Half Year Report
31 December 2019

Liontown Resources Limited
ABN 39 118 153 825

Liontown Resources Limited
Corporate Directory

Directors

Timothy Rupert Barr Goyder	Chairman
David Ross Richards	Managing Director
Craig Russell Williams	Non-Executive Director
Anthony James Cipriano	Non-Executive Director
Steven John Micheil Chadwick	Non-Executive Director

Company Secretary
Craig Hasson

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Share Registry
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PERTH, WESTERN AUSTRALIA 6000
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Home Exchange
Australian Securities Exchange Limited
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152- 158 St Georges Terrace
PERTH, WESTERN AUSTRALIA 6000

ASX Codes
Share Code: LTR

Contents

For the half-year ended 31 December 2019

Your directors submit the financial report for Liontown Resources Limited ("Liontown") and the entities it controlled as at and for the half-year ended 31 December 2019 ("the Group"). In compliance with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

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

Timothy Goyder	Chairman
David Richards	Managing Director
Craig Williams	Non-Executive Director
Anthony Cipriano	Non-Executive Director
Steven Chadwick	Non-Executive Director

REVIEW OF OPERATIONS

1. Overview

During the half year ended 31 December 2019, Liontown Resources achieved several important milestones at its two hard rock lithium projects in Western Australia, including the emergence of the flagship Kathleen Valley Lithium Tantalum Project as a Tier-1 lithium deposit .

Liontown achieved significant milestones at Kathleen Valley during the period, including the completion of an updated Mineral Resource Estimate (MRE) of 74.9Mt @ 1.3% Li_2O and 140ppm Ta_2O_5 (July 2019) and completing a Pre-Feasibility Study (PFS) which confirmed the technical and financial viability of a standalone mining and processing operation.

A resource definition and extension drilling programme continued during the period resulting in a further significant increase to the MRE in February 2020 to 139Mt @1.33% Li_2O and 140ppm Ta_2O_5.

The resource definition and extension drilling programme is scheduled to be completed during March 2020 with data used to prepare an updated MRE which will form the basis for a Definitive Feasibility Study (DFS).

At the Buldania Lithium Project, resource definition drilling resulted in a maiden MRE for the Anna lithium deposit of 14.9Mt @ 0.97% Li_2O and 44ppm Ta_2O_5**.**

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

The Kathleen Valley Project is located on granted Mining Leases in an established and well serviced mining region in Western Australia, ~680km north-east of Perth and ~350km north-northwest of Kalgoorlie, within the Eastern Goldfields of the Archaean Yilgarn Craton. Liontown commenced work at Kathleen Valley in 2017 and multiple drilling programs have resulted in the completion of positive PFS with a maiden Ore Reserve of ***50.4Mt @ 1.2% Li_2O****.*

HALF YEAR ACHIEVEMENTS AND HIGHLIGHTS:

- MRE of **74.9Mt @ 1.3% Li_2O and 140ppm Ta_2O_5** which was further increased to **139Mt @1.33% Li_2O and 140ppm Ta_2O_5** subsequent to period end.
- Pre-Feasibility Study (PFS) confirms the technical and financial viability of a standalone 2Mtpa mining and processing operation based on a maiden Ore Reserve of **50.4Mt @ 1.2% Li_2O.**
- Ore Reserve underpins a 26-year mine life with further growth expected from an ongoing drilling program, the results of which will be incorporated into an updated MRE and subsequent DFS.
- Metallurgical test work confirms the ability to produce a +6% Li_2O spodumene concentrate with an estimated recovery of 76%.

Pre-Feasibility Study

The PFS was based on a maiden Ore Reserve of 50.4Mt @ 1.2% Li_2O and a 2Mtpa mining and processing operation over a 26-year mine life. The Ore Reserve was based on the July 2019 MRE of 74.9Mt @ 1.3% Li_2O and 140ppm Ta_2O_5.

Following conventional open pit mining and delivery to the Run-of-Mine pad, ore will be processed to produce spodumene concentrate which will then be transported in bulk for delivery to downstream customers. The PFS was completed to an overall +/- 25% accuracy.

Maiden Ore Reserve

Orelogy Consulting Pty Ltd was responsible for the mining component of the Kathleen Valley Lithium Project PFS. As such, Orelogy prepared a maiden Ore Reserve estimate for the Kathleen Valley open pits as at 30 November 2019 in accordance with the guidelines of the JORC Code 2012.

The Ore Reserve prepared by Orelogy is summarised in Table 1.

Table 1: Kathleen Valley Project – Ore Reserve Estimate (November 2019)

Category	Tonnage (Mt)	Li_2O (%)	Li_2O (T)
Proved	17.1	1.2	204,000
Probable	33.3	1.2	399,600
TOTAL	**50.4**	**1.2**	**603,600**

Notes:
- *Tonnages and grades are diluted and reported above a Li_2O cut-off grade of 0.5%.*
- *Tonnages and grades have been rounded.*

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

PFS Financial Outcomes

Based on a proposed 2Mtpa standalone mining and processing operation, the PFS has demonstrated strong financial metrics for the Kathleen Valley Project as summarised below in Table 2.

Table 2: Kathleen Valley Project – Base Case Key Metrics (Open Pit – Lithium Only)

Study Outcomes	PFS
Post-tax $NPV_{8\%}$ (real, post-tax)	**Base case NPV of A$507M**
Internal Rate of Return (IRR)	**Base case IRR of 25%**
Payback period	**4 years post production**
Life of mine (LOM)	**26 years (including ramp-up)**
Pre-production capital cost	**A$240.5M including** A$31.1M **in contingency**
Average LOM cash operating costs[1]	**~US$406/dmt** (A$564) of spodumene concentrate (excluding tantalum credits)
Average steady state production	**295 ktpa of spodumene concentrate**

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

The production targets are based solely on the reported Ore Reserves (33.9% Proved, 66.1% Probable) which have been prepared by a Competent Person in accordance with the requirements of the 2012 JORC Code.

The base case for the PFS assumes recovery of lithium only as the test work programme required to confirm the recovery and grade obtainable from the inclusion of a tantalum circuit is scheduled for inclusion in the DFS, set to commence during 2020.

As a result, the PFS does not incorporate the potential tantalum circuit in the project capital, operating costs or revenue (as credits to operating costs). The Kathleen Valley deposit is geologically similar to operating hard rock lithium and tantalum mines in Western Australia and the production of tantalum concentrate, which is considered possible, has the potential to substantially enhance project economics.

Metallurgy

A total of 81 composited drill core samples were collected from across the three main areas (Mount Mann, Kathleen's Corner and North) for the PFS metallurgical test work programme. These samples include a range of grades and depths.

The metallurgical process proposed consisted of 3-stage comminution including high-pressure grinding rolls (HPGR) and dense medium separation (DMS) followed by flotation. This is a similar circuit to that used in several hard rock lithium mines currently operating in Western Australia.

The process has been tested at PFS level in the laboratory and the overall metallurgical recovery estimated from the flowsheet testing was 76% into a spodumene concentrate grading 6.1% Li_2O with chemical grade specifications achievable.

Tantalum Production

The inclusion of wet high intensity magnetic separation (WHIMS), pre-flotation, in the PFS test work programme successfully removed magnetic material as well as recovering significant Ta_2O_5. A Ta_2O_5 concentrate was also produced from a flotation feed sample using a Wave Table.

Further test work is planned to optimise the recovery of Ta_2O_5 through magnetic and gravity separation in subsequent metallurgical programmes.

Mineral Resource Estimate

Subsequent to period end, an updated MRE, was prepared by independent specialist resource and mining consulting group Optiro Pty Ltd ("Optiro"), comprising 139Mt at an average grade of 1.33% Li_2O and 140ppm Ta_2O_5 and is set out in Table 3. Liontown is investigating both open pit and underground mining methods. The Company has selected a cut-off grade of 0.55% Li_2O for resource reporting, which strikes a balance between the potential open pit and underground expected cut-off grades.

Table 3: Kathleen Valley Mineral Resource as at February 2020

Resource category	Million tonnes	Li_2O %	Ta_2O_5 ppm
Measured	19	1.3	150
Indicated	61	1.3	140
Inferred	59	1.3	130
Total	**139**	**1.3**	**140**

Notes:
- *Reported above a Li_2O cut-off grade of 0.55%.*
- *Tonnages and grades have been rounded to reflect the relative precision of the estimate.*

The February 2020 MRE was a significant 86% increase to the July 2019 Measured, Indicated and Inferred MRE, which comprised 74.9Mt @ 1.3% Li_2O and 140ppm Ta_2O_5.

Both the February 2020 and July 2019 MRE's were 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).

Ongoing Drilling

As at the date of this report, resource definition and extension drilling is ongoing and designed to increase the size and confidence of the February 2020 MRE and maximise the proportion of material that can be converted to Ore Reserves as part of the DFS.

Results received subsequent to the end of the period confirm that significant widths of high-grade lithium mineralisation extend northwards beneath shallow soil cover and that the thick feeder zone defined in the southern part of the system continues at depth.

Mineralised pegmatites have now been intersected over a strike length of at least 1.7km with the mineralisation remaining open towards the north-west and at depth.

Next Steps

Liontown's objective for 2020 is to undertake activities which will substantially enhance PFS project economics and commence a Definitive Feasibility Study.

A further MRE is scheduled for completion in March / April 2020 which will include open pit and underground resources which are anticipated to deliver the best outcome for the DFS by providing the opportunity to bring forward the mining of higher grade mineralisation.

The increasing size and grade of Kathleen Valley now provides multiple opportunities to significantly enhance the project's financial returns, including:

- High potential for an even larger Ore Reserve;
- Access to higher-grade ore earlier in the mine life;
- Lower operating costs;
- Extracting tantalum as a by-product;
- Downstream processing opportunities.

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

The Buldania Project is located in the Eastern Goldfields, approximately 600km east of Perth and 200km north of the regional port of Esperance. Historical mapping and exploration delineated a large spodumene-bearing pegmatite swarm not previously assessed for lithium or associated rare metals. Drilling by Liontown has now defined a maiden Mineral Resource Estimate of ~15Mt @ 1% Li_2O at the Anna pegmatite.

Mineral Resource Estimate

During the period, Liontown completed resource definition drilling at the Anna prospect and engaged independent specialist resource and mining consulting group Optiro to prepare a maiden MRE for the Anna lithium deposit at Buldania. The Indicated and Inferred Mineral Resource comprises 14.9Mt @ 0.97% Li_2O and 44ppm Ta_2O_5 with 60% classified as Indicated.

The lithium mineralisation is hosted by spodumene-bearing LCT (lithium-caesium-tantalum) type pegmatites and is fresh from surface.

The mineralised pegmatites have been drilled over an area of 1,300m by 380m and to a depth of 300m. The individual mineralised pegmatites are up to 35m thick and have an average thickness of 4m to 9m and a combined average thickness of 26m.

The Anna system remains open along strike, down-dip and, in places, up-dip. There is good potential for discoveries elsewhere within Liontown's large landholding, which is in an established, well serviced mining region close to transport, power and camp infrastructure.

Metallurgy

A programme of metallurgical test work has been completed on ~300kg of mineralised sample collected from three exploration core holes. Dense media and flotation test work on shallower samples showed a combined concentrate grade of 6% Li_2O at an estimated recovery of 60%. This work is preliminary in nature and further test work and optimisation of the flowsheet is required.

Buldania Royalties

Liontown's acquisition of the revenue and production royalties relating to lithium and related minerals over the Buldania Lithium Project was completed during the period. The royalties, a 1.5% gross revenue royalty and a production royalty of A$2 per tonne of ore mined and/or processed from three key tenements (E63/856, P63/1977 and M63/647), were acquired from Westgold Resources Limited for total consideration of A$2 million in cash.

4. Toolebuc Vanadium Project, Queensland (100% owned)

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

During the period, Liontown completed a 30-hole/745m aircore drilling program at the Cambridge prospect which was designed to validate historical drill results, test for a northern extension of the Cambridge MRE and provide material for metallurgical test work.

Better intersections from the drilling include:

- MAC013 6m @ 0.45% V_2O_5 from 2m
- MAC015 10m @ 0.45% V_2O_5 from 10m
- MAC022 9m @ 0.36% V_2O_5 from 7m
- MAC029 6m @ 0.39% V_2O_5 from 3m

The drilling intersected similar grades and widths as the historic drilling and defined additional vanadium mineralisation immediately to the north of the Cambridge MRE. The newly-defined mineralisation covers an area of 3.7km^2, averages 7m in thickness and has an average grade of 0.38% V_2O_5.

Preliminary metallurgical test work commissioned by Liontown indicates good potential to beneficiate the mineralisation to a higher grade concentrate that can then be processed to extract the vanadium. The recent drilling program at Cambridge has provided ample material for future test work.

While the Toolebuc Project represents a quality development and growth opportunity in the battery metals space, following a strategic review of its corporate priorities and considering the ongoing drilling success at its lithium projects, Liontown has decided to focus its resources on the continued development of the Kathleen Valley Project. Consequently, the Company has commenced a process to either divest the Toolebuc Project or bring in a joint venture partner to advance it to the next stage.

CORPORATE

At 31 December 2019 the Group had net assets of $10,147,221 (30 June 2019 net liabilities: $18,088) and an excess of current assets over current liabilities of $9,945,209 (30 June 2019 deficit of current assets over current liabilities: $116,912). At 31 December 2019, cash at bank totalled $11,755,975 (30 June 2019: $3,363,269). During the period, the Company completed a placement to raise $18,000,000 by issuing 150,000,000 fully paid ordinary shares at an issue price of $0.12 per share.

The Group reported a net loss for the period of $8,047,982 (31 December 2018 net loss: $4,971,853) which included $6,202,667 in exploration and evaluation expenditure expensed in accordance with the Group's accounting policy (31 December 2018: $3,612,032).

EVENTS SUBSEQUENT TO THE REPORTING DATE

In February 2020, the Company announced the Measured, Indicated and Inferred Mineral Resource Estimate (MRE) for the Kathleen Valley Lithium-Tantalum Project increased to 139Mt @ 1.33% Li_2O and 140ppm Ta_2O_5 (reported above a cut-off grade of 0.55% Li_2O). The updated MRE represents an 86% increase from the MRE of 74.9Mt @ 1.3% Li_2O and 140ppm Ta_2O_5 released in July 2019.

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 10 and forms part of this directors' report for the half-year ended 31 December 2019.

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

David Richards
Managing Director

Dated at Perth this 3rd day of March 2020

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Mineral Resources for the Kathleen Valley Project is extracted from the ASX announcement "Kathleen Valley Lithium Resource jumps 353% to 74.9Mt @ 1.3% Li_2O" released on the 9th July 2019 which is available on www.ltresources.com.au and the ASX announcement "Kathleen Valley Lithium Resource hits 139Mt @ 1.3% Li_2O as latest drilling success underpins 86% increase" released on the 13th February 2020 which is available on www.ltresources.com.au

The information in this report that relates to Ore Reserves and Pre-Feasibility Study (PFS) for the Kathleen Valley Project is extracted from the ASX announcements "Kathleen Valley Pre-Feasibility Study confirms potential for robust new long-life open pit lithium mine in WA" released on 2nd December 2019 which is available on www.ltresources.com.au.

The information in this report that relates to Exploration Results for the Kathleen Valley Project is extracted from the ASX announcement "Spectacular new lithium hits at Kathleen Valley as ongoing resource drilling defines +3% Li_2O zone" released on the 20th February 2020 which is available on www.ltresources.com.au.

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

The information in this report that relates to Exploration Results for the Toolebuc Vanadium Project is extracted from the ASX announcement "Exploration and Corporate Strategy Update" released on the 20th January 2020 which is available on www.ltresources.com.au.

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

FORWARD LOOKING STATEMENT

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

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Liontown Resources Limited for the half-year ended 31 December 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 review; and

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

Perth, Western Australia
3 March 2020

D I Buckley
Partner

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Liontown Resources Limited

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	Note	31 Dec 19 $	31 Dec 18 $
Continuing Operations			
Revenue		-	1,450
Exploration and evaluation expenditure expensed	3(a)	(6,202,667)	(3,612,032)
Corporate administrative expenses	3(b)	(1,154,548)	(735,452)
Net fair value loss on fair value of equity instruments designated as FVTPL		-	(139,012)
Share based payments		(763,384)	(471,418)
Impairment loss on loan		-	(35,923)
Net finance income		72,617	20,534
Loss before income tax		**(8,047,982)**	**(4,971,853)**
Income tax expense		-	-
Net loss after tax		**(8,047,982)**	**(4,971,853)**
Other comprehensive income/(loss), net of tax			
Items reclassified to profit or loss			
Exchange differences on translation of foreign operations:		-	(5,455)
Total comprehensive loss		**(8,047,982)**	**(4,977,308)**
Earnings per share from operations			
Basic loss per share (cents per share)		(0.49)	(0.45)
Diluted loss per share (cents per share)		(0.49)	(0.44)

The accompanying notes form part of these financial statements.

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Liontown Resources Limited

Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 19 $	30 Jun 19 $
Current assets			
Cash and cash equivalents		11,755,975	3,363,269
Trade and other receivables		543,007	414,985
Total current assets		**12,298,982**	3,778,254
Non-current assets			
Financial Assets		73,813	54,400
Property, plant and equipment		90,590	44,424
Right-of-use assets		134,081	-
Total non-current assets		**298,484**	98,824
Total assets		**12,597,466**	3,877,078
Current liabilities			
Trade and other payables		2,162,113	3,759,149
Employee benefits		151,302	136,017
Lease Liabilities		40,358	-
Total current liabilities		**2,353,773**	3,895,166
Non-Current liabilities			
Lease Liabilities		96,472	-
Total non-current liabilities		**96,472**	-
Total liabilities		**2,450,245**	3,895,166
Net assets/(liabilities)		**10,147,221**	(18,088)
Equity			
Issued capital	4	62,678,458	45,228,551
Accumulated losses		(54,510,358)	(46,591,731)
Reserves		1,979,121	1,345,092
Total equity		**10,147,221**	(18,088)

The accompanying notes form part of these financial statements.

Liontown Resources Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2019

	Issued capital $	Accumulated losses $	Share based payments reserve $	Foreign currency translation reserve $	Total equity $
Balance at 1 July 2018	37,199,397	(33,982,669)	526,129	144,584	3,887,441
Loss for the period	-	(4,971,853)	-	-	(4,971,853)
Other comprehensive loss	-	-	-	(5,454)	(5,454)
Total comprehensive loss for the period	**-**	**(4,971,853)**	**-**	**(5,454)**	**(4,977,307)**
Transactions with Owners in their capacity as Owners:					
Share-based payments	-	-	471,418	-	471,418
Issue of shares (net of costs)	746,324	-	-	-	746,324
Balance at 31 December 2018	**37,945,721**	**(38,954,522)**	**997,547**	**139,130**	**127,876**
Balance at 1 July 2019	45,228,551	(46,591,731)	1,206,001	139,091	(18,088)
Loss for the period	-	(8,047,982)	-	-	(8,047,982)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	**-**	**(8,047,982)**	**-**	**-**	**(8,047,982)**
Transactions with Owners in their capacity as Owners:					
Issue of shares (net of costs)	17,449,907	-	-	-	17,449,907
Share-based payments	-	-	763,384	-	763,384
Transfer between equity items	-	129,355	(129,355)	-	-
Balance at 31 December 2019	**62,678,458**	**(54,510,358)**	**1,840,030**	**139,091**	**10,147,221**

The accompanying notes form part of these financial statements.

Liontown Resources Limited

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

	31 Dec 19 $	31 Dec 18 $
Cash flows from operating activities		
Cash paid to suppliers and employees	(1,192,076)	(650,690)
Payments for exploration and evaluation	(7,677,714)	(2,295,262)
Interest received	63,790	21,017
Net cash (used in) operating activities	**(8,806,000)**	**(2,924,935)**
Cash flows from investing activities		
Payments for plant and equipment	(55,238)	(6,008)
Proceeds from sale of financial assets	-	1,090,258
Net cash (used)/ from in investing activities	**(55,238)**	**1,084,250**
Cash flows from financing activities		
Proceeds from issue of shares	18,354,750	-
Share application monies held on trust	(163,750)	-
Payments for share issue costs	(905,143)	(35,506)
Repayment of lease liabilities	(12,515)	-
Security deposits	(19,413)	(4,400)
Net cash from/(used) in financing activities	**17,253,929**	**(39,906)**
Net increase /(decrease) in cash and cash equivalents	8,392,691	(1,880,591)
Effects of exchange rate fluctuations on cash held	15	130
Cash and cash equivalents at 1 July	3,363,269	2,856,744
Cash and cash equivalents at 31 December	**11,755,975**	**976,283**

The accompanying notes form part of these financial statements.

1. Significant accounting policies

(a) Statement of compliance

The financial report was authorised for issue on 3rd March 2020.

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

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

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

The interim financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that these interim statements be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Liontown Resources Limited during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half year, except for the impact of the new Standards and Interpretations effective disclosed in note 1(d). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) Basis of preparation

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

(c) Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2019, except for the impact of the new Standards and Interpretations effective 1 July 2019 as disclosed in note 1(d).

(d) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable for the half year ended 31 December 2019

In the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period. As a result of this review, the Group has applied AASB 16 Leases.

1. Significant accounting policies (continued)

AASB 16 Leases
The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information. The impact on the accounting policies, financial performance and financial position of the Group from the adoption of AASB 16 is detailed below.

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The changes result in almost all leases where the Group is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on retained earnings, and comparatives have not been restated.

The Group from time to time leases various premises, plant and equipment. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Company is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.

Lease payments included in the initial measurement if the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of extension options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

Extension options are included in a number of property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there is a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

1. Significant accounting policies (continued)

Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16
On adoption of AASB 16, other than short-term leases and leases of low-value assets, the Group had no lease liabilities that required recognition under the principles of AASB16.

Leases entered into during the period that did not qualify for exemptions were measured at the present value lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 8.85%.

On initial application right-of-use assets were measured at the amount equal to the lease liability.

In the Condensed Consolidated Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in no initial recognition of right-of-use assets and lease liabilities in respect of all operating leases as the only leases in existence qualified for the exemptions of short-term leases and leases of low-value assets.

The net impact on retained earnings on 1 July 2019 was $nil.

Other than AASB 16, there is no material impact of the new and revised Standards and Interpretations on the Group.

Standards and Interpretations in issue not yet adopted
The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

(e) Going Concern

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

2. Segment reporting

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

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

	Exploration and Evaluation		Corporate		Total	
	31 Dec 19 $	31 Dec 18 $	31 Dec 19 $	31 Dec 18 $	31 Dec 19 $	31 Dec 18 $
Revenue	-		-	1,450	-	1,450
Net fair value loss on fair value of equity instruments designated though FVTPL	-		-	(139,012)	-	(139,012)
Proceeds from sale of exploration and evaluation tenements	-	-	-	-	-	-
Exploration and evaluation expenditure expensed	(6,202,667)	(3,612,032)	-	-	(6,202,667)	(3,612,032)
Corporate and administrative expenses	-	(57)	(1,154,548)	(735,395)	(1,154,548)	(735,452)
Share based payments	-		(763,384)	(471,418)	(763,384)	(471,418)
Segment net loss before tax	**(6,202,667)**	**(3,612,089)**	**(1,917,932)**	**(1,344,375)**	**(8,120,599)**	**(4,956,464)**
Unallocated income/(expenses)						
Net financing income					72,617	20,534
Impairment on loan					-	(35,923)
Loss before income tax					**(8,047,982)**	**(4,971,853)**

	31 Dec 19 $	30 Jun 19 $	31 Dec 19 $	30 Jun 19 $	31 Dec 19 $	30 Jun 19 $
Segment assets	42,150	41,855	303,070	65,292	345,220	107,147
Unallocated assets					12,252,246	3,769,931
Total assets					**12,597,466**	**3,877,078**
Segment liabilities	1,777,875	3,251,605	672,370	643,561	2,450,245	3,895,166
Unallocated liabilities					-	-
Total Liabilities					**2,450,245**	**3,895,166**

3. Revenue and expenses

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

(a) Exploration and evaluation expenditure	**31 Dec 19 $**	**31 Dec 18 $**
Australia		
- Toolebuc Vanadium	185,268	55,847
- Kathleen Valley	5,015,838	1,524,409
- Buldania	972,971	2,009,085
- Other	28,590	14,206
	6,202,667	**3,603,547**
Tanzania		
- Jubilee Reef	-	8,485
	6,202,667	**3,612,032**

(b) Corporate administrative expenses	**31 Dec 19 $**	**31 Dec 18 $**
Depreciation and amortisation	22,974	5,575
Insurance	18,589	21,276
Legal fees	22,029	29,959
Office costs	96,692	67,995
Personnel expenses (3(c))	546,315	342,574
Promotions and investor relations	124,064	96,159
Conferences and travel	62,200	55,312
Regulatory and compliance	132,321	73,974
Business development costs	-	57
Fixed assets written off	18,886	4,595
Other	110,478	37,976
	1,154,548	**735,452**

(c) Personnel expenses	**31 Dec 19 $**	**31 Dec 18 $**
Directors' fees, wages and salaries	443,005	277,114
Other associated personnel expenses	88,025	17,100
Annual leave and long service leave	15,285	48,360
	546,315	**342,574**

4. Issued capital

	6 months to 31 Dec 19		**Year to 30 Jun 19**	
	No.	**$**	**No.**	**$**
On issue at the beginning of the year	1,532,885,201	45,228,551	1,103,987,460	37,199,397
Rights issues and placements [1]	150,000,000	18,000,000	394,297,741	7,885,955
Issue of shares for unlisted options	11,100,000	354,750	4,600,000	161,000
Issue of share for Killaloe acquisition	-	-	20,000,000	520,000
Issue of shares for Buldania ML Lithium rights	-	-	10,000,000	240,000
Less share issue costs	-	(904,843)	-	(777,801)
Balance at end of period	1,693,985,201	62,678,458	**1,532,885,201**	**45,228,551**

[1] During the period, the Company completed a placement to raise $18,000,000 by issuing 150,000,000 fully paid ordinary shares at an issue price of $0.12 per share.

5. Share options and performance rights

Share options issued under Employee Incentive Scheme

	6 months to 31 Dec 19 No.	Year to 30 Jun 19 No.
Options		
Movements in unlisted options over ordinary shares on issue:		
At 1 July	57,500,000	33,750,000
Options granted	21,650,000	29,250,000
Options lapsed/expired	-	(1,000,000)
Options exercised	(11,000,000)	(4,500,000)
Total share options on issue	**68,150,000**	**57,500,000**

On 27 November 2019, 14,000,000 share options were granted to Directors following shareholder approval at the 2019 Annual General Meeting. In addition, during the half year, a total of 7,650,000 share options were granted to employees under the terms of the Company's Employee Securities Incentive Plan.

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

	6 months to 31 Dec 19
Share price at grant date (weighted average)	$0.083
Exercise price (weighted average)	$0.15
Expected volatility (weighted average)	111%
Expected life (expressed as weighted average used in the modelling under Black Scholes option pricing model)	3.05 years
Vesting period (weighted average)	0.4 years
Expected dividends	Nil
Risk-free interest rate (weighted average)	0.71%

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

Other Share Based Payments

	6 months to 31 Dec 19 No.	Year to 30 Jun 19 No.
Options		
Movements in unlisted options over ordinary shares on issue:		
At 1 July	14,900,000	-
Options granted	400,000	15,000,000
Options lapsed/expired	-	-
Options exercised	(100,000)	(100,000)
Total share options on issue	**15,200,000**	**14,900,000**

During the period 400,000 share options were granted for provision of corporate communication and investor relations support.

5. Share options and performance rights (continued)

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

	6 months to 31 Dec 19
Share price at grant date (weighted average)	$0.082
Exercise price (weighted average)	$0.15
Expected volatility (weighted average)	114%
Expected life (expressed as weighted average used in the modelling under Black Scholes option pricing model)	3.16 years
Vesting period (weighted average)	1 years
Expected dividends	Nil
Risk-free interest rate (weighted average)	0.70%

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

	6 months to 31 Dec 19 No.	Year to 30 Jun 19 No.
Performance rights		
Movements in performance rights on issue:		
At 1 July	1,000,000	-
Rights granted	-	1,000,000
Total performance rights on issue	**1,000,000**	**1,000,000**

Performance rights contain non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services rendered.

6. Related Parties

Key management personnel compensation is as follows:

	6 months to 31 Dec 19 $	6 months to 31 Dec18 $
Short-term employee benefits	288,947	238,722
Post-employment benefits	23,111	12,116
Equity-settled transactions	676,026	311,708
	988,084	**562,546**

Other related parties transactions

The group receives corporate services including office rent and facilities, management, and communications services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder is a Director of Chalice Gold Mines Limited. Amounts billed are based on a proportionate share of the cost to Chalice Gold Mines Limited of providing the services and have normal payment terms. The total amount invoiced during the period was $152,373 (six months ended 31 December 2018: $66,000).

The Group receives database management and field services from related parties of the Managing Director, Mr Richards. Amounts paid are on normal commercial terms. The total amount incurred during the period was $68,133 (six months ended 31 December 2018: $ 54,145)

6. Related Parties (continued)

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. The total amount incurred during the period was $29,000 (six months ended 31 December 2018: $nil)

Amounts payable to key management personnel at reporting date arising from these transactions was $77,437 (31 December 2018: $11,958).

7. Events Subsequent to Reporting Date

In February 2020, the Company announced the Measured, Indicated and Inferred Mineral Resource Estimate (MRE) for the Kathleen Valley Lithium-Tantalum Project increased to 139Mt @ 1.33% Li_2O and 140ppm Ta_2O_5 (reported above a cut-off grade of 0.55% Li_2O). The updated MRE represents an 86% increase from the MRE of 74.9Mt @ 1.3% Li_2O and 140ppm Ta_2O_5 released in July 2019.

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

8. Exploration commitments

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

	31 Dec 19 $
Within 1 year	1,043,705
Within 2 – 5 years	3,066,936
Later than 5 years*	3,311,208
	7,421,849

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

9. Contingent assets and liabilities

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

Directors' Declaration

For the half-year ended 31 December 2019

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

1. The accompanying interim financial statements and notes are in accordance with the *Corporations Act 2001* including:
    a. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year then ended; and
    b. complying with Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The interim financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2019.

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

Dated this 3rd day of March 2020.

David Richards
Managing Director

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Liontown Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
3 March 2020

D I Buckley
Partner