithium producers remains at the core of our strategy. The Company has placed a high priority on metallurgical studies with the objective of designing a flow sheet that will optimise grade and recoveries. We believe this ongoing emphasis on test work will deliver a superior end product, enabling the Company to avoid some of the issues currently being experienced in the lithium industry.

Liontown is well-funded to maintain its exploration and development momentum following two capital raisings delivering ~$24.6 million during the calendar year. The raisings collectively strengthened our share register and capital base, with the introduction of several institutional investors alongside continued strong support from our existing Shareholders.

Our strong financial position means we can progress Kathleen Valley at full pace while also continuing to advance a second major lithium discovery at our Buldania Project. The appeal of this project lies not only in the potential of the discovery but also in its strategic location within a lithium-rich mineral province supported by excellent infrastructure with the port of Esperance only ~230km to the south.

Further resource definition drilling was recently completed at Buldania and the early results have confirmed the potential for significant widths and grades over an extended strike length of >1.4km. At the time of finalising this report, work is about to commence on preparing a maiden MRE, which is likely to be completed by November this year.

Liontown's rapid progress – and the increase in the Company's market capitalisation to ~$144 million at the time of writing – has coincided with a significant pull-back in the lithium sector. Based on our own market intelligence and interactions with prospective customers, we believe this situation is temporary and that the long-term future outlook for lithium demand remains extremely robust.

The emergence of electric vehicles, powered by lithium-ion batteries, is reflected in global commitments by leading auto-makers who are reported to be investing ~US$225 billion on developing over 200 new models of plug-in vehicles by 2023. Liontown's timeline to produce battery-grade lithium concentrate within 3-5 years will hopefully coincide with the forecast surge in demand for lithium raw materials.

In conclusion, our many achievements over the past year are testament to the hard work and leadership of our Managing Director, David Richards and our dedicated and skilled team. I would also like to thank our Shareholders and my fellow directors, executives, employees and contractors for their continued and valued support.

I can assure Shareholders that your Board has a laser-like focus on building value through the completion of the PFS and subsequent DFS, with the ultimate goal to minimise risk and maximise return.

I am extremely optimistic about the long-term future of the Company and believe 2020 will provide further significant opportunity for growth and progress which I look forward to sharing with you.

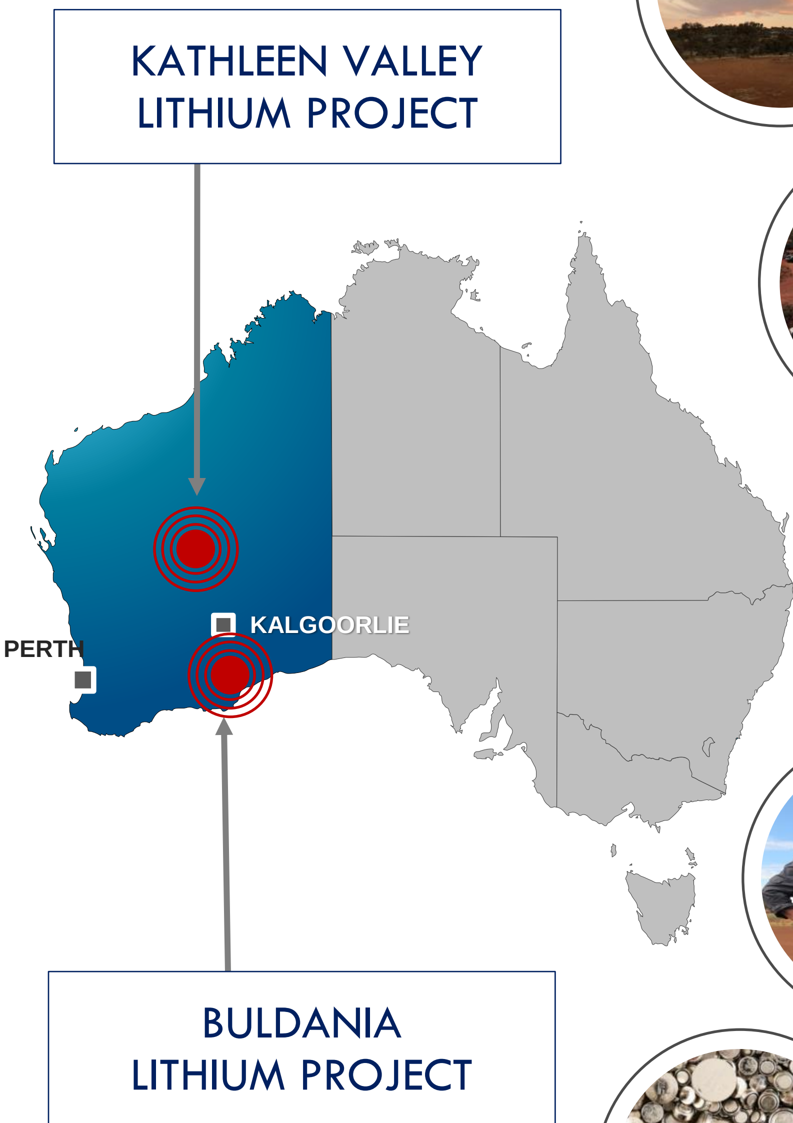
Yours faithfully,

Tim Goyder
Chairman

2019 Key Highlights

- Kathleen Valley Project: Drilling completed in June 2019 delineated Australia's 5th largest lithium deposit with a Mineral Resource estimate (MRE) of 74.9Mt @ 1.3% Li2O and 140ppm Ta2O5, 83% of which is in the higher-confidence Measured and Indicated categories.
- Buldania Project: Latest resource definition drilling has extended previously defined mineralisation at Anna prospect to the south-east under shallow cover over a strike length >1.4km, as a precursor to a maiden Mineral Resource Estimate.
- Continued advancement of our battery metals portfolio, with both Projects wholly-owned and located in globally recognised and established mining regions.

Liontown - A Next Generation Lithium Producer



Low Risk

- Western Australia
- Granted Mining Leases
- Well-funded

Location

- Established mining regions
- Modern infrastructure

100% Ownership

- No third party obligations (excluding royalties)

Quality

- Kathleen Valley – 5th biggest lithium resource in Australia
- 83% M&I

Going Forward

- Kathleen Valley PFS Q4 2019
- Maiden MRE at Buldania Nov 2019
- Exploration Upside

Looking ahead...

Liontown is progressing the Kathleen Valley Lithium deposit towards a new mining and processing operation in Western Australia. The definition of a 74.9 million tonnes at 1.3% Li_2O and 140ppm Ta_2O_5 Mineral Resource Estimate (MRE) during 2019 and further expansion drilling is confirming the resource as one of the most significant, high quality, hard rock lithium deposits in Australia.

The rising demand in the global market for lithium ion batteries is unprecedented with consensus forecasts continuing to predict exponential growth in battery demand driven by high environmental targets and incentivised transition to electric vehicles. It is expected that Liontown will be well positioned to become a significant source of supply just in time to meet this demand which is expected to escalate from the early 2020's.

Importantly, the Kathleen Valley deposit is one of the few remaining large, uncommitted (i.e. no off take agreements and 100% ownership), hard rock lithium deposits in tier one mining jurisdictions providing flexibility in terms of future financing or attracting strategic partners.

The Company's key corporate strategy over the next 12-18 months is to maintain a focused, consistent approach to the systematic conversion of exploration targets to mineral resources, and then to reserves that can be profitably mined and processed. Ongoing feasibility studies will carefully consider the learnings from recently commissioned, hard rock lithium mine developments with a focus on metallurgical test work to ensure a high quality spodumene concentrate will be produced at optimal grades and recoveries.

A new drilling program is underway at Kathleen Valley, aimed at expanding the current MRE and defining potential underground Resources and Reserves.

The Company's primary objectives in advancing Kathleen Valley are the:

- Completion of a Pre-Feasibility Study (PFS) by end of 2019 and immediate transition to a Definitive Feasibility Study (DFS); and
- Planning and execution of the transition from an exploration to a mineral development company.

The PFS is already well-advanced and will include results from:

- Comprehensive metallurgical test work;
- Pit optimisation and scheduling;
- Review of infrastructure requirements;
- Financial analyses of open pit mining; and
- A Scoping Study on potential additional underground Resources.

In addition, the Company will seek to unlock the significant exploration potential at its second lithium project at Buldania with a maiden MRE due to be completed later in 2019.

While the Company cautions that key risks associated with external factors (movements in commodity prices, foreign exchange rates, interest rates and debt and equity markets) may adversely impact these achievements, we remain focused on delivering Australia's next major lithium development.

Key Achievements of the Year

1 KATHLEEN VALLEY LITHIUM PROJECT

- New Measured, Indicated and Inferred Mineral Resource estimate completed for the Kathleen Valley Lithium-Tantalum deposit:
  - **74.9Mt @ 1.3% Li_2O and 140ppm Ta_2O_5**
  - Containing 0.97Mt of Li_2O or 2.5Mt of lithium carbonate equivalent (LCE) and 23Mlbs of Ta_2O_5.
- The updated Mineral Resource represents a 353% increase in tonnes from the maiden Mineral Resource of 21.2Mt @ 1.4% Li_2O and 170ppm Ta_2O_5 released in September 2018.
- 83% of the new Mineral Resource is classified as Measured or Indicated, which will be available for conversion to Proven or Probable Reserves.
- Latest results indicate that the mineralisation is hosted by multiple stacked, spodumene-bearing pegmatites that merge at depth to form a thick (35-75m) single pegmatite that is interpreted to be the feeder zone for the system.
- The Mineral Resource remains open along strike and at depth and a major new resource expansion drilling program commenced subsequent to year end.
- Feasibility-level metallurgical test work designed to optimise the process flowsheet is ongoing with initial DMS results delivering a 6.2% Li_2O concentrate.
- A Scoping Study based on the maiden Mineral Resource generated strong financial outcomes confirming the potential viability of a proposed standalone mining and processing operation.
- A Pre-Feasibility Study using the new, expanded resource is due for completion in late 2019 after which it is envisaged that a Definitive Feasibility Study will be undertaken.

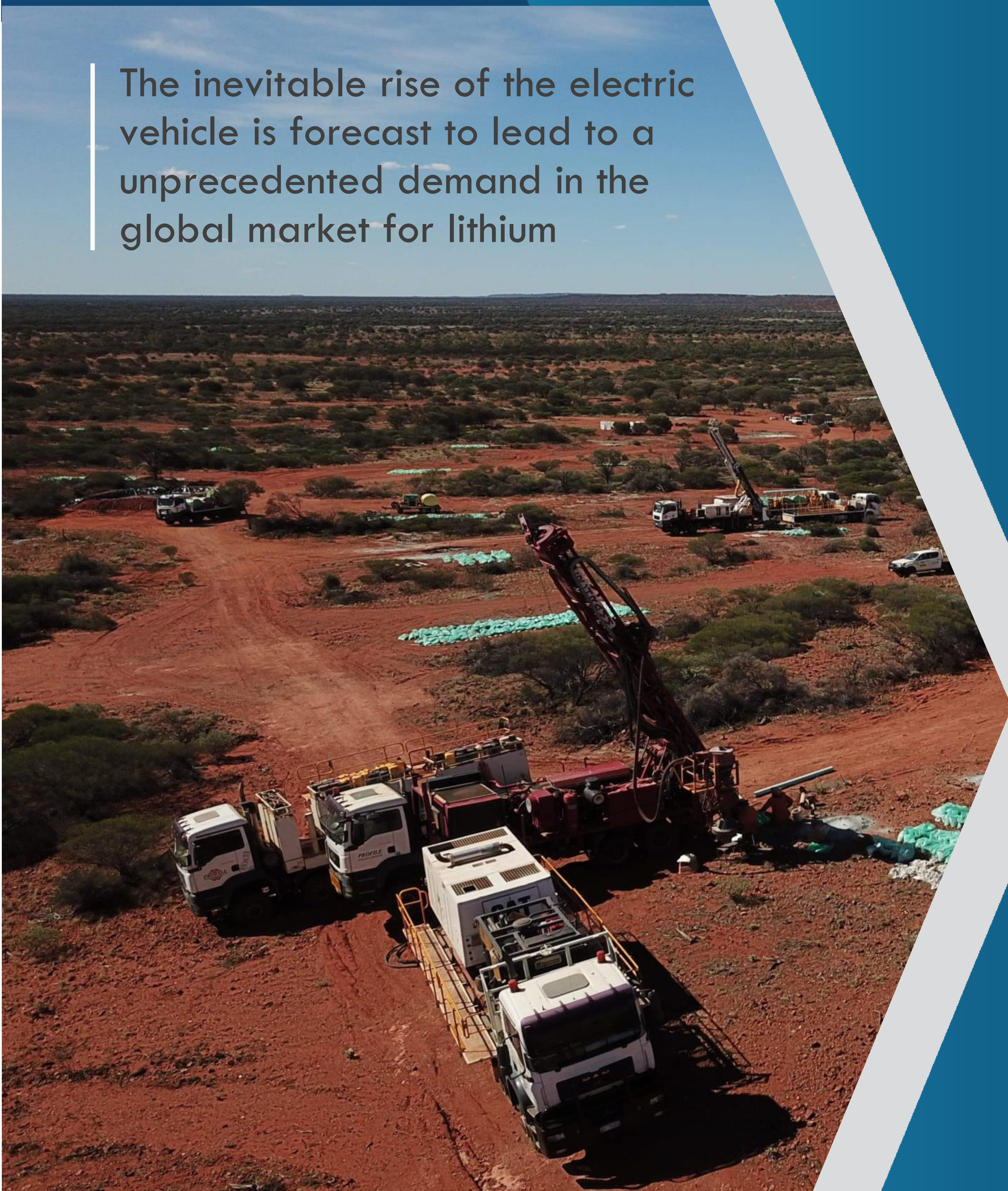
2 BULDANIA LITHIUM PROJECT

- Resource definition drilling has extended lithium mineralisation at the Anna prospect to the southeast for a minimum strike length of 1.4km with the system open along strike and at depth.
- Better intersections for the year include:
  - 29m @ 1.3% Li_2O from 66m (BDRC0089)
  - 39m @ 1.6% Li_2O from 9m (BDRC0090)
  - 42m @ 1.0% Li_2O from 155m (BDRC0106)
  - 30m @ 1.4% Li_2O from 9m (BDDD0003)
- Drill data from the current and last year's drilling will be used to prepare maiden Mineral Resource estimate in Q4 2019.

3 CORPORATE

- Capital raising subsequent to year end raised up to \$16.57 million (before costs)with a further \$1.43 million subject to Shareholder approval, meaning Liontown is well placed to achieve key milestones.
- The appointment of Steven Chadwick, a highly experienced mining professional and metallurgist, to the board in January 2019 adds valuable in-house expertise and further strengthens the Liontown team.

The inevitable rise of the electric vehicle is forecast to lead to a unprecedented demand in the global market for lithium



The Kathleen Valley Project is a significant, high-grade lithium deposit located on granted Mining Leases in a Tier-1 mining jurisdiction, in close proximity to existing transport and energy infrastructure, approximately 670km north-east of Perth, Western Australia (Figure 1). Drilling by Liontown has delineated Australia's 5th largest lithium resource and feasibility studies are in progress to determine the economic viability of a standalone mining and processing operation.

Following release of the maiden mineral resource estimate last year, Liontown completed a Scoping Study which confirmed the potential for an economically viable, standalone lithium-tantalum mining and processing operation at Kathleen Valley. The Scoping Study indicated that the conceptual open pits were constrained by the limit of drill data and that further drilling would define extensions to mineralisation that could be mined as part of a larger, long life mining operation (refer to page 9).

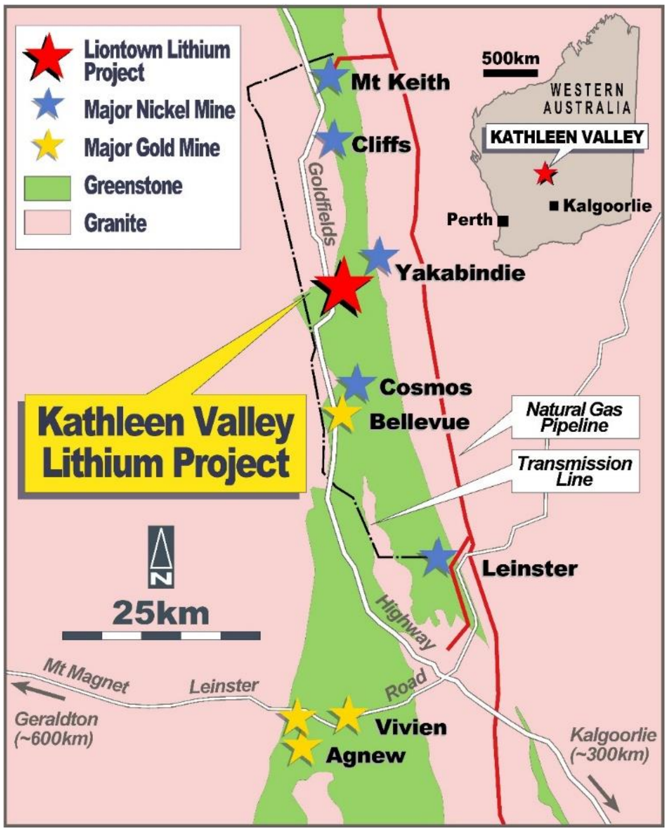


FIGURE 1: KATHLEEN VALLEY PROJECT – LOCATION PLAN AND REGIONAL GEOLOGY

The Scoping Study also incorporated results of preliminary metallurgical test work which indicated that a saleable spodumene concentrate with low impurities could be produced from Kathleen Valley.

Based on the Scoping Study, the Liontown Board approved further drilling designed to expand the maiden Mineral Resource Estimate and further metallurgical test work to refine optimal processing parameters for a future mining operation. Results of these programs and other ongoing related studies would then be incorporated into a Pre-Feasibility Study due for completion in late 2019.

2019 RESOURCE EXPANSION DRILLING AND UPGRADE

Liontown re-commenced Reverse Circulation (RC) drilling at Kathleen Valley in February 2019 and drilled 117 new holes (KVRC0147-0263) and re-entered 28 pre-existing holes for a total of 24,404m.

Since acquiring the Kathleen Valley Project, Liontown has drilled 263 Reverse Circulation drill holes (KVRC0001 – KVRC0263) for a total of 43,072m and 17,614 assays; and 42 diamond drill holes (KVDD0001 – KVDD0042) for a total of 4,562m and 1,705 assays. Data from all these holes were used to prepare an updated Mineral Resource Estimate (MRE) which is summarised below.

The updated MRE was prepared by independent specialist resource and mining consulting group Optiro Pty Ltd ("Optiro") and comprises **74.9Mt @ 1.3% Li_2O and 140ppm Ta_2O_5**.

This represents a 353% increase in tonnes on the maiden MRE of 21.2Mt @ 1.4% Li_2O and 170ppm Ta_2O_5 which was reported in 2018.

83% of the updated MRE is classified as Measured or Indicated compared with 75% for the maiden MRE.

Details of the new MRE are provided in Tables 1 and 2 below.

TABLE 1: KATHLEEN VALLEY MINERAL RESOURCE ESTIMATE AS AT JULY 2019

Cut-off grade Li_2O %	Resource Category	Million tonnes	Li_2O %	Ta_2O_5 ppm
0.5	Measured	17.6	1.3	160
	Indicated	42.2	1.3	140
	Inferred	10.1	1.1	150
	Sub-total	69.9	1.3	150
0.7	Indicated	2.5	1.4	120
	Inferred	2.5	1.3	110
	Sub-total	5.0	1.4	110
Total		**74.9**	**1.3**	**140**

Notes:
- Reported above a Li2O cut-off grade of 0.5% for open pit potential (above 200 mRL) or 0.7% for underground potential (below 200 mRL).
- Tonnages and grades have been rounded to reflect the relative uncertainty of the estimate.

TABLE 2: MINERAL RESOURCE ESTIMATE REPORTED BY Li_2O % CUT-OFF GRADES

Cut-off Li_2O %	Open pit potential above 200mRL			Underground potential below 200mRL		
	Million tonnes	Li_2O %	Ta_2O_5 ppm	Million tonnes	Li_2O %	Ta_2O_5 ppm
0.3	70.2	1.3	150	5.1	1.4	110
0.4	70.1	1.3	150	5.1	1.4	110
0.5	69.9	1.3	150	5.1	1.4	110
0.6	69.3	1.3	150	5.1	1.4	110
0.7	68.1	1.3	150	5.0	1.4	110
0.8	65.6	1.3	150	4.9	1.4	110
0.9	61.8	1.3	150	4.7	1.4	110
1.0	56.4	1.4	150	4.4	1.4	110

The MRE is reported and classified in accordance with the guidelines of the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code; 2012).

Seventeen mineralised pegmatites have been identified at the Kathleen Valley Project. These are hosted by two outcropping, NW/SE trending pegmatite swarms – a shallowly-dipping, north-eastern swarm (Kathleen's Corner), which contains approximately 80% of the pegmatites, and a steeper-dipping south-western swarm (Mt Mann).

The two swarms are interpreted to merge at depth to form a single, thick, moderately dipping mineralised body which remains open down-dip and along strike (**Figure 2**)

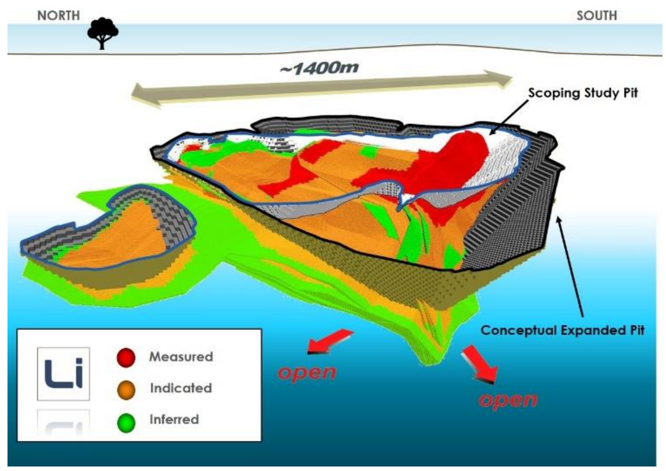


FIGURE 2: KATHLEEN VALLEY – >3X INCREASE IN MRE CONFIRMS POTENTIAL FOR A LARGER PIT.

METALLURGICAL TEST WORK

Preliminary metallurgical test work carried out in late 2018 on 300kg of sample collected from six diamond core holes confirmed that a saleable Li_2O concentrate can be produced. Key outcomes included:

- 5.9% Li_2O from Dense Media Separation concentrate;
- 36% mass rejection with two-stage Dense Media Separation;
- 5.5% Li_2O from flotation concentrate;
- Low iron (Fe_2O_3) content of <0.5%;
- Predicted recovery of 79% Li_2O; and
- Preliminary Ta_2O_5 concentrate.

A more comprehensive Pre-Feasibility Study test work programme on drill core from an additional 33 diamond core holes is ongoing at ALS Laboratories in Perth.

Results to date from this test work support the Scoping Study flowsheet and include:

- 6.2% Li_2O from Dense Media Separation concentrate;
- 41% Li_2O recovered to Dense Media Separation concentrate;
- 15% mass rejection with two-stage Dense Media Separation;
- <2% Li_2O loss to coarse tailings; and
- Comminution data that indicates moderate competency.

Flotation and preliminary Ta_2O_5 recovery test work is in progress.

SCOPING STUDY

The maiden MRE reported last year and the preliminary metallurgical test work referred to above were used as a basis for a Scoping Study which is summarised below. The much larger new MRE will now form the basis of the Pre-feasibility Study currently underway where it is expected that the mine life will be significantly increased.

Financial Outcomes

Based on a proposed 2Mtpa standalone mining and processing operation, the Scoping Study demonstrated the potential for strong financial metrics (**Table 3**).

TABLE 3: KATHLEEN VALLEY PROJECT – BASE CASE KEY METRICS

Scoping Study Outcome	2Mtpa Base Case (Lithium and Tantalum)
Post-tax NPV$_{8\%}$ (real, post-tax)	**A$316M to A$526M** with a **Base Case of A$421M (**range +/-25% of Base Case NPV**)**
Internal Rate of Return (IRR)	**38%** (Base Case IRR)
Payback period (Lithium and Tantalum)	**<3 years**
Life of mine (LOM)	**9 Years** (including ramp-up)
Pre-production capital cost	**~A$232M** including **A$40M** in contingency
Average LOM cash operating costs[1]	**~US$376/tonne (A$522/tonne) of spodumene concentrate.** **~US$308/tonne** (**A$428/tonne**) of spodumene concentrate net of tantalum by-product credits
Annual production	**~360,000 tonnes** of spodumene concentrate at nameplate capacity

[1] Cash operating costs include all mining, processing, transport, state and private royalties, freight to port, port costs and site administration and overhead costs

Approximately 80% of the LOM Production Target is in the Measured and Indicated Mineral Resource categories and 20% is in the Inferred Mineral Resource category. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of further Measured or Indicated Mineral Resources or that the Production Target will be realised.

Parameters and Assumptions

The Scoping Study was completed to an overall +/- 35% accuracy using the key parameters and assumptions set out in **Table 4**.

TABLE 4: KEY PARAMETERS AND ASSUMPTIONS

Parameter	
General and Economic	
Discount rate (real, post-tax)	8%
Spodumene concentrate price	US$650 per tonne FOB
Tantalum concentrate price (contained Ta_2O_5)	US$71 per pound FOB
Exchange rate – AUD/USD	0.72
Mining and Production	
Average Life-of-Mine strip ratio	8.24:1
Processing rate	2Mtpa
Life-of-Mine Production Target	15.7Mt ore
Average Li_2O grade (diluted)	1.26%
Average Ta_2O_5 grade (diluted)	154ppm
Li_2O recoveries	79%
Ta_2O_5 recoveries	50%
Spodumene concentrate grade	5.6%
Tantalite concentrate grade	30%
Moisture content of concentrate	13%
Cost Assumptions	
LOM average open pit mining costs ($/t ore mined)	A$37.72
LOM average processing cost ($/t ore milled)	A$19.32
Logistics and transport ($/t concentrate)	A$75.65
General and admin ($/t ore milled)	A$6.01
Western Australia State royalty	5%
Other royalties	3% gross sales and $0.5/t ore mined
Corporate tax rate	30%
Estimated opening tax losses available	A$25M

The recovery and grade assumptions for spodumene are based on the preliminary test work program. The recovery and grade assumptions for tantalum are based on industry norms and will be evaluated in the next phase of metallurgical testing.

Revenue and costs are based on FOB (Geraldton) using an estimated sale price for spodumene concentrate of US$650 per tonne and a AUD/USD exchange rate of 0.72.

FUTURE EVALUATION AND EXPLORATION

The updated Kathleen Valley MRE will underpin a PFS which is due for completion in late 2019. The PFS is being managed by Lycopodium Minerals Pty Ltd and will include:

- Results from ongoing, comprehensive metallurgical test work;
- Pit optimisations and scheduling;
- Review of infrastructure requirements; and
- Financial analyses.

It is envisaged that a Definitive Feasibility Study (DFS) will commence immediately following the PFS.

The Mineral Resource at Kathleen Valley remains open and the latest drilling indicates that the multiple, outcropping pegmatites merge at depth (**see Figures 3 and 4**) to form a single, thick (35-75m) mineralised body which has the potential to support an underground mining operation.

A drilling programme comprising up to 31 RC/diamond core holes for a total of 15,000m and designed to test for immediate extensions of the current Kathleen Valley MRE commenced subsequent to the end of the year. Results from this programme will be used to estimate an updated MRE and will be incorporated into the DFS which will include an assessment of both open pit and underground mining scenarios.

KATHLEEN VALLEY GOLD RIGHTS

Liontown purchased the Kathleen Valley Mining Leases in 2016 from Ramelius Resources Limited; however, at the time Ramelius retained the rights to gold, which included priority access to the tenements ("Reserved Rights"). During the year, Liontown acquired the Reserved Rights from Ramelius for a consideration of $100,000.

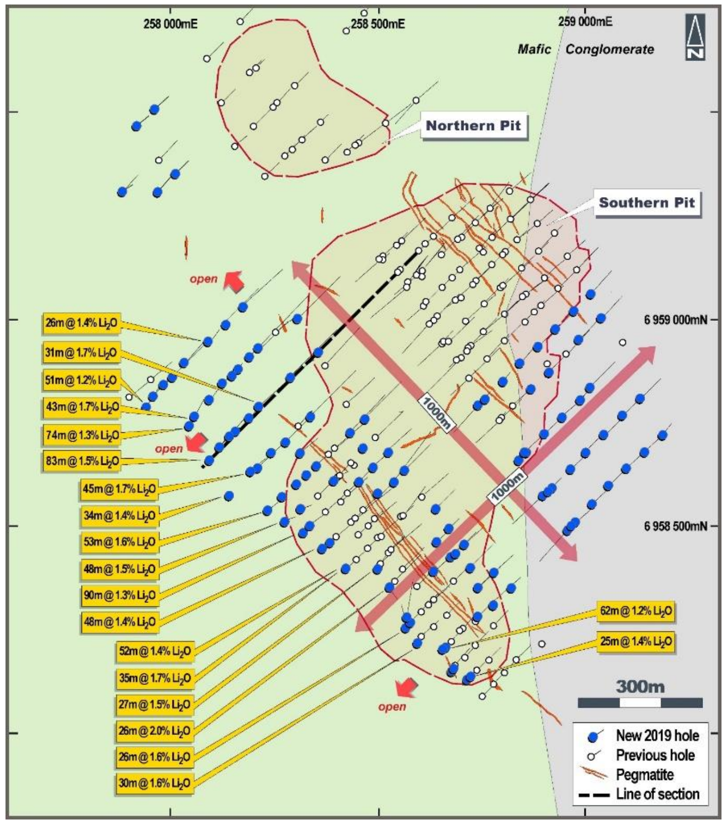


FIGURE 3: KATHLEEN VALLEY PROJECT – DRILL HOLE PLAN SHOWING BETTER LITHIUM INTERSECTIONS FROM 2019 DRILLING.

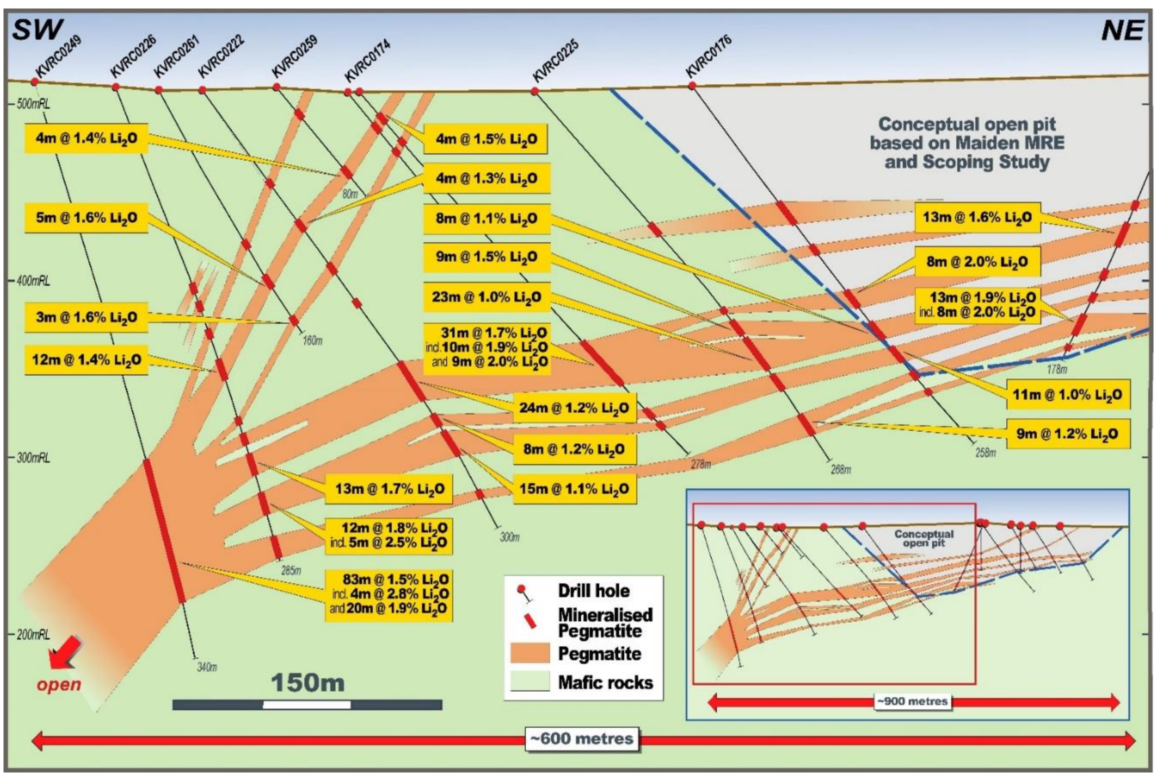


FIGURE 4: KATHLEEN VALLEY PROJECT – DRILL SECTION SHOWING MINERALISED PEGMATITES MERGING AT DEPTH (SEE FIGURE 3 FOR LOCATION).

The Buldania Project is the Company's second lithium discovery in Western Australia, and is located in the southern part of the Eastern Goldfields Province. The Project is located close to major infrastructure in a region well-known for hosting significant lithium deposits including the Mt Marion and Bald Hill lithium mines. Buldania is part of a large, strategic land position highly prospective for lithium that has been compiled through the acquisition of a number of adjacent projects previously held by other parties.

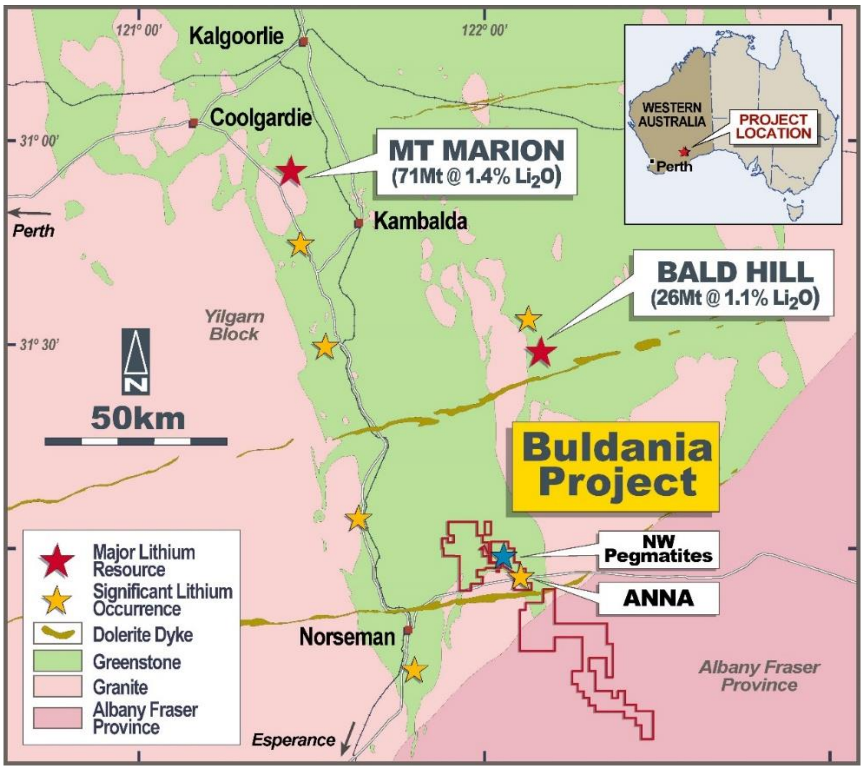


FIGURE 5: REGIONAL GEOLOGY PLAN OF SE GOLDFIELDS, WA SHOWING LIONTOWN PROJECT AREAS

EXPLORATION

Exploration drilling last year discovered a large, lithium mineralised pegmatite at the Anna prospect which remained open along strike and at depth.

Drilling undertaken this year comprises a further 94 RC holes (BDRC0069 – 0162) for 14,916m and 3 diamond core holes (BDD0001 – 0003) for 548.5m. Since acquiring the Buldania Project, Liontown has drilled 165 holes for a total of 22,835.5m.

Most holes have been drilled at the Anna prospect; however, a number of other targets defined by geochemical sampling and geological mapping has also been assessed by drilling.

Anna Prospect

Drilling at the Anna prospect has intersected ore grades and ore widths over 1.4km strike (**Figure 6**) with the mineralised system remaining open along strike and at depth (**Figure 7**).

The lithium mineralisation at Anna is hosted by multiple, stacked, sub-parallel, spodumene-bearing pegmatite lenses which vary from ~5-25m in thickness. In places, the pegmatites merge to form zones >50m thick.

Data from all holes drilled into the Anna pegmatite will be used to prepare a maiden MRE which should be completed in Q4 2019.

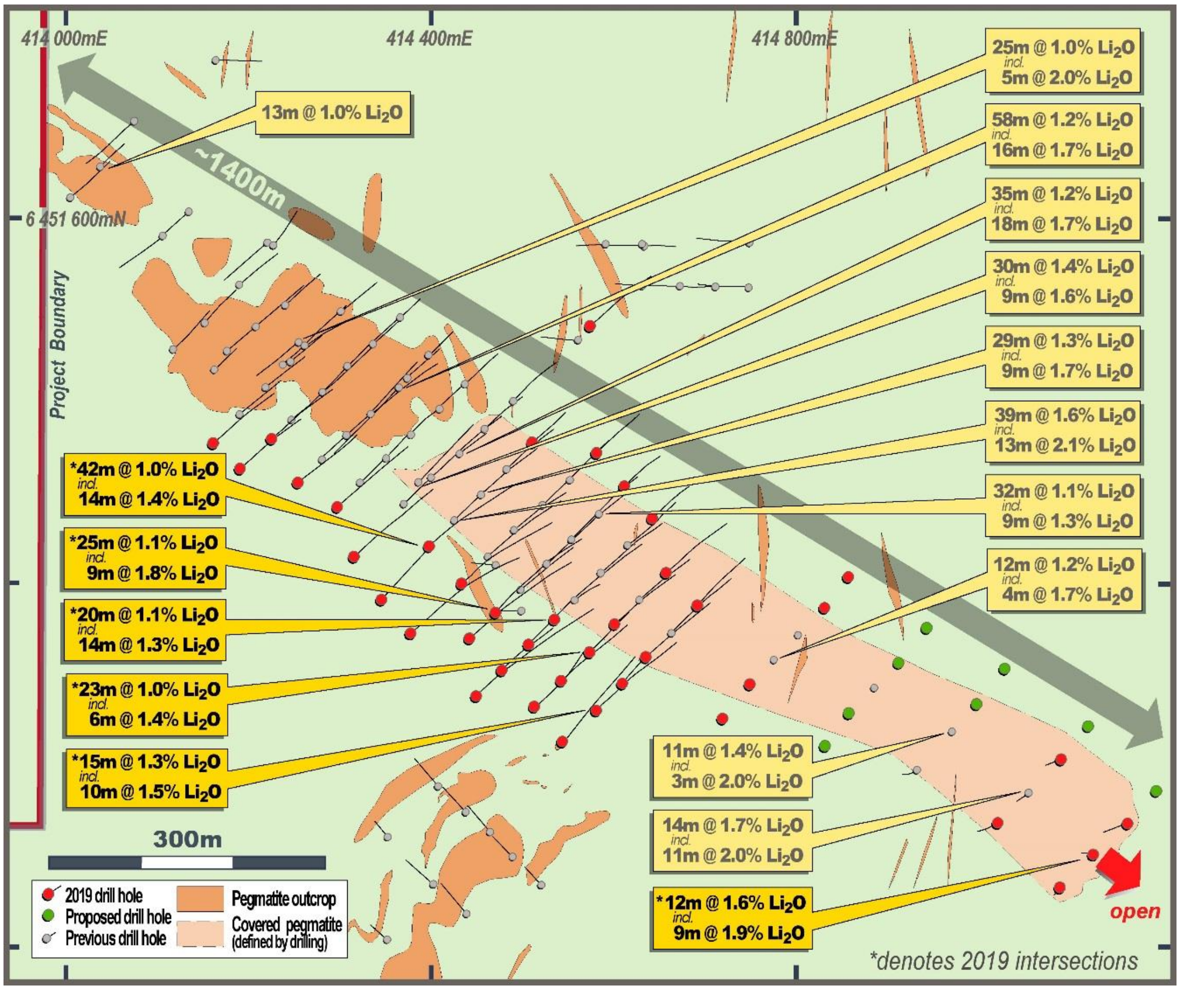


FIGURE 6: BULDANIA PROJECT/ANNA PROSPECT – DRILL HOLE PLAN SHOWING BETTER DRILL RESULTS

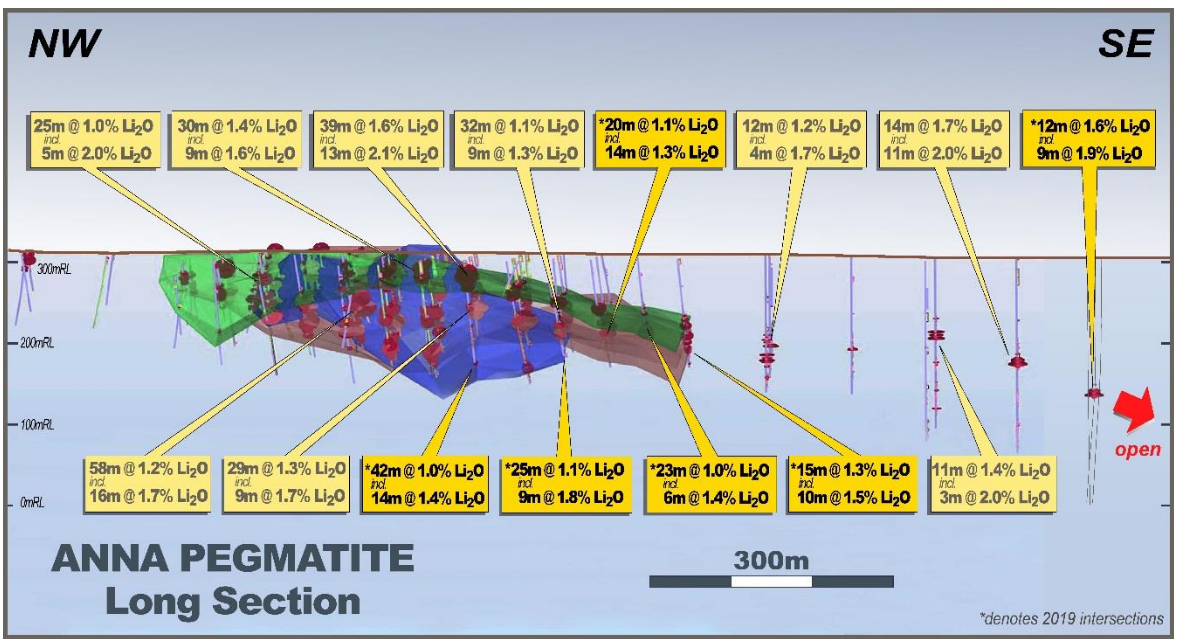


FIGURE 7: BULDANIA PROJECT – LONG SECTION LOOKING NORTH-EAST.

Other Prospects

Regional exploration 5-10km north-west of the Anna pegmatite (**Figure 5**) identified a new spodumene-bearing pegmatite swarm with coincident lithium-in-soil anomalism (>100ppm Li). This area (NW Pegmatites) is interpreted to be in the same lithium-prospective structural corridor as the Anna pegmatite.

The soil anomalism is spatially associated with multiple sub-cropping, spodumene-bearing pegmatites (**Figure 8**) which have returned surface rock chip assays of up to 3% Li_2O.

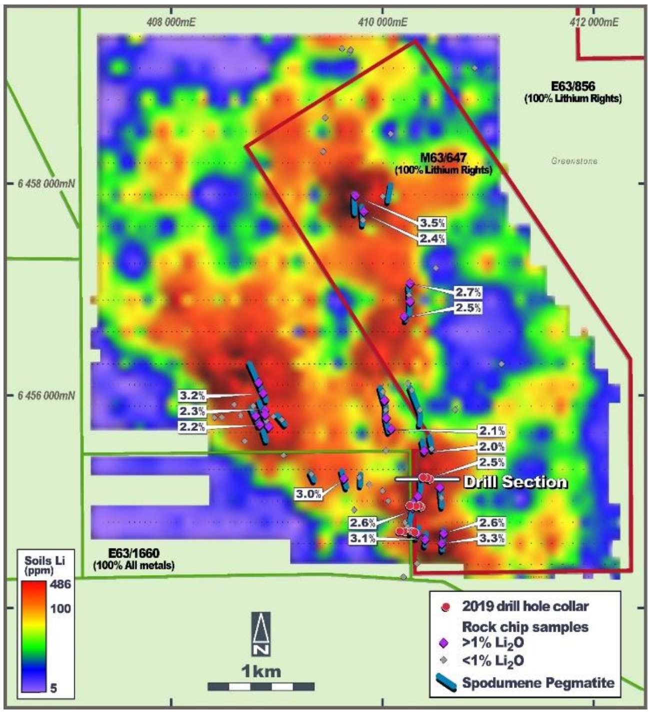


FIGURE 8: BULDANIA PROJECT/NW PEGMATITE AREA – LITHIUM IN SOIL IMAGE SHOWING PEGMATITES, ROCK CHIP CHIP SAMPLING AND MAIDEN DRILL HOLES.

Maiden drill testing of this area comprising 17 RC holes (BDRC0097 - -0105, 0144 – 0151) for 1,560m has confirmed the potential for significant lithium mineralisation with better intersections including **5m @ 1.2% Li_2O** from 20m in BDRC0104 and **6m @ 1.5% Li_2O** from 54m in BDRC0105 (**Figure 9**).

The mineralised trend remains open with further drilling planned.

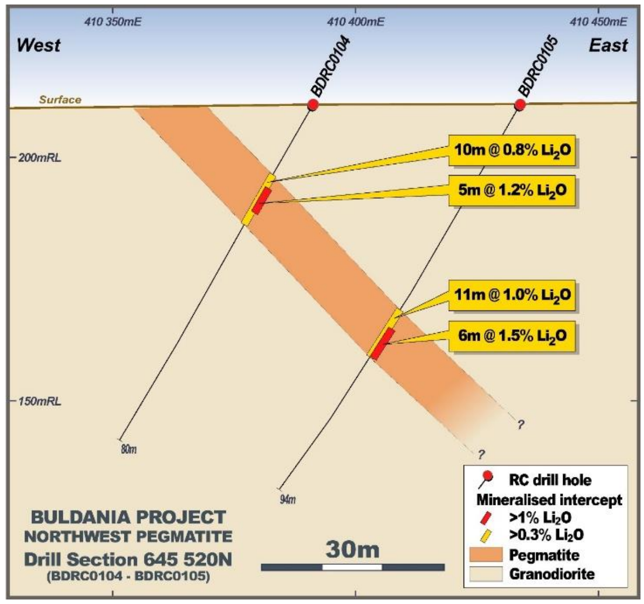


FIGURE 9: BULDANIA PROJECT/NW PEGMATITE AREA – DRILL SECTION (SEE FIGURE 8 FOR LOCATION).

METALLURGICAL TEST WORK

The three diamond core holes drilled at Anna provided sufficient material to undertake preliminary metallurgical test work which is being conducted at Nagrom's laboratory in Perth, Western Australia. Results from this work are pending.

FUTURE EVALUATION AND EXPLORATION

Data from drilling at Anna will be used to prepare a maiden MRE after which a review will be completed to determine whether there is adequate information to support a Scoping Study including further metallurgical test work.

Additional drilling will be planned to follow up initial results from the NW Pegmatites and further regional exploration will be undertaken to identify other lithium target areas.

BULDANIA ROYALTIES

The lithium rights for a number of tenements (E63/856, P63/1977 and M63/647) at Buldania were acquired from Westgold Resources Limited (ASX: WGX) and, as part of the Sales Agreement, were subject to revenue and production royalties relating to future production of lithium and related minerals.

The royalties, a 1.5% gross revenue royalty and a production royalty of A$2 per tonne of ore mined and/or processed, were acquired immediately subsequent to the end of the year from Westgold for total consideration of A$2 million in cash.

The 100%-owned Toolebuc Vanadium Project has an Inferred Mineral Resource of 83.7Mt @ 0.30% V_2O_5 located in NW Queensland, approximately 440km west of Townsville. The region hosts a number of large vanadium deposits and offers excellent road, rail and camp infrastructure. Liontown has five, wholly-owned tenements which adjoin existing resources held by other companies and the Project represents a low-cost entry into vanadium, a commodity that is potentially important to the future of energy storage.

Liontown has finalised access negotiations for the Cambridge deposit area and an aircore drilling program will be undertaken to test for extensions of the Inferred Mineral Resource Estimate of **83.7Mt** @ **0.30%** V_2O_5.

The Inferred MRE at Cambridge is open in all directions and Liontown has defined an Exploration Target area based on the continuity of the mineralisation indicated by resource drilling on the adjacent Lilyvale deposit (held by Intermin and Richmond Vanadium) and the extent of outcropping Toolebuc Formation shown on Queensland Government geological maps.

Material from the planned drilling program will be used to undertake preliminary metallurgical test work to confirm that vanadium can be potentially recovered economically.

4. Financial Review

4.1 FINANCIAL PERFORMANCE

The group reported a net loss from continuing operations of $12.7 million for the year compared to a net loss of $0.9 million in 2018. The increase in reported net loss compared to 2018 is primarily due to an increase in exploration expenditure of $6.7 million and corporate administrative expenditure of $1.2 million.

4.2 STATEMENT OF CASH FLOWS

Cash and cash equivalents at 30 June 2019 was $3.4 million (2018: $2.9 million). The increase in cash of $0.5 million is primarily due to an increase in proceeds from capital raisings, proceeds from the sale of investments, offset by an increase in exploration expenditure.

4.3 FINANCIAL POSITION

At balance date the group had net liabilities of $18,088 (2018: net assets of $3.9 million), and a deficit of current assets over current liabilities of $116,912 (2018: excess of current assets over current liabilities of $3.8 million). Current assets decreased 11.6% from $4.3 million in 2018 to $3.8 million in 2019 due to the sale of investments in listed entities offset by an increase in cash and cash equivalents in the current year.

Current liabilities increased by 680% from $0.5 million in 2018 to $3.9 million in the 2019 financial year. The significant increase in current liabilities is mainly as a result of the balance of consideration payable of $1.75 million for the Buldania Revenue and Production Royalty, share application monies held on trust, and also an increase in trade payables owing at 30 June 2019 compared to 30 June 2018.

4.4 CORPORATE

Capital Raisings

During and since the end of the financial year, Liontown successfully raised $24.5 million with an addition placement to directors of $1.43 million subject to shareholder approval. The Company is now well funded to achieve its stated objectives over the next 12 to 18 months.

Board Appointment

In January 2019, experienced and highly-regarded metallurgist, Steven Chadwick, was appointed to the Board to provide the necessary skills and technical knowledge to guide the company through the feasibility stages over the next 12 – 18 months.

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

KATHLEEN VALLEY LITHIUM PROJECT

The Company reported its maiden Mineral Resource estimate for the Kathleen Valley Lithium-Tantalum Project in Western Australia on 4 September 2018. The Company announced an updated Mineral Resource estimate for the Project on 9 July 2019.

The Kathleen Valley Project Mineral Resource estimate:

	As at 9 July 2019[1]			As at 30 June 2019[2]			As at 30 June 2018		
Resource Category	Million Tonnes	Li_2O %	Ta_2O_5 ppm	Million Tonnes	Li_2O %	Ta_2O_5 ppm	Million Tonnes	Li_2O %	Ta_2O_5 ppm
Measured	17.6	1.3	160	3.2	1.3	190	-	-	-
Indicated	42.2	1.3	140	12.7	1.4	160	-	-	-
Inferred	10.1	1.1	150	5.3	1.3	150	-	-	-
Sub-total	**69.9**	**1.3**	**150**	**21.2**	**1.4**	**170**	**-**	**-**	**-**
Indicated	2.5	1.5	120	-	-	-	-	-	-
Inferred	2.5	1.3	110	-	-	-	-	-	-
Sub-total	5.0	1.4	110	-	-	-	-	-	-
Total	**74.9**	**1.3**	**140**	**21.2**	**1.4**	**170**	**-**	**-**	**-**

Notes:

[1] Reported above a Li_2O cut-off grade of 0.5% for open pit potential (above 200 mRL) or 0.7% for underground potential (below 200 mRL).
[2] Announced 4 September 2018.

The tonnage and grades of all estimates are subject to rounding to reflect the relative uncertainty of the applicable estimate. Inconsistencies in totals are due to rounding

TOOLEBUC VANADIUM PROJECT

The Company reported its maiden Mineral Resource estimate for the Toolebuc Vanadium Project in North West Queensland on 30 July 2018.

The Toolebuc Project Mineral Resource estimate:

	As at June 2019			As at June 2018		
Resource Category	Million Tonnes	V_2O_5%	M_oO_5 ppm	Million Tonnes	V_2O_5%	M_oO_5 ppm
Inferred	83.7	0.30	188	-	-	-
Total	**83.7**	**0.30**	**188**	**-**	**-**	**-**

JUBILEE REEF GOLD PROJECT

During the 30 June 2017 reporting period the Company issued a maiden Mineral Resource statement for the Jubilee Reef Project in Tanzania. On 13 September 2018 the Company announced that it was withdrawing from the Jubilee Reef Gold Project as a result of the ongoing success of exploration and resource development activities at its key Australian lithium and vanadium projects. The surrender documentation has been lodged with the relevant governmental authorities for the withdrawal.

The Jubilee Reef Project Mineral Resource estimate:

		June 2019			June 2018		
Deposit	**Resource Category**	**Million Tonnes**	**Grade g/t gold**	**Contained metal (koz gold)**	**Million Tonnes**	**Grade g/t gold**	**Contained metal (koz gold)**
Simba	Inferred	-	-	-	7.4	1.4	320
Panapendesa	Inferred	-	-	-	1.1	2.0	70
Total	**Inferred**	**-**	**-**	**-**	**8.5**	**1.4**	**390**

GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

The Company has ensured that the Mineral Resources quoted are subject to thorough governance arrangements and internal controls.

The Mineral Resource estimates for the Kathleen Valley Project and Toolebuc Project were prepared by independent specialist resource and mining consulting group Optiro Pty Ltd (Optiro). The Company understands that Optiro is an experienced consulting group which applies best practice in modelling and estimation methods. Optiro has also undertaken reviews of the underlying information used to generate the resource estimation. In addition, the Company's management carries out regular reviews and audits of internal processes and external consultants that have been engaged by the Company.

The Company confirms the following:

- The Mineral Resource statements above are based on and fairly represents information and supporting documentation prepared by a Competent Person or Persons.
- The Mineral Resource statement above has, as a whole, been approved by Mr Ian Glacken. Mr Ian Glacken is an employee of Optiro Pty Ltd and a fellow of the Australian Institute of Mining and Metallurgy.
- Mr Ian Glacken has provided prior written consent to the issue of the Mineral Resource statement in the form and context in which it appears in this annual report.

KATHLEEN VALLEY LITHIUM PROJECT

The Information in this report that relates to Exploration Results for the Kathleen Valley Project is extracted from the ASX announcement "Further spectacular drill intercepts returned from Kathleen Valley" released on the 24th June 2019 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 Persons' findings are presented have not been materially modified from the original market announcement.

The information in this report which relates to Mineral Resources for the Kathleen Valley deposit is based upon information compiled by Mrs Christine Standing who is a Member of the Australasian Institute of Mining and Metallurgy. Mrs Standing is an employee of Optiro Pty Ltd and has sufficient experience relevant to the style of mineralisation, the type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mrs Standing consents to the inclusion in the report of a summary based upon her information in the form and context in which it appears.

BULDANIA LITHIUM PROJECT

The Information in this report that relates to the Exploration Results for the Buldania Project is extracted from the ASX announcement entitled "Further thick lithium intercepts from ongoing Resource definition drilling at Buldania on the 29th July 2019 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 Persons' findings are presented have not been materially modified from the original market announcement.

TOOLEBUC VANADIUM PROJECT

The information in this report which relates to Mineral Resources for the Cambridge Deposit is based upon information compiled by Mrs Christine Standing who is a Member of the Australasian Institute of Mining and Metallurgy. Mrs Standing is an employee of Optiro Pty Ltd and has sufficient experience relevant to the style of mineralisation, the type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mrs Standing consents to the inclusion in the report of a summary based upon her information in the form and context in which it appears.

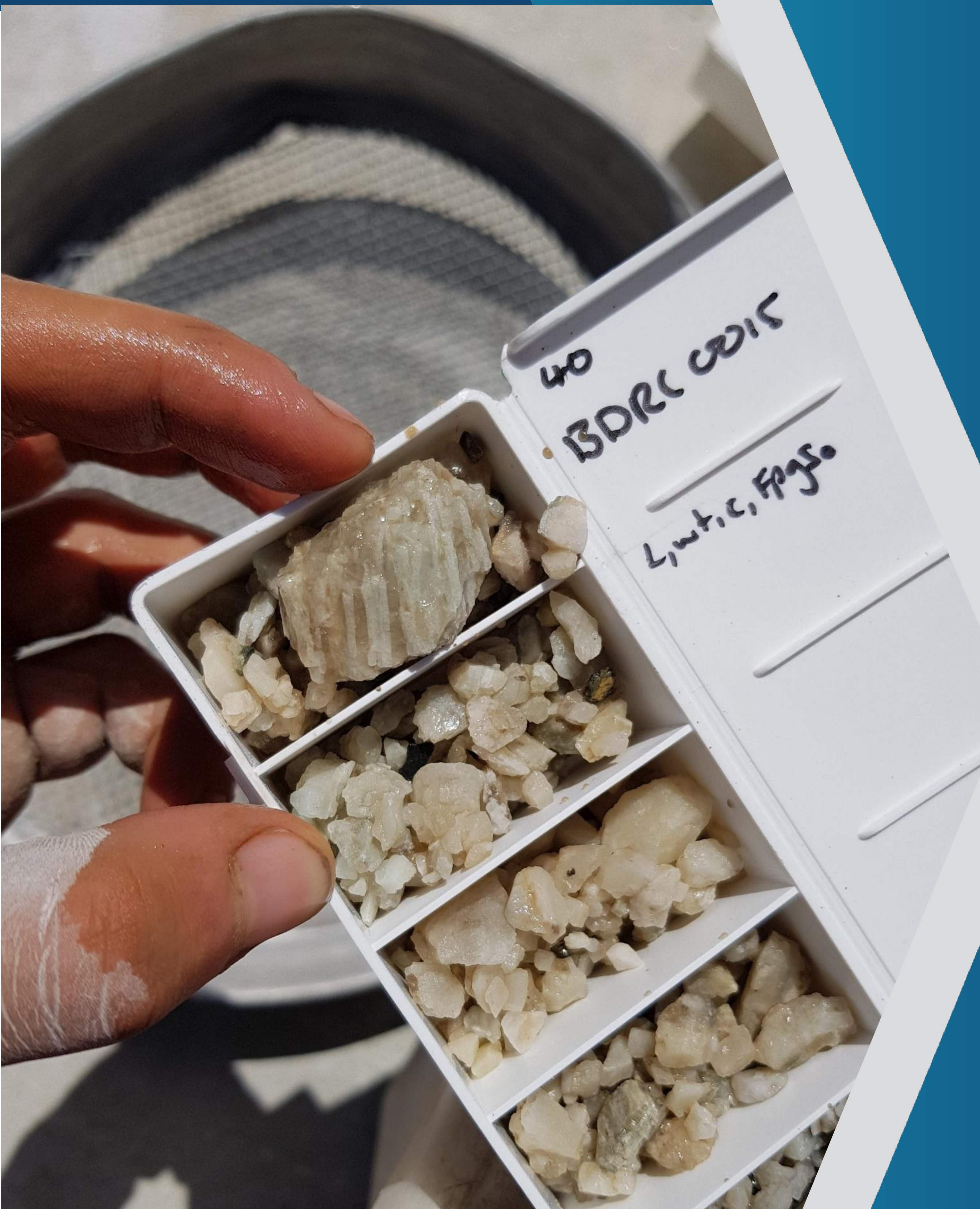
FORWARD LOOKING STATEMENT

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 report.

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

Project	Tenement No.	Registered Holder	Nature of interests
Kathleen Valley	M36/264	LRL (Aust) Pty Ltd (wholly owned subsidiary of Liontown Resources Limited).	100% - nickel claw back rights retained by other party
	M36/265		
	M36/459		
	M36/460		
	E36/879	Liontown Resources Limited	100% - all metal rights
	L36/236	LRL (Aust) Pty Ltd (wholly owned subsidiary of Liontown Resources Limited).	0% - Applications
	L36/237		
Buldania	E63/856	Avoca Resources Pty Ltd	100% of rights to lithium and related metals secured by Lithium Rights Agreement
	P63/1977		
	M63/647		
Norcott	E63/1824	Galahad Resources Limited	0% - application. Right to 100% of all metal rights secured by Agreement
	E63/1863	LRL (Aust) Pty Ltd (wholly owned subsidiary of Liontown Resources Limited).	100%
Killaloe	E63/1018	80% LRL (Aust) Pty Ltd/ 20% Cullen Resources Limited	80%
	E63/1655	LRL (Aust) Pty Ltd (wholly owned subsidiary of Liontown Resources Limited).	100%
	E63/1660		
	E63/1713		
	M63/0177		
	P63/2152	LRL (Aust) Pty Ltd (wholly owned subsidiary of Liontown Resources Limited).	0% - application
Norseman Regional	P63/2127	LRL (Aust) Pty Ltd (wholly owned subsidiary of Liontown Resources Limited).	100%
	P63/2128		
	P63/2129		
Toolebuc	EPM26490	Liontown Resources Limited	100%
	EPM26491		
	EPM26492		
	EPM26494		
	EPM26495		
Moora	E70/5217	ERL (Aust) Pty Ltd (wholly owned subsidiary of Liontown Resources Limited).	100%
	E70/5286		0% - applications
	E70/5287		

Directors' Report



The Directors present their report together with the financial statements of the Group consisting of Liontown Resources Limited ('Liontown Resources' or 'the Company') and its controlled entities for the financial year ended 30 June 2019 and the independent auditor's report thereon.

1) DIRECTORS

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

Mr T R B Goyder Non-Executive Chairman	
Experience:	Mr Goyder has considerable experience in the resource industry. He has been involved in the formation and management of a number of publicly-listed companies. Mr Goyder was appointed as Non-Executive Chairman on 2 February 2006.
Interests in Shares and Options at the date of this report:	283,421,980 ordinary shares 10,000,000 unlisted options
Special Responsibilities:	None
Directorships held in other listed entities in the last three years:	Mr Goyder is currently Executive Chairman of Chalice Gold Mines Limited, Chairman of DevEx Resources Limited and was previously a Non-Executive Director of Strike Energy Limited (resigned 31 December 2018).
Mr D R Richards Managing Director	
Qualifications:	BSc (Hons), MAIG
Experience:	Mr Richards has over 30 years' experience in mineral exploration in Australia, Southeast Asia and western USA. His career includes exploration and resource definition for a variety of gold and base metal deposit styles, and he led the team that discovered the multi-million ounce, high grade Vera-Nancy gold deposits in North Queensland. He has held senior positions with Battle Mountain Australia Inc, Delta Gold Limited, AurionGold Limited and was Managing Director of ASX-listed Glengarry Resources Limited from 2003-2009. Mr Richards was appointed as Managing Director on 1 May 2010.
Interests in Shares and Options at the date of this report:	5,117,800 ordinary shares 15,000,000 unlisted options
Special Responsibilities:	None
Directorships held in other listed entities in the last three years:	None
Mr A J Cipriano Independent Non-Executive Director	
Qualifications:	B.Bus, CA, GAICD
Experience:	Mr Cipriano is a Chartered Accountant with over 30 years' accounting and finance experience. Mr Cipriano was formerly a partner at Deloitte and at the time of his retirement he was the Deloitte National Tax Leader for Energy & Resources and leader of its Western Australian Tax Practice. Mr Cipriano has significant experience working across tax, accounting, legal and financial aspects of corporate transactions. Mr Cipriano was appointed as a Non-Executive Director on 1 July 2014.
Interests in Shares and Options at the date of this report:	9,644,575 ordinary shares 5,500,000 unlisted options
Special Responsibilities:	Chairman of the Audit Committee.
Directorships held in other listed entities in the last three years:	None

Mr C R Williams Independent Non-Executive Director	
Qualifications:	BSc (Hons)
Experience:	Mr Williams is a Geologist with over 40 years' experience in mineral exploration and development. Mr Williams co-founded Equinox Minerals Limited in 1993 and was President, Chief Executive Officer and Director prior to Barrick Gold's takeover of Equinox. He has been directly involved in several significant discoveries, including the Ernest Henry Deposit in Queensland and a series of gold deposits in Western Australia. In addition to his technical capabilities, he also has extensive corporate management and financing experience. Mr Williams was appointed as a Non-Executive Director on 14 November 2006.
Interests in Shares and Options at the date of this report:	20,595,747 ordinary shares 5,500,000 unlisted options
Special Responsibilties:	Member of the Audit Committee.
Directorships held in other listed entities in the last three years:	Mr Williams is currently Chairman of OreCorp Limited.
Mr S J M Chadwick Independent Non-Executive Director	
Qualifications:	BAppSc, AusIMM
Experience:	Mr Chadwick has over 40 years' experience in the mining industry, incorporating technical, operating and management roles, as well as a strong metallurgical background. He was a founding director of BC Iron Limited and a former managing director of Coventry Resources, PacMin Mining Limited and Northern Gold Limited, prior to their corporate acquisitions. Mr Chadwick was also a Director of and consulted to major Canadian miner Teck Resources' Australian subsidiary for ten years. Mr Chadwick is currently a director of Lycopodum Limited. Mr Chadwick was appointed as a Non-Executive Director on 10 January 2019.
Interests in Shares and Options at the date of this report:	6,766,995 ordinary shares
Special Responsibilities:	None
Directorships held in other listed entities in the last three years:	Mr Chadwick is currently a Director of Quantum Graphite Limited and Lycopodium Limited.

2) COMPANY SECRETARY

The names and details of the Company Secretary in office during the financial year and until the date of this report are as follows:

Ms K A Verheyen	
Qualifications:	B.Com, CA
Experience:	Ms Verheyen is a Chartered Accountant with over 20 years' experience gained in both public practice and commerce. Ms Verheyen commenced her career with Deloitte and has since held finance positions in a diverse range of industries.

3) DIRECTORS' MEETINGS

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

	Directors' Meetings	Audit Committee	Risk Committee(1)	Remuneration Committee(1)	Nomination(1)
No. of meetings held:	8	2	-	-	-
No. of meetings attended:					
T R B Goyder	8	-	-	-	-
D R Richards	7	-	-	-	-
C R Williams	8	2	-	-	-
A J Cipriano	6	2	-	-	-
S J M Chadwick	6	-	-	-	-

(1)Given the current size and composition of the Board, the Company has not established a separate risk, remuneration or nomination committee. The role of these committees are performed by the full Board and any matters to be dealt with by these committees are included in board meetings.

4) PRINCIPAL ACTIVITIES

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

5) REVIEW OF OPERATIONS

Refer to the Operating and Financial Review from pages 4 to 14 of the Annual Report.

6) SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

7) DIVIDENDS

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

8) EVENTS SUBSEQUENT TO REPORTING DATE

In August 2019, the Company completed a placement of 138,083,335 shares at $0.12 per share to institutional and sophisticated investors raising $16.57 million (before costs). An additional placement of 11,916,665 shares at $0.12 per share to the Company's Directors (or their associates), will be undertaken subject to Shareholder approval.

LIKELY DEVELOPMENTS

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

9) INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has taken out an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim bought by a third party against the Company or its current or former Directors or Officers and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company indemnifies each of the Directors and Officers of the Company. Under its Constitution, the Company will indemnify those Directors or Officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as Directors or Officers of the Company and any related entity.

10) PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of 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.

11) ENVIRONMENTAL REGULATIONS

The Company is subject to material environmental regulation in respect to its exploration activities. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is compliant with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation for the period under review.

12) NON-AUDIT SERVICES

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

13) OPTIONS AND PERFORMANCE RIGHTS GRANTED OVER UNISSUED SHARES

(a) Options

At the date of this report 65,800,000 fully paid ordinary shares of the Company are under option on the following terms and conditions:

	Number
Exercisable at $0.026 each on or before 22 October 2020	2,500,000
Exercisable at $0.035 each on or before 31 March 2021	7,800,000
Exercisable at $0.035 each on or before 28 March 2022	14,800,000
Exercisable at $0.02 each on or before 21 October 2022	2,700,000
Exercisable at $0.02 each on or before 31 October 2022	16,000,000
Exercisable at $0.035 each on or before 28 November 2023	22,000,000
Total Options	**65,800,000**

(b) Performance Rights

At the date of this report 1,000,000 performance rights have been issued on the following terms and conditions:

	Number
Expire on 13 December 2020, with a nil exercise price	1,000,000

14) REMUNERATION REPORT – AUDITED

(a) Introduction

This remuneration report for the year ended 30 June 2019 outlines remuneration arrangements in place for directors and other members of the key management personnel ("KMP") of Liontown Resources in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

(i) Directors

T R B Goyder (Chairman)

D R Richards (Managing Director)

C R Williams (Non-executive Director)

A J Cipriano (Non-executive Director)

S J M Chadwick (Non-executive Director) (appointed 10 January 2019)

(ii) Executives

Richard Hacker (CFO)

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

(b) Remuneration philosophy

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

(c) Remuneration committee

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

(d) Remuneration structure

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

Non-executive director remuneration

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

The Company's Constitution and the ASX Listing Rules specify that the aggregate fees to be paid to non-executive directors for their role as a director are to be approved by shareholders at a general meeting. At the Company's 2018 AGM, Shareholders approved an aggregate amount of fees up to $500,000 per year (including superannuation).

The amount of total compensation apportioned amongst directors is reviewed annually and the Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The Board will not seek any increase for the non-executive pool at the 2019 AGM.

The remuneration of non-executive directors consists of directors' fees, consulting fees (where applicable) and an additional fee of $5,000 per annum is paid to members of the Audit Committee to recognise additional time commitment required for the Audit Committee.

The non-executive directors are not entitled to receive retirement benefits and, at the discretion of the Board, may participate in the Employee Securities Incentive Scheme ("Scheme") (refer below for further details of the Scheme), subject to the usual approvals required by shareholders.

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

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

During the year Mr Chadwick received fees for his consultancy services of $9,600 (30 June 2018: nil). No other fees were paid to non-executive directors under any such consultancy services agreement.

Executive remuneration

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

Fixed remuneration

Fixed remuneration is reviewed informally on an annual basis by the Board and generally consists of a review of relevant comparative remuneration in the market and, where appropriate, external advice is sought on policies and practices.

Variable remuneration - Long term incentive scheme

The Company may issue equity securities (i.e. options or performance rights) under the Employee Securities Incentive Scheme ("Scheme") to attract, motivate and retain directors, employees and consultants of the Company and to provide an opportunity to participate in the growth of the Company. The Scheme was approved by Shareholders at the 2018 AGM and replaced the Company's existing Employee Share Option Plan.

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

Short term incentive schemes

The Company currently has no formal performance related remuneration policy which governs the payment of annual cash bonuses upon meeting pre-determined performance targets. However, the board may consider performance related remuneration in the form of cash or share options when they consider these to be warranted. There were no bonuses paid or received in the years ended 30 June 2019 and 30 June 2018.

Link between performance and executive remuneration

The focus of executive remuneration over the financial year was fixed remuneration and options under the Scheme (i.e. growing the value of Company as reflected through share price) which seeks to ensure that executive remuneration is appropriately aligned with the Business strategy and shareholder interests.

The share price performance over the last 5 years is as follows:

	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Share price	0.009	0.017	0.009	0.028	0.10

(e) Remuneration of Key Management Personnel

The table below shows the fixed and variable remuneration for key management personnel.

2019	Short-term benefits		Post-employment benefits	Share-based payments		Proportion of remuneration performance based
	Salary & fees	Other fees(2)	Superannuation	Options(3)	Total	
	$	$	$	$	$	%
Directors						
T R B Goyder(4)	129,502	3,999	12,303	74,036	219,840	34
D R Richards	262,557	10,002	24,943	92,546	390,048	24
C R Williams	37,110	3,999	3,525	46,273	90,907	51
A J Cipriano	37,110	3,999	3,525	46,273	90,907	51
S J M Chadwick(1)	26,328	1,884	-	76,714	104,926	73
Executive						
R K Hacker(5)	-	-	-	52,581	52,581	100
Total	492,607	23,883	44,296	388,423	949,209	-

2018	Short-term benefits		Post-employment benefits	Share-based payments		Proportion of remuneration performance based
	Salary & fees	Other fees(2)	Superannuation	Options(3)	Total	
	$	$	$	$	$	%
Directors						
T R B Goyder(4)	32,110	3,201	3,050	88,381	126,742	70
D R Richards	204,338	9,291	19,412	176,762	409,803	43
C R Williams	34,610	3,201	3,288	44,190	85,289	52
A J Cipriano	34,610	3,201	3,288	44,190	85,289	52
Executive						
R K Hacker(5)	-	-	-	11,569	11,569	100
Total	305,668	18,894	29,038	365,092	718,692	-

(1) Mr Chadwick receives directors' fees and consulting fees via a consultancy agreement with the company. Amounts are billed based on normal market rates for such consultancy services and were due and payable under normal payment terms.

(2) Other fees, where applicable, includes the cost to the Company of providing fringe benefits and the attributable non-cash benefit applied by virtue of the Company's Directors and Officers Liability policy.

(3) The fair value of the options is calculated using a Black-Scholes valuation model and allocated to each reporting period starting from grant date to vesting date.

(4) From 1 July 2017 Mr Goyder received a non-executive director's fee of $35,160 per annum (inclusive of superannuation) and from 1 August 2018, Mr Goyder's non-executive director's fee increased to $151,500 per annum (inclusive of superannuation). The increase reflects the increase in time by Mr Goyder to assist the Managing Director.

(5) Mr Hacker did not receive any salary and wages for the 2019 and 2018 financial year as Mr Hacker is remunerated by Chalice Gold Mines Limited and his services are recovered through a corporate services agreement between the Company and Chalice Gold Mines Limited.

(f) Key Management Personnel Shareholdings

The relevant interest of each of the key management personnel in the share capital of the Company as at 30 June 2019 was:

Directors	Balance 1 July 2018	Granted as remuneration	Received on exercise of options	Other changes(1)	Balance 30 June 2019
T R B Goyder	226,184,982	-	-	55,236,998	281,421,980
D R Richards	3,431,500	-	-	1,686,300	5,117,800
C R Williams	14,663,122	-	-	5,432,625	20,095,747
A J Cipriano	6,370,479	-	-	2,774,096	9,144,575
S J M Chadwick	-	-	3,500,000	3,266,995	6,766,995
R K Hacker	4,250,000	-	-	2,000,000	6,250,000

Directors	Balance 1 July 2017	Granted as remuneration	Received on exercise of options	Other changes(1)	Balance 30 June 2018
T R B Goyder	226,184,982	-	-	-	226,184,982
D R Richards	3,431,500	-	-	-	3,431,500
C R Williams	14,663,122	-	-	-	14,663,122
A J Cipriano	6,370,479	-	-	-	6,370,479
R K Hacker	5,487,190	-	-	(1,237,190)	4,250,000

(1) Other changes refer to shares purchased and sold on the open market or via participation in the Company's capital raisings that have taken place during the year.

(g) Share-based Payments

As outlined in the Remuneration Report, Directors, key employees and consultants may be eligible to participate in equity-based compensation schemes via the Employee Securities Incentive Plan ("Scheme"). During the reporting period, only options were granted to KMP under the Scheme.

Options

Under the terms and conditions of the Scheme, options issued allow the holder the right to subscribe to one fully paid ordinary share. Any option not exercised before the expiry date will lapse on the expiry date.

During the reporting period, 20,500,000 options were granted to KMP and those options have been valued using the Black-Scholes option valuation method. The following table lists the inputs to the model:

	Executives	Directors (Tranche 1)	Directors (Tranche 2)
Dividend yield	Nil	Nil	Nil
Expected volatility	100%	100%	100%
Risk-free interest rate	2.01%	2.29%	1.37%
Expected life of options (years)	5	5	5
Exercise price	$0.035	$0.035	$0.035
Grant date share price	$0.025	$0.026	$0.031
Expiry date	28 November 2023	28 November 2023	28 November 2023
Number	3,000,000	14,000,000	3,500,000
Fair value at grant date	$0.018	$0.019	$0.022

There are no participating rights or entitlements inherent in the options and the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. All shares allotted upon the exercise of options will rank pari passu in all respect with other shares.

The below table shows a reconciliation of options held by each KMP during the year:

2019	Grant date	Opening balance vested and exercisabl e	Granted as compen-sation	Vested	Vested %	Exercised	Closing balance vested and exercisable
T R B Goyder	28 Nov 18	6,000,000	4,000,000	4,000,000	100	-	10,000,000
D R Richards	28 Nov 18	10,000,000	5,000,000	5,000,000	100	-	15,000,000
C R Williams	28 Nov 18	3,000,000	2,500,000	2,500,000	100	-	5,500,000
A J Cipriano	28 Nov 18	3,000,000	2,500,000	2,500,000	100	-	5,500,000
S J M Chadwick	20 Dec 18	-	3,500,000	3,500,000	100	(3,500,000)	-
R K Hacker	1 May 19	3,000,000	3,000,000	3,000,000	100	-	6,000,000

2018	Grant date	Opening balance vested and exercisable	Granted as compen-sation	Vested	Vested %	Expired / forfeited	Closing balance vested and exercisable
T R B Goyder	28 Nov 17	2,000,000	4,000,000	4,000,000	100	-	6,000,000
D R Richards	28 Nov 17	2,000,000	8,000,000	8,000,000	100	-	10,000,000
C R Williams	28 Nov 17	1,000,000	2,000,000	2,000,000	100	-	3,000,000
A J Cipriano	28 Nov 17	1,000,000	2,000,000	2,000,000	100	-	3,000,000
R K Hacker	10 Oct 17	1,000,000	2,000,000	2,000,000	100	-	3,000,000

(h) Employment Contracts

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

Name and job title	Employment contract duration	Notice period	Termination provisions
D R Richards	Unlimited	3 months by the Company and employee	Nil
R K Hacker[(1)]	n/a	n/a	n/a

[(1)]Chalice Gold Mines Limited provides corporate services to the Company which from 2006, includes the services of Mr Hacker. Details of the Corporate Services Agreement between the two companies is outlined below.

(i) Other Transactions with Key Management Personnel

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

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

The Group receives corporate services including office rent and facilities, management and accounting services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder is the Executive Chairman and Mr Hacker is also the CFO 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 amount recognised in the statement of comprehensive income for the year is $249,107 (2018: $99,825) and the amount unpaid as at 30 June 2019 was $27,746 (2018: $22,825).

The Group received database administrative services and field services from related parties to the Managing Director, Mr Richards. These services are provided on arm's length commercial terms. The total value of these services was $124,728 (2018: $44,096) and the amount unpaid as at 30 June 2019 was $2,842 (2018: $8,760).

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 month's notice. Consultancy fees are due and payable under normal payment terms. For the reporting period, the amount billed was $9,600 (2018: nil) and the amount unpaid as at 30 June 2019 was nil (2018: nil).

This is the end of the audited information.

15) AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 29 and forms part of the Directors' Report for the year ended 30 June 2019.

16) CORPORATE GOVERNANCE

The directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability.

Please refer to the corporate governance statement dated 9th September 2019 released to ASX and posted on the Company website at http://www.ltresources.com.au/corporate-governance.

This report is made with a resolution of the directors:

David R Richards
Managing Director

Dated at Perth the 9th day of September 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Liontown Resources Limited for the year ended 30 June 2019, 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
9 September 2019

L Di Giallonardo
Partner

hlb.com.au

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Financial Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Continuing operations			
Revenue		1,450	1,554
Proceeds on sale of exploration and evaluation tenements	5(a)	-	3,814,297
Net fair value loss on fair value of equity instruments designated as FVTPL	11	(139,012)	(71,160)
Exploration and evaluation expenditure expensed	5(d)	(10,013,181)	(3,283,313)
Corporate administrative expenses	5(b)	(2,023,817)	(847,696)
Share based payments	8	(563,788)	(386,926)
Impairment loss on loan		(30,912)	(48,358)
Loss from continuing operations		**(12,769,260)**	**(821,602)**
Net financing income	5(e)	45,545	28,424
Loss before income tax		**(12,723,715)**	**(793,178)**
Income tax expense	6	-	(59,375)
Loss after tax from continuing operations		**(12,723,715)**	**(852,553)**
Discontinued operations			
Loss from discontinued operations	5(f)	-	(6,514)
Net loss after tax		**(12,723,715)**	**(859,067)**
Other comprehensive loss:			
Items reclassified to profit or loss			
Exchange differences on translation of foreign operations:			
Members of the parent		(5,493)	9,408
Transferred to profit and loss – disposed subsidiaries		-	(4,469)
Total comprehensive loss after tax attributable to owners of the parent		**(12,729,208)**	**(854,128)**
Earnings per share from continuing operations			
Basic and diluted loss per share (cents per share)	7	(1.018)	(0.086)
Earnings per share from total operations			
Basic and diluted loss per share (cents per share)	7	(1.018)	(0.087)

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

	Note	2019 $	2018 $
Current assets			
Cash and cash equivalents	9	3,363,269	2,856,744
Trade and other receivables	10	414,985	227,653
Financial assets	11	-	1,229,270
Total current assets		**3,778,254**	**4,313,667**
Non-current assets			
Financial assets	11	54,400	50,000
Property, plant and equipment		44,424	49,718
Total non-current assets		**98,824**	**99,718**
Total assets		**3,877,078**	**4,413,385**
Current liabilities			
Trade and other payables	12	3,759,149	482,685
Employee benefits	13	136,017	43,259
Total current liabilities		**3,895,166**	**525,944**
Total liabilities		**3,895,166**	**525,944**
Net assets/(liabilities)		**(18,088)**	**3,887,441**
Equity			
Share capital	14	45,228,551	37,199,397
Accumulated losses		(46,591,731)	(33,982,669)
Reserves	15	1,345,092	670,713
Total equity		**(18,088)**	**3,887,441**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
	$	$	$	$	$
As at 1 July 2018	**37,199,397**	**(33,982,669)**	**526,129**	**144,584**	**3,887,441**
Loss for the period	-	(12,723,715)	-	-	(12,723,715)
Other comprehensive loss	-	-	-	(5,493)	(5,493)
Total comprehensive loss for the year	**-**	**(12,723,715)**	**-**	**(5,493)**	**(12,729,208)**
Transactions with owners in their capacity as owners:					
Issue of shares (net of costs)	8,029,154	-	-	-	8,029,154
Share-based payments	-	-	794,525	-	794,525
Transfer between equity items	-	114,653	(114,653)	-	-
As at 30 June 2019	**45,228,551**	**(46,591,731)**	**1,206,001**	**139,091**	**(18,088)**

	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
	$	$	$	$	$
As at 1 July 2017	**34,347,000**	**(33,144,913)**	**160,514**	**139,645**	**1,502,266**
Loss for the period	-	(859,067)	-	-	(859,067)
Other comprehensive loss	-	-	-	4,939	4,939
Total comprehensive loss for the year	**-**	**(859,067)**	**-**	**4,939**	**(854,128)**
Transactions with owners in their capacity as owners:					
Issue of shares (net of costs)	2,852,377	-	-	-	2,852,377
Share-based payments	-	-	386,926	-	386,926
Transfer between equity items	-	21,311	(21,311)	-	-
As at 30 June 2018	**37,199,397**	**(33,982,669)**	**526,129**	**144,584**	**3,887,441**

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

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(1,816,601)	(842,000)
Payments for exploration and evaluation		(6,181,008)	(3,046,038)
Proceeds from sale of exploration and evaluation tenements		-	1,525,000
Interest received		46,079	28,382
Income tax paid		-	(59,375)
Acquisition of royalty rights		(250,000)	-
Net cash used in operating activities	9	**(8,201,530)**	**(2,394,031)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	2,879
Proceeds from sale of financial assets		1,090,258	988,866
Loan to other entity		-	(7,717)
Net cash disposed from disposal of subsidiary		-	(1,930)
Payments for property, plant and equipment		(11,447)	(20,451)
Net cash from investing activities		**1,078,811**	**961,647**
Cash flows from financing activities			
Proceeds from issue of shares		8,046,955	3,076,250
Share application monies held on trust		163,750	-
Payment for share issue costs		(577,171)	(202,044)
Security deposits		(4,400)	-
Net cash from financing activities		**7,629,134**	**2,874,206**
Net increase in cash and cash equivalents		506,415	1,441,822
Effect of exchange rate fluctuations on cash held		110	(679)
Cash and cash equivalents at 1 July		2,856,744	1,415,601
Cash and cash equivalents at 30 June	9	**3,363,269**	**2,856,744**

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

BASIS OF PREPARATION

This Section of the financial report sets out the Group's (being Liontown Resources Limited and its controlled entities) accounting policies that relate to the Financial Statements as a whole. Where an accounting policy is specific to one Note, the policy is described in the Note to which it relates.

The Notes include information which is required to understand the Financial Statements and is material and relevant to the operations and the financial position and performance of the Group.

Information is considered relevant and material if:

- The amount is significant due to its size or nature
- The amount is important in understanding the results of the Group
- It helps to explain the impact of significant changes in the Group's business
- It relates to an aspect of the Group's operations that is important to its future performance.

1. CORPORATE INFORMATION

The consolidated financial report of Liontown Resources Limited for the year ended 30 June 2019 was authorised for issue on 9 September 2019.

Liontown Resources Limited (the 'Company' or 'Liontown') is a for-profit company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company and the majority of its subsidiaries were incorporated and domiciled in Australia. Refer to note 17 for details of subsidiaries and country of incorporation. The registered office and principal place of business of the Company is Level 2, 1292 Hay Street, West Perth, WA 6005.

The nature of the operations and principal activities are disclosed in the Directors' Report.

2. REPORTING ENTITY

The Financial Statements are for the Group consisting of Liontown Resources Limited and its subsidiaries. A list of the Group's subsidiaries is provided at Note 17.

3. BASIS OF PREPARATION

These general purpose Financial Statements have been prepared in accordance with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

These Financial Statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are required to be measured at fair value.

(a) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Functional currency translation

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

Foreign currency transactions

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

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

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

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

Foreign Operations

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

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

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

(c) Goods and Services Tax (‘GST’)

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

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

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

(d) Going concern

Notwithstanding the net liability position of the Group at 30 June 2019, the financial report has been prepared on a going concern basis due principally to the Group having completed a significant capital raising in August 2019 as disclosed in Note 23.

PERFORMANCE FOR THE YEAR

This section provides additional information about those individual line items in the Statement of Comprehensive Income that the Directors consider most relevant in the context of the operations of the entity.

4. SEGMENT REPORTING

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the allocation of costs; whether they are corporate related costs or exploration costs. Results of both segments are reported to the Board of Directors at each board meeting.

	Exploration and Evaluation		Unallocated		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**	**$**	**$**
Other income	-	812	1,450	742	1,450	1,554
Profit on sale of exploration tenement	-	3,814,297	-	-	-	3,814,297
Exploration and evaluation expenses	(10,013,181)	(3,283,313)	-	-	(10,013,181)	(3,283,313)
Corporate and administration expenses	-	-	(2,023,817)	(802,696)	(2,023,817)	(802,696
Share based payments	-	-	(563,788)	(386,926)	(563,788)	(386,926)
Net fair value loss on fair value of equity instruments designated at FVTPL	-	-	(139,012)	(71,160)	(139,012)	(71,160)
Impairment on Loan	-	-	(30,912)	(48,358)	(30,912)	(48,358)
Net financing income	-	-	45,545	28,424	45,545	28,424
Loss from continuing operations before income tax	**(10,013,181)**	**478,437**	**(2,710,534)**	**(1,271,615)**	**(12,723,715)**	**(793,178)**
Segment asset	41,855	39,788	65,292	1,290,147	107,147	1,329,935
Unallocated assets					3,769,931	3,083,450
Total assets					**3,877,078**	**4,413,385**
Segment liabilities	3,251,605	378,931	643,561	147,013	3,895,166	525,944
Unallocated liabilities					-	-
Total liabilities					**3,895,166**	**525,944**

5. REVENUE AND EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

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

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at balance date.

	2019	2018
(a) Proceeds from sale of exploration and evaluation tenements	**$**	**$**
Bynoe Lithium Project	-	3,579,297
Kathleen Valley tenements	-	235,000
	-	3,814,297

In the prior period ended 30 June 2018, the Company sold its Bynoe Lithium Project, Northern Territory to Core Lithium Limited (formerly Core Exploration Limited) ("Core"). Consideration for the sale included $1.5 million in cash and 39,232,025 fully paid ordinary shares in Core. In addition, a contingent payment of $1.5 million in cash or Core shares (at Core's election) upon Core defining a JORC compliant Mineral Resource totaling 5 million tonnes within the Company's Bynoe tenure.

The Company also divested seven non-core mining leases within the Company's Kathleen Valley Lithium Project to Bellevue Gold Limited (formerly Draig Resources Limited) for 1 million fully paid ordinary shares in Bellevue Gold and a cash payment of $25,000.

(b) Corporate and administration expenses	**2019 $**	**2018 $**
Depreciation and amortisation	11,999	9,801
Insurance	41,659	28,642
Legal fees	61,134	12,302
Office costs – corporate service charge and reimbursements	160,479	91,691
Personnel expenses (5(c))	815,585	300,820
Promotions and Investor relations	384,494	144,785
Conferences and travel	198,916	-
Regulatory and compliance	195,517	119,528
Business development costs	-	53,359
Fixed assets written off	4,640	230
Other	149,394	86,538
	2,023,817	847,696

(c) Personnel expenses	**2019 $**	**2018 $**
Directors' fees, wages and salaries	673,261	294,993
Other associated personnel expenses	56,975	4,671
Annual leave	85,349	1,156
	815,585	300,820

(d) Exploration and evaluation expenditure	**2019 $**	**2018 $**
Exploration Expenditure		
Toolebuc, QLD	116,303	104,199
Kathleen Valley, WA	4,207,644	2,163,585
Buldania, WA	2,949,668	650,584
Bynoe Lithium, WA	-	136,843
Lake Percy, WA	-	10,395
Other	21,642	217,707
	7,295,257	3,283,313
Scoping and Pre-Feasibility Studies[(1)]		
Kathleen Valley, WA – Scoping Study	374,998	-
Kathleen Valley, WA – Pre-feasibility Study	342,926	-
	717,924	-

***Royalty acquisition*[2]**		
Acquisition of Buldania revenue and production royalties	2,000,000	-
	2,000,000	-
	10,013,181	3,283,313

[1]During the reporting period the Company completed a Scoping Study and commenced a Pre-feasibility Study at the Kathleen Valley Lithium Project.

[2]In June 2019, the Company entered into an agreement to acquire the revenue and production royalties relating to lithium and related materials over the Company's 100% owned Buldania Lithium Project for $2 million. The royalties acquired consisted of a 1.5% gross revenue royalty and a production royalty of A$2 per tonne of ore mined and/or processed from tenements E63/856, P63/1977 and M63/647. The acquisition was completed in July 2019.

Costs incurred in the exploration and evaluation stages of specific areas are expenses against profit or loss as incurred. All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs, project generation and drilling costs, is expensed as incurred. In addition, costs associated with acquiring interests in new exploration licences and study related costs is 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) Net financing income	**2019** **$**	**2018** **$**
Interest income	45,545	28,424
	45,545	28,424

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, the discount unwind on rehabilitation provisions and interest receivable on funds invested.

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

(f) Discontinued operations

Discontinued operations for the prior year ended 30 June 2018, represents the disposal of the Company's beneficial interest in Chela Resources Limited (Tanzania).

6. INCOME TAX

Numerical reconciliation between tax (expense)/benefit and pre-tax net loss:

	2019 **$**	**2018** **$**
Loss before tax	(12,723,715)	(799,692)
Income tax benefit using the domestic corporation tax rate of 27.5%	(3,499,022)	(219,915)
Decrease in income tax benefit due to:		
Non-deductible expenses	759,320	246,231
Deferred tax assets and liabilities not recognised	1,459,067	(256,911)
JMEI/Exploration development incentive	1,127,500	235,522
Exploration development incentive – clawback adjustment on assets sold	-	(59,375)
Effect of different tax rates of foreign subsidiaries operating other jurisdictions	153,135	(4,927)
Income tax expense on loss before tax	**-**	**(59,375)**

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

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

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

Deferred tax assets and liabilities for the Group are attributable to the following:

	2019 $	2018 $
Assets		
Revenue losses available to offset against future taxable income	4,670,588	3,301,294
Capital Losses available to offset against future taxable income	81,529	-
Available-for-sale asset impairment	-	43,155
Share issue expenses	(14,263)	96,033
Accrued expenses and liabilities	(79,278)	109,099
	4,658,576	**3,549,581**
Liabilities		
Exploration expenditure amortised for tax purposes	(211,901)	(47,887)
Accrued interest	-	147
Foreign exchange differences	144,981	53,266
Prepayments	-	11,619
	(66,920)	**17,145**

The unrecognised benefit from temporary differences on capital items amounts to $185,811 (2018: $61,565).

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

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

Liontown and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own. The Company recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which is has assumed from its controlled entities within the tax consolidated Group.

7. LOSS PER SHARE

The calculation of basic and diluted loss per share at 30 June 2019 was based on the loss attributable to ordinary shareholders of the parent entity of $12,723,715 (2018: ($859,067)).

The weighted average number of ordinary shares outstanding during the financial years comprised the following:

	2019 $	2018 $
Weighted average number of ordinary shares on issue at the end of the year (Basic)	1,239,424,852	992,271,011
Weighted average number of ordinary shares on issue at the end of the year (Diluted)	1,249,827,308	996,513,113

At 30 June 2019 there were 72,400,000 unlisted options (2018: 19,450,000) included in the diluted weighted average number of ordinary shares calculation as their effect is anti-dilutive.

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

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

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

SHARE-BASED PAYMENTS

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the provision of services and remuneration of employees and consultants of the Group, but that is not immediately related to individual line items in the Financial Statements.

8. SHARE BASED PAYMENTS

Employee Securities Incentive Scheme ("Scheme")

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

The Company currently provides benefits under an Employee Securities Incentive Scheme ("Scheme"), as approved by Shareholders at the 2018 AGM.

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

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

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options and rights is reflected as additional share dilution in the computation of earnings per share.

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

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

The total expenditure recognised in the statement of comprehensive income is $563,788 (2018: $386,926).

Under the terms of the Scheme, the Board may offer equity securities (i.e. options or performance rights) at no consideration to full-time or part-time employees (including persons engaged under a consultancy agreement) and executive and non-executive directors.

Options issued under Employee Securities Incentive Scheme

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options is such price as determined by the Board. An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise are satisfied. The Board may determine the vesting period, if any.

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

The number and weighted average exercise prices of share options under the Scheme is as follows:

	Weighted average exercise price 2019 $	Number of options 2019	Weighted average exercise price 2018 $	Number of options 2018
Outstanding at beginning of the year	0.026	33,750,000	0.040	10,800,000
Granted during the period	0.035	29,250,000	0.022	24,450,000
Exercised during the period	0.035	(4,500,000)	0.035	(750,000)
Lapsed/expired during the period	0.038	(1,000,000)	0.035	(750,000)
Outstanding at the end of the year	0.030	57,500,000	0.026	33,750,000
Exercisable at the end of the year	0.030	55,000,000	0.026	31,250,000

The weighted average contractual life remaining as at 30 June 2019 is 3.33 years (2018: 2.85 years).

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

The fair value of the options is estimated at the grant date using a Black Scholes option-pricing model. Refer to the table below for inputs to the Black Scholes option-pricing model:

	2019	2018
Share price at grant date (weighted average)	$0.026	$0.023
Exercise price (weighted average)	$0.035	$0.022
Expected volatility (expressed as weighted average used in the modelling under Black Scholes option pricing model)	100%	100%
Expected life (expressed as weighted average used in the modelling under Black Scholes option pricing model)	4.93	4.53
Expected dividends	Nil	Nil
Risk-free interest rate (weighted average)	2.06%	2.30%

Other Share Based Payments

Options

In March 2019 the Company issued 15,000,000 unlisted share options to corporate advisors of the Company as partial consideration for services provided in connection with a placement and rights issue.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options is such price as determined by the Board. An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise are satisfied. The Board may determine the vesting period, if any.

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

The number and weighted average exercise prices of other shared based payment options is as follows:

	Weighted average exercise price 2019 $	Number of options 2019
Outstanding at beginning of the year	-	-
Granted during the period	0.035	15,000,000
Exercised during the period	0.035	(100,000)
Outstanding and exercisable at the end of the year	0.035	14,900,000

The weighted average contractual life remaining as at 30 June 2019 is 2.75 years.

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

The fair value of the options is estimated at the grant date using a Black Scholes option-pricing model. Refer to the table below for inputs to the Black Scholes option-pricing model:

	2019
Share price at grant date (weighted average)	$0.019
Exercise price (weighted average)	$0.035
Expected volatility (expressed as weighted average used in the modelling under Black Scholes option pricing model)	100%
Expected life (expressed as weighted average used in the modelling under Black Scholes option pricing model)	3.00
Expected dividends	Nil
Risk-free interest rate (weighted average)	1.53%

Performance Rights

On 14 September 2018, 1,000,000 performance rights were granted to a consultant, vesting upon the consultant meeting certain objectives. The performance rights have an expiry date of 13 September 2020, and a nil exercise price. The fair value of the performance rights granted was determined using the share price at grant date of $0.027.

Performance rights contain non-market performance conditions which were not taken into account in the grant date fair value measurement of the services received.

ASSETS

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the entity.

9. CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank	3,362,421	2,850,712
Petty cash	848	6,032
	3,363,269	2,856,744

Cash and cash equivalents comprise cash balances and term deposits which are readily convertible to cash. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The reconciliation to loss after income tax for the year to net cash flows from operations is below:

	2019 $	2018 $
Loss for the period	(12,723,715)	(859,067)
Depreciation and amortisation	12,215	11,776
Bad debts written off	2,862	-
Foreign exchange (gain)/losses	(36,633)	(39,963)
Share-based payments	563,788	386,926
Loss from disposal of subsidiary	-	6,514
Net fair value loss on fair value of equity instruments designated as FVTPL	139,012	71,160
Profit on sale of assets	-	(812)
Proceeds from sale of exploration and evaluation tenements (non-cash)	-	(2,289,297)
Fixed assets written off	4,640	230
Impairment of loan	30,912	48,358
	(12,006,919)	(2,664,175)
Changes in operating assets and liabilities:		
Increase in trade and other receivables	(185,390)	(95,302)
Increase in trade and other payables	3,142,516	364,291
Decrease in other financial assets	755,505	-
Increase in provisions	92,758	1,155
Net operating cash flows	(8,201,530)	(2,394,031)

10. TRADE AND OTHER RECEIVABLES

	2019	2018
Current	$	$
Other trade receivables	358,274	182,103
Prepayments	56,711	45,550
	414,985	227,653

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost less impairment losses.

11. FINANCIAL ASSETS

	2019	2018
Current	**$**	**$**
Listed shares	-	1,229,270
	-	1,229,270

At 30 June 2018, listed shares represented the Company's holding in Core which were subsequently sold during the year ended 30 June 2019. The Company held a total of 26,154,683 shares in Core and net proceeds from the sale of shares was $1,090,258.

The fair value movement in the shares held was a loss of $139,012 (2018: net loss of $71,160) and has been recognised in the Consolidated Statement of Comprehensive Income.

	2019	2018
Non-current	**$**	**$**
Bank guarantee deposits	50,000	50,000
Security deposits	4,400	-
	54,400	50,000

Financial instruments are classified as either held at amortised costs or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or losses on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss on day 1 rather than needing the evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

Subsequent to initial recognition, these shares are measured at fair value being the published price quotation in an active market.

Financial assets comprise of equity securities and the fair value has been determined by reference to their quoted closing bid price at the reporting date (Level 1).

LIABILITIES

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the entity.

12. TRADE AND OTHER PAYABLES

	2018	2017
	$	**$**
Trade payables	1,460,738	115,683
Accrued expenses	384,661	366,999
Acquisition of royalty payable(1)	1,750,000	-
Share application monies held on trust(2)	163,750	-
	3,759,149	482,685

(1)Represents the balance of consideration payable to acquire the Buldania revenue and production royalties (refer note 5(d)). The outstanding consideration payable of $1.75 million was subsequently paid in July 2019.

(2)Share application monies held on trust relates to funds received prior to the issue of shares on exercise of options. The shares were subsequently issued after reporting date.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

13. EMPLOYEE BENEFITS

	2019 $	2018 $
Annual leave	62,922	12,755
Long service leave	73,095	30,504
	136,017	43,259

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

The Group's obligation in respect of long-term employee benefits such as long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value using corresponding government bond yields as a discount rate.

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

14. CAPITAL AND CAPITAL MANAGEMENT

Issued share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised, net of tax, directly in equity as a reduction of the share proceeds received.

Ordinary shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll, each share is entitled to one vote.

Ordinary shares on issue:

	2019		2018	
	No.	$	No.	$
On issue at the beginning of the year	1,103,987,460	37,199,397	990,340,635	34,347,020
Rights issues and placements(1)	394,297,741	7,885,955	111,111,111	3,000,000
Issue of shares for unlisted options	4,600,000	161,000	750,000	26,250
Issue of shares for Norcott acquisition	-	-	1,785,714	50,000
Issue of shares to acquire the Killaloe Project(2)	20,000,000	520,000	-	-
Issue of shares to acquire Buldania mining lease lithium rights(3)	10,000,000	240,000	-	-
Share issue costs	-	(777,801)	-	(223,873)
On issue at the end of the year	1,532,885,201	45,228,551	1,103,987,460	37,199,397

(1) In February 2019, the Company completed a placement to raise $3,000,000 by issuing 150,000,000 fully paid ordinary shares at an issue price of $0.02 per share.

During March 2019, the Company completed a 1 for 5 non-renounceable rights issue raising $4,535,950 (before issue costs) by issuing 226,797,741 fully paid ordinary shares at an issue price of $0.02 per share.

A placement of 17,500,000 fully paid ordinary shares at the same issue price of $0.02 per share was completed in May 2019 to Directors of the Company, to raise $350,000.

(2)During the year, 20,000,000 fully paid ordinary shares were issued to Matsa Resources Limited in consideration for the acquisition of the Killaloe Project.

(3)In November 2018, the Company issued 10,000,000 fully paid ordinary shares to Avoca Resources Pty Ltd, a wholly owned subsidiary of Westgold Resources Limited to incorporate the granted Mining Lease (M6/647) into the existing Buldania Lithium Rights Agreement.

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

The capital structure of the Group consisting of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses and the Consolidated Statement of Changes in Equity.

15. RESERVES

Nature and purpose of reserves:

Share-based payments

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

Foreign currency translation reserve

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

16. FINANCIAL INSTRUMENTS

(a) Capital risk management

The capital structure of the Group consists of equity attributable to equity holders, comprising issued capital, reserves and retained earnings / accumulated losses as disclosed in notes 14 and 15, and in the statement of financial position.

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

(b) Market risk

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

(c) Foreign exchange rate risk

The Group undertakes certain transactions denominated in foreign currencies, hence has exposure to exchange rate fluctuations. The Group does not hedge this exposure. The Group currently has no significant expose to foreign exchange rates.

(d) Equity prices

Equity investments held for sale are recorded at their fair value being either the quoted price or last known traded price on the balance date (see note 11). There is a risk that changes in prices effect the fair value of investments held by the consolidated entity. As the Company no longer holds equity investment, there is currently no exposure to equity price risk.

(e) Interest rate risk

Interest rate risk is the risk that changes in bank deposit rates affect the consolidated entity's income and future cash flow from interest income. The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2019	Fixed interest maturing in: >1 year	1-5 years	Floating interest	Non-interest bearing	Total	Weighted average interest rate
	$	$	$	$	$	%
Financial assets						
Bank balances	-	-	3,362,420	849	3,363,269	0.69
Trade and other receivables	-	-	-	414,981	414,981	-
Financial assets	54,400	-	-	-	54,400	3.29
Financial liabilities						
Trade and other payables	-	-	-	(3,759,149)	(3,769,149)	-

2018	Fixed interest maturing in: >1 year	1-5 years	Floating interest	Non-interest bearing	Total	Weighted average interest rate
	$	$	$	$	$	%
Financial assets						
Bank balances	-	-	2,850,712	6,032	2,856,744	1.31%
Trade and other receivables	-	-	-	227,653	277,653	2.29%
Financial assets	50,000			1,229,270	1,279,270	-
Financial liabilities						
Trade and other payables	-	-	-	482,685	482,685	-

A change of 100 basis points in interest rates on bank balances and term deposits over the reporting period would have increased/(decreased) the Group's profit and loss by $16,420 (2018: $17,969).

(f) Credit risk

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

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

(g) Liquidity risk

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

The Group has non-derivative financial liabilities which include trade and other payables of $3,759,149 (2018: $482,685) all of which are due within 60 days.

(h) Net fair values of financial instruments

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

All financial assets and liabilities approximate their net fair values and are disclosed as level 1 fair values. The carrying amount of all financial assets and liabilities approximate their net fair values.

GROUP COMPOSITION

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the structure of the Group, but that is not immediately related to individual line items in the Financial Statements.

17. LIST OF SUBSIDIARIES

	Country of incorporation	Ownership interest	
		2019	2018
		%	%
Parent entity			
Liontown Resources Limited	Australia		
Subsidiaries			
Liontown Resources (Tanzania) Limited	Tanzania	100%	100%
LRL (Aust) Pty Ltd	Australia	100%	100%
ERL (Aust) Pty Ltd	Australia	100%	100%

18. PARENT ENTITY INFORMATION

The financial information for the parent entity, Liontown Resources Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(a) Investments in subsidiaries, associates and joint venture entities

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

(b) Share-based payments

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

	2019	2018
	$	$
Statement of comprehensive income		
Loss for the year	(2,877,306)	(1,513,066)
Total comprehensive loss	(2,762,652)	(1,560,940)
Statement of financial position		
Assets		
Current assets	3,778,250	4,302,383
Non-current assets	8,266,849	107,296
Total assets	12,045,099	4,409,679

	2019 $	2018 $
Liabilities		
Current liabilities	1,912,877	223,830
Total liabilities	1,912,877	223,830
Net assets	10,132,222	4,185,849
Equity		
Share capital	45,228,551	37,199,397
Reserves	1,206,000	526,129
Accmulated losses	(36,302,329)	(33,539,677)
Total equity	10,132,222	4,185,849

OTHER INFORMATION

This section of the Notes includes other information that must be disclosed to comply with accounting standards and other pronouncements, but that is not immediately related to individual line items in the Financial Statements.

19. CONTINGENT LIABILITIES AND ASSETS

For the year ended 30 June 2019, there are no contingent liabilities.

In November 2017, the Company completed the sale of the Bynoe Lithium Project, Northern Territory to Core Lithium Ltd (“Core”). In consideration, the Company received $1.5 million in cash, 39,232,025 shares in Core and a contingent payment of $1.5 million in cash or Core shares (at Core’s election) upon Core defining a JORC 2012 compliant Mineral resource totaling 5 million tonnes within the previously owned Bynoe tenure.

As at 30 June 2019, 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 now determined, that based on information disclosed by Core, it is considered probable that the consideration will become due and payable to Liontown.

20. REMUNERATION OF AUDITORS

Audit and review services	**2019** **$**	**2018** **$**
HLB Mann Judd	30,376	28,500
	30,376	28,500

21. COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Group together with its joint venture partners is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. These amounts are subject to negotiation when application for a lease application and renewal is made and at other times. These amounts are not provided for in the financial report and are payable:

	2019 $	2018 $
Within 1 year	587,990	324,562
1-5 years	1,327,380	29,038
>5 years	1,162,200	365,092
	3,077,570	718,692

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.

22. RELATED PARTY TRANSACTIONS

(a) Key management personnel

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

Directors

T R B Goyder

D R Richards

C R Williams

A J Cipriano

S J M Chadwick (appointed 10 January 2019)

Executives

R K Hacker

The key management personnel compensation is as follows:

	2019 $	2018 $
Short-term employee benefits	516,490	324,562
Post-employment benefits	44,296	29,038
Share-based payments	388,423	365,092
	949,209	718,692

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

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions 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 transactions 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:

	2019 $	2018 $
Corporate service charge and provision of KMP services(1)	249,107	99,825
Consultancy services of KMP(2)	9,600	-
Database management and field services(3)	124,728	44,096
	436,145	143,921

(1)The Group receives corporate services including office rent and facilities, management and accounting services under a Corporate Services Agreement with Chalice Gold Mines Limited and KMP services. Messrs Goyder and Hacker are KMP's 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.

(2)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.

(3)The Group receives database management and field services from related parties of the Managing Director, Mr Richards. Amounts paid are on normal commercial terms.

Amounts payable to KMP and related parties at reporting date arising from these transactions was $30,588 (2018: $19,760).

23. EVENTS OCCURRING AFTER THE REPORTING PERIOD

In August 2019, the Company completed a placement of 138,083,335 shares at $0.12 per share to institutional and sophisticated investors raising $16.57 million (before costs). An additional placement of 11,916,665 shares at $0.12 per share to the Company's Directors (or their associates), will be undertaken subject to Shareholder approval.

ACCOUNTING POLICIES

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to new and revised accounting standards and their impact.

24. CHANGES IN ACCOUNTING POLICIES

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the Group has initially applied AASB 9 and AASB 15 from 1 July 2018. Due to the transition methods chosen by the Group in applying these standards, comparative information through the financial statements have not been restated to reflect the requirements of the new standards.

AASB 9 Financial Instruments
AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised costs or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or losses on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss on day 1 rather than needing the evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively, with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 30 June 2018 has not been restated.

On initial application date, an election has been made to designate available for sale financial instruments that are non-derivative equity instruments held for trading as fair value through profit or loss (FVTPL).

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods, other than the effect of recording fair value losses during the current period in profit or loss as opposed to disclosing these as part of other comprehensive income/loss.

AASB 15 Revenue from Contracts with Customers
As the Group has negligible revenue, there is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods.

25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2019 are outlined below.

AASB 16 Leases (effective from 1 July 2019)
AASB16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the customer. Distinctions between operating leases (previously off balance sheet) and finance leases (previously on balance sheet) are removed under the new standard and replaced by the concept of right of use. Where an entity has control over and an ongoing right to use an asset, that asset will be recognised on the balance sheet as an asset with a corresponding liability.

The Group has considered the impact on its consolidated Financial Statements and assessed that the effect of the new standard will be minimal. The Group continues to assess its contracts and other arrangements that may be impacted by the introduction of revised standard AASB16.

AASB Interpretation 23 Uncertainty over Income Tax Treatments (effective from 1 July 2019)
This interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit, tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Group has considered the impact on its consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2019

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

(a) the financial statements, notes and additional disclosures of the Group are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the financial position of the Group as at 30 June 2019 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2 This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

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

David Richards

David R Richards
Managing Director

Dated this 9th day of September 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT
To the members of Liontown Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Liontown Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration for the Group.
In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 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 and the Group 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have determined that there are no key audit matters to communicate in our report.

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 Group's annual report for the year ended 30 June 2019, 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 and the Group 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 Group 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 Group'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 Group'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 Group 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Liontown Resources Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
9 September 2019

L Di Giallonardo
Partner

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report applicable as at 5 September 2019 is set out below.

Shareholdings

Substantial shareholders

The number of shares held by substantial shareholders and their associated interests were:

Shareholder	Number of ordinary shares held	Percentage of capital held %	Number of unlisted options held	Percentage of unlisted options held %
Timothy R B Goyder	283,421,980	16.89	10,000,000	15.20

Class of Shares and Voting Rights

There were 3,765 holders of the ordinary shares of the Company, 14 holders of unlisted options and 1 holder of performance rights. The Company has 65,8000,000 unlisted options and 1,000,000 performance rights on issue, of which 51,000,000 were issued under the Employee Securities Incentive Scheme.

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

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

a) at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney: and

b) on a show of hands every person who is a member has one vote and on a poll every person in person or by proxy or attorney has one vote for each ordinary share held."

Holders of options or performance rights do not have voting rights.

Restricted Securities

There are no restricted ordinary shares on issue.

On-Market Buy-Back

There are no current no-market buy-back of securities.

Distribution of equity security holders

	Number of equity security holders		
Category	Ordinary Shares	Unlisted Share Options	Performance Rights
1 – 1,000	135	-	-
1,001 – 5,000	152	-	-
5,001 – 10,000	336	-	-
10,001 – 100,000	1,761	-	-
100,001 and over	1,381	14	1
Total	**3,765**	**14**	**1**

Marketable Parcel

The number of shareholders holding less than a marketable parcel was 322.

TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS AS AT 5 SEPTEMBER 2019

Name	Number of ordinary shares held	Percentage of capital held %
Mr Timothy Goyder	283,421,980	16.89
J P Morgan Nominees Australia Ltd	94,764,424	5.65
Clement Pty Ltd	48,940,000	2.92
Graham Kluck Management & Investment Pty Ltd	43,506,000	2.59
The Universal Zone Pty Ltd	26,290,000	1.57
Invia Custodian Pty Ltd	20,595,747	1.23
Soderholme Co Pty Ltd	19,256,936	1.15
Citicorp Nominees Pty Limited	18,553,715	1.11
HSBC Custody Nominees (Australia) Limited	18,496,954	1.10
David Groom Ewan + Jennie Bar Goyder-Ewan	17,693,516	1.05
Delta Resource Management Pty Ltd	17,600,000	1.05
Anisimoff Super Fund Pty Ltd	15,883,441	0.95
Calm Holdings Pty Ltd	15,250,000	0.91
Botsis Holdings Pty Ltd	15,000,000	0.89
CS Fourth Nominees Pty Limited	14,190,043	0.85
Mr Mario Giosue Franco + Mrs Immacolata Franco	12,750,000	0.76
Gremar Holdings Pty Ltd	11,300,000	0.67
Equity Trustees Limited	10,640,000	0.63
Dog Trap Investments Pty Ltd	10,000,000	0.60
Gremlyn Pty Ltd	10,000,000	0.60
Total	**724,132,756**	**43.17**

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